Q1 Canaccord Capital Inc.
Reports fiscal first quarter 2009 results

First Quarter Fiscal 2009 Report to Shareholders

Canaccord Capital Inc. reports fiscal first quarter 2009 results

(All dollar amounts are stated in Canadian dollars unless otherwise indicated)

VANCOUVER, **August 8, 2008** – Canaccord Capital Inc.'s revenue for the first quarter of fiscal year 2009, ended June 30, 2008, was $172.7 million, down 29.8% from the record quarter a year ago. Net income for the first quarter was $16.5 million, down 57.8%, and diluted earnings per share ("EPS") of $0.31 was down 61.3% from the same period a year ago. Commenting on the results, Paul Reynolds, President and CEO said "We were pleased with the sequential improvement over the fourth quarter of fiscal 2008, however we expect the business environment to remain challenging for the balance of the calendar year. Our focus remains on building value for our shareholders. Several key areas we plan to concentrate on are cutting or containing expenses, developing strategies to unlock additional value in Canaccord's businesses, and continuing to execute great ideas for our clients."

Highlights of the fiscal first quarter 2009 results (three months ended June 30, 2008) compared to the fiscal first quarter 2008 results (three months ended June 30, 2007):

- Revenue of $172.7 million, down 29.8% or $73.2 million from $245.9 million
- Expenses of $149.2 million, down 20.3% or $38.0 million from $187.2 million
- Net income of $16.5 million, down 57.8% or $22.6 million from $39.0 million
- Diluted EPS of $0.31, down 61.3% or $0.49 from $0.80
- Return on Equity ("ROE") of 15.7%, down from 41.2%
- Working capital increased by 7.0% to $333.3 million from $311.4 million
- Book value per diluted common share for the period end was $7.66 down 3.8%, or $0.30, from $7.96
- The Board of Directors approved a quarterly dividend of $0.125 per share on August 7, 2008, payable on September 10, 2008 with a record date of August 29, 2008

Highlights of the fiscal first quarter 2009 results (three months ended June 30, 2008) compared to the fiscal fourth quarter 2008 results excluding non-recurring asset-backed commercial paper ("ABCP") related charges [1] (three months ended March 31, 2008):

- Revenue of $172.7 million, up 20.4% or $29.3 million from $143.4 million
- Expenses of $149.2 million, up 13.4% or $17.6 million from $131.6 million
- Net income of $16.5 million, up 129.2% or $9.3 million from $7.2 million
- Diluted EPS of $0.31, up $0.16 from $0.15

(1) In Q4/08, a $58.2 million charge for the Canaccord Relief Program and restructuring as well as a $4.2 million ABCP fair value adjustment related to the ABCP held by Canaccord in treasury were recorded. The Q4/08 results presented herein for comparative purposes exclude these non-recurring charges and adjustments.

Contents

CANACCORD CAPITAL

Highlights of Operations:

- Canaccord Adams, our capital markets team, led 33 transactions [2] globally to raise total proceeds of more than $907.4 million during Q1/09
- During Q1/09, Canaccord Adams led and co-led the following equity transactions:
  - $172.4 million on TSX-V for Archangel Diamond Corporation
  - $60.0 million on TSX for Aura Minerals Inc.
  - $60.0 million on TSX-V for Lero Gold Corp.
  - $54.0 million on AMEX for Cano Petroleum Inc.
  - $46.2 million on TSX for Arise Technologies Corp.
- Including the led and co-led transactions referred to above, Canaccord Adams participated in a total of 68 transactions [2] globally to raise gross proceeds of more than $6.3 billion during Q1/09. Of this:
  - Canada participated in 50 transactions, which raised $3.9 billion
  - UK participated in 7 transactions, which raised $1.9 billion
  - US participated in 11 transactions, which raised $0.5 billion
- Canaccord Adams acted as financial advisor in the following transactions:
  - Advised Metallica Resources Inc. in its $1.6 billion business combination with New Gold Inc. and Peak Gold Ltd.
  - Advised Oriel Resources Plc in its $1.5 billion acquisition by Mechel OAO
  - Advised Lero Gold Corp. in its $65.1 million acquisition by European Minerals Corp.
  - Advised Copley Controls Corp. in its $68.9 million acquisition by Analogic Corporation
- Assets under administration ("AUA") of $14.7 billion, down 6.4% from the same period a year ago, and up 2.8% from Q4/08
- Assets under management ("AUM") of $747.0 million, down 8.3% from the same period a year ago, and up 2.3% from Q4/08
- As of June 30, 2008, Canaccord had 354 Advisory Teams, down 19 from the same period a year ago, and unchanged from Q4/08. In Q4/08, we changed how we report the number of Investment Advisors to report them as Advisory Teams, and to exclude Advisory Teams that are led by, or only include, an Investment Advisor who has been licensed for less than three years.
- As previously announced in May 2008, Canaccord issued 6,733,250 common shares for total gross proceeds of $69.0 million, which will be used for business development and general corporate purposes

(2) Transactions over $1.5 million.

letter to shareholders

Given the challenges faced by many in the financial services industry over the past year, we were generally pleased with Canaccord's performance for the first three months of fiscal 2009. While the comparison of Canaccord's current results with the same quarter in the prior year – one of Canaccord's best three-month periods ever – is not attractive, it should not overshadow the progress we are making in creating a Canaccord that is stronger, more efficient and more competitive in our chosen markets.

Financial Highlights

Total revenues declined 29.8% to $172.7 million in the first three months of fiscal 2009 compared to the same quarter of fiscal 2008. Significantly lower activity in our capital markets operations in both Canada and the UK and Private Client Services in Canada contributed to the year-over-year decline. Higher agency revenue and new investment banking assignments helped our US operations maintain revenue levels in demanding market conditions.

Overall, though, we were pleased that we achieved a 20.4% increase in revenues over Q4/08 in light of the market challenges that continued throughout the quarter. This sequential increase was driven largely by higher revenue in both commissions and investment banking. Revenues increased in all of our geographies due to more corporate financings and advisory mandates. Net income more than doubled, from $7.2 million in Q4/08 (excluding ABCP related charges and adjustments) to $16.5 million in Q1/09.

Lower incentive compensation led to a 20.3% decrease year over year in total expenses, which declined to $149.2 million for the three months ended June 30, 2008. There were no additional fair value adjustments to the ABCP Canaccord holds in treasury. Net income declined 57.8% for the three months to $16.5 million compared to the same quarter in the prior year. Diluted earnings per share were $0.31, down 61.3% from the record $0.80 earned in Q1/08.

Early in the quarter, we announced the widely publicized Canaccord Relief Program that will provide our clients who hold $1 million or less of ABCP with full recovery of principal, interest and costs on their investment. We believe we are very near the end of this long process, during which protecting our clients' interests has been our principal concern. A hallmark of that priority is that the purchase agreements for eligible ABCP are in place and fully funded, and we await only the final court approval of the restructuring process. Once that is received, we expect a further five or six weeks will be required for clients to receive their funds.

Capital Markets Success

One of the strengths of Canaccord's culture is a strong commitment to create and execute great ideas in whatever business environment we find ourselves. Despite the uncertainties that continued to impact the global capital markets during the quarter, our M&A business was strong, with our bankers advising on major resources transactions such as the three-way merger of Metallica Resources, Peak Gold and New Gold and the combination of Lero Gold and European Minerals. We also led more than $900 million in financings globally during the three months, including Archangel Diamond, Aura Minerals and Cano Petroleum.

The Cano Petroleum transaction was our second bought deal in the US over the past year, which speaks to the effectiveness of Canaccord Adams' expanded investment banking team led by Jamie Brown, our new president of US operations. Our US agency business is also benefiting from winning ideas and closer integration with our Canadian operations: in June, the equity team posted their best revenue month since we acquired Adams Harkness two and half years ago. We also had success on the advisory side where we worked with Copley Controls in their acquisition by Analogic.

Revenue for the UK and Other Foreign Location revenues for the first quarter of fiscal 2009 declined 33.4% compared to the record levels of Q1/08. They were, however, significantly stronger than the last quarter of fiscal 2008. Our UK revenues tend to be variable in nature due to our emphasis on banking and advisory assignments. In order to provide more stability to our results in this geography, we have added to our capabilities in market making and agency business and are integrating them more closely with our North American operations. We also have a strong executive team in London, and they remain committed to building Canaccord's presence and performance in this important global market.

Private Client Services Progression

Private Client Services' revenue, while down 24.0% compared to last year's strong first quarter, improved over the last quarter of fiscal 2008. We have formed a small Retail Action Group to manage the day-to-day operations of the division, to good effect. We're also pleased with the number and quality of candidates who have expressed an interest in leading Private Client Services into its next phase of growth and value creation. We expect to have the position, and that of Head of Fixed Income, filled by early fall 2008.

Our 120-day Plan

Canaccord has built its culture and reputation on providing the best ideas and service for clients. This will always remain at the core of our values. Further we expect global financial markets to remain challenging, and to create value for shareholders, we need to expand our commitment to great ideas that balance the needs of clients but also the needs of our business.

We initiated the 120-day plan mid-June with the goal of raising margins and increasing Canaccord's profitability – ultimately creating further shareholder value. The plan touches all aspects of the firm, from front to back office, and is an evolutionary shift towards more sustainable business operations. We are examining existing and new revenue sources; cost containment; and, whenever feasible, cutting operational costs in order to enable Canaccord to be more competitive in down markets and help position us for further growth.

Our 120-day plan currently involves employees at all levels of the organization in identifying opportunities for us to operate more efficiently. New policies have been implemented to cut or contain discretionary expenses such as travel, entertainment, hiring and salaries, with a goal of lowering the Company's structural expenses. In the medium term, we will be very intent on unlocking the value of those parts of our business that are not currently reflected in our share price. We also intend to enhance margins by ensuring competitive market pricing of client services and by building recurring revenues from wealth management services.

We are a little less than halfway through the 120 days at this writing. I can say that Canaccord's senior management is committed to realizing substantial gains in value for shareholders, clients and employees from this plan. We are all significant shareholders, and we know the tremendous potential that exists in the Canaccord franchise.

That potential resides in a culture steeped in great ideas and strong values. It's given substance by a strong equity base of almost $440 million and by a strong and growing share of investment banking assignments. Those are the key building blocks of profitability and value in the financial services industry, and we intend to use them for the benefit of all shareholders in whatever market conditions we encounter.

PAUL D. REYNOLDS
President & Chief Executive Officer

management's discussion and analysis

Fiscal first quarter 2009 for the three months ended June 30, 2008 – this document is dated August 8, 2008

The following discussion of the financial condition and results of operations for Canaccord Capital Inc. ("Canaccord") is provided to enable the reader to assess material changes in our financial condition and to assess results for the three-month period ended June 30, 2008 compared to the corresponding period in the preceding fiscal year. The three-month period ended June 30, 2008 is also referred to as first quarter 2009, Q1/09 and fiscal Q1/09 in the following discussion. This discussion should be read in conjunction with the unaudited interim consolidated financial statements for the three-month period ended June 30, 2008, beginning on page 19, of this report; our Annual Information Form dated June 30, 2008; and the 2008 annual Management's Discussion and Analysis ("MD&A") including the audited consolidated financial statements for the fiscal year ended March 31, 2008 ("Audited Annual Consolidated Financial Statements") in Canaccord's Annual Report dated July 8, 2008 ("the Annual Report"). There has been no material change to the information contained in the annual MD&A for fiscal 2008 except as disclosed in this MD&A. Canaccord's financial information is expressed in Canadian dollars unless otherwise specified. The financial information presented in this document is prepared in accordance with Canadian generally accepted accounting principles ("GAAP") unless specifically specified. This MD&A is based on unaudited interim and Audited Annual Consolidated Financial Statements prepared in accordance with Canadian GAAP.

Caution regarding forward-looking statements

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

Non-GAAP measures

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

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

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

Overview

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

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

Business environment

Global capital markets faced many challenges in the fiscal first quarter of 2009. The ongoing credit crisis that emerged in the third quarter of calendar 2007 sent global financial services shares to multi-year lows. The US housing crisis deepened and raised concerns more recently about the ongoing viability of two large US government sponsored enterprises. Crude oil prices rose to all-time highs. The higher price of gasoline, job uncertainty and escalating housing foreclosures lowered US consumer confidence. The economy became the central focus for US government actions.

The Canadian economy was hampered by weaker US consumer spending, most notably auto industry output. The ongoing decline of manufacturing activity in Central Canada kept Canadian growth contained. Emerging market demand for materials and energy benefited many former economically depressed regions and supported the value of the Canadian dollar.

Inflation is a concern for central bankers of the advanced economies despite weaker economic activity. Examples of the economic deceleration include the UK, which is experiencing its own housing and financial services crisis and Germany, which has been slowing due to accelerating producer prices, higher interest rates and severely dampened business confidence. Inflation is more prominent in the emerging economies but so far it has invoked only a limited monetary response.

Excessive liquidity provided for the US financing of government and personal debt over the last several years is now being deleveraged. Over the next year, global growth and inflation are expected to slow. Risks to this outlook include: a widening credit crisis, further increases in commodity prices and a new round of dissatisfaction with the US dollar causing currency market disruption.

Continued lower economic growth in the world economies will generally have a negative impact on Canaccord's various businesses. As we think a global recession is unlikely, we remain constructive towards the commodity area. However, an area of opportunity, even in a slower growth environment, is mergers and acquisitions advisory activity. This could result from well run and financed businesses seeking to add productivity improvements through technology and looking to strategic and accretive mergers to restore profit margins and pricing power. Mergers and acquisitions advisory has been a growth area for Canaccord, yet because of its transactional nature, tends to provide an uneven revenue stream. Nonetheless, we would look to increased activity in this area going forward.

Market data

Year-over-year trading volumes of shares increased on the TSX Venture and AIM, while trading volume stayed relatively neutral on the TSX, and declined on the NASDAQ. Sequentially, trading volumes were mixed between North America and the UK. Financing values on each of the TSX, TSX Venture, AIM and NASDAQ experienced sharp declines over Q1/08 but were all higher compared to Q4/08. The total financing value from each of Canaccord's focus sectors on the AIM declined sharply year over year, while the majority showed increases sequentially. Financing values on the Canadian exchanges were also lower for Q1/09 when compared to Q1/08 for our focus sectors, while most sectors increased sequentially from Q4/08 to Q1/09.

Trading volume by exchange (billions of shares)

	April 2008	*May 2008*	*June 2008*	*Fiscal Q1/09*	*Change from fiscal Q1/08*	*Change from fiscal Q4/08*
TSX	8.3	8.5	8.1	24.9	0.4%	(2.4)%
TSX Venture	4.2	4.5	5.2	13.9	3.7%	20.9%
AIM	15.1	12.7	11.4	39.2	7.7%	2.9%
NASDAQ	18.5	18.0	20.3	56.8	(5.8)%	18.7%

Source: TSX Statistics, LSE AIM Statistics, Thomson One

Total financing value by exchange

	April 2008	*May 2008*	*June 2008*	*Fiscal Q1/09*	*Change from fiscal Q1/08*	*Change from fiscal Q4/08*
TSX and TSX Venture (C$ billions)	2.6	3.8	4.9	11.3	(37.3)%	9.5%
AIM (£ billions)	0.6	0.4	1.0	2.0	(71.4)%	81.8%
NASDAQ (US$ billions)	1.1	2.1	1.9	5.1	(67.5)%	75.9%

Source: TSX Statistics, LSE AIM Statistics, Equidesk

Financing value for relevant AIM industry sectors

(£ millions, except for percentage amounts)	*April 2008*	*May 2008*	*June 2008*	*Fiscal Q1/09*	*Change from fiscal Q1/08*	*Change from fiscal Q4/08*
Oil and gas	162.1	92.8	53.5	308.4	(17.9)%	22.2%
Mining	232.3	55.2	170.4	457.9	(48.7)%	117.6%
Biotech	17.0	20.4	1.2	38.6	(42.6)%	181.8%
Media	9.7	7.5	1.3	18.5	(97.3)%	(61.9)%
Technology	11.5	6.5	116.3	134.3	(54.5)%	1,205.0%
Total (of relevant sectors)	**432.6**	**182.4**	**342.7**	**957.7**	**(58.6)%**	**78.9%**

Source: LSE AIM Statistics

Financing value for relevant TSX and TSX Venture industry sectors

($ millions, except for percentage amounts)	*April 2008*	*May 2008*	*June 2008*	*Fiscal Q1/09*	*Change from fiscal Q1/08*	*Change from fiscal Q4/08*
Oil and gas	699.8	1,568.1	1,070.7	3,338.6	(28.4)%	289.8%
Mining	250.3	212.1	915.6	1,378.0	(70.7)%	(68.0)%
Biotech	59.3	33.9	25.5	118.7	(69.9)%	12.2%
Media	0.0	0.0	0.0	0.0	(100.0)%	0.0%
Technology	3.6	5.2	52.2	61.0	(80.2)%	19.6%
Total (of relevant sectors)	**1,013.0**	**1,819.3**	**2,064.0**	**4,896.3**	**(51.6)%**	**(7.9)%**

Source: FP Infomart

About Canaccord's operations

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

Canaccord Adams

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

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

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

Private Client Services

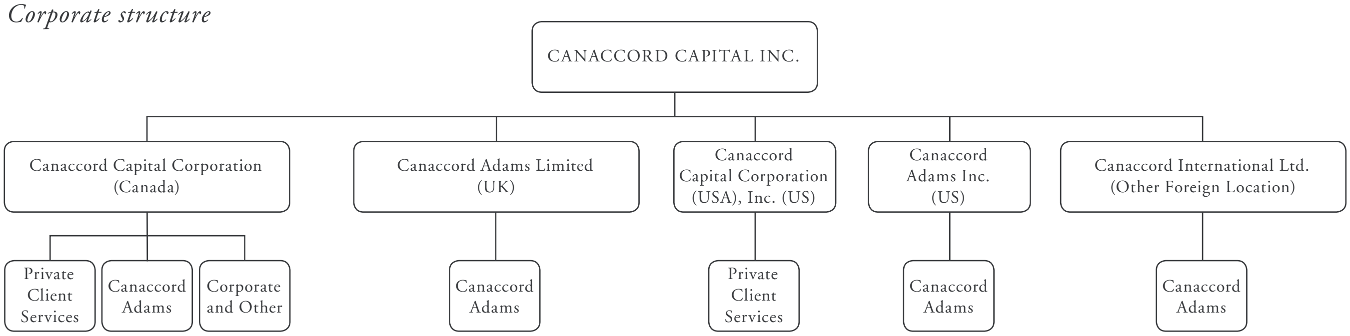
As a leading independent investment dealer, Canaccord's private client services has built its reputation on the quality of our investment ideas. We recognize that the growing complexity of many clients' financial circumstances demands experienced Advisory Teams who can provide solutions and ideas that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

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

Corporate and Other

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

Corporate structure



Consolidated operating results

First quarter and fiscal 2009 summary data (1)

(C$ thousands, except per share, employee and % amounts)	*Three months ended June 30* 2008	2007	*Year-over-year increase (decrease)*
Canaccord Capital Inc.			
Revenue			
Commission	**$ 71,996**	$ 85,775	(16.1)%
Investment banking	**76,147**	128,625	(40.8)%
Principal trading	**5,911**	6,813	(13.2)%
Interest	**12,329**	16,310	(24.4)%
Other	**6,325**	8,347	(24.2)%
Total revenue	**$ 172,708**	$ 245,870	(29.8)%
Expenses			
Incentive compensation	**$ 82,727**	$ 121,406	(31.9)%
Salaries and benefits	**15,443**	14,269	8.2%
Other overhead expenses (2)	**51,009**	51,545	(1.0)%
Total expenses	**$ 149,179**	$ 187,220	(20.3)%
Income before income taxes	**23,529**	58,650	(59.9)%
Net income	**16,459**	39,029	(57.8)%
Earnings per share ("EPS") – diluted	**0.31**	0.80	(61.3)%
Return on average common equity ("ROE")	**15.7%**	41.2%	(25.5)p.p.
Book value per share – period end	**7.66**	7.96	(3.8)%
Number of employees	**1,698**	1,657	2.5%

(1) Data is considered to be GAAP except for ROE, book value per share and number of employees.
(2) Consists of trading costs, premises and equipment, communication and technology, interest, general and administrative, amortization and development costs.
p.p.: percentage points

Geographic distribution of revenue for the first quarter of fiscal 2009 (1)

(C$ thousands, except % amounts)	*Three months ended June 30* 2008	2007	*Year-over-year decrease*
Canada	**$ 108,878**	$ 162,093	(32.8)%
UK	**33,718**	47,501	(29.0)%
US	**25,641**	26,422	(3.0)%
Other Foreign Location	**4,471**	9,854	(54.6)%

(1) For a business description of Canaccord's geographic distribution please refer to the "About Canaccord's Operations" section on page 7.

First quarter 2009 vs. first quarter 2008

On a consolidated basis, revenue is generated through five activities: commissions and fees associated with agency trading and private client wealth management activity, investment banking, principal trading, interest and other. Revenue for the three months ended June 30, 2008 was $172.7 million, a decrease of 29.8% or $73.2 million compared to the same period a year ago.

For the first quarter of fiscal 2009, revenue generated from commissions decreased $13.8 million to $72.0 million compared to the same period a year ago and was largely attributed to the commission revenue earned from the Canadian operations which was down $15.5 million or 21.8% to $55.8 million in the current quarter. This decrease was partially offset by an increase in commission revenue in the US and UK operations. Q1/08 was a record quarter for the Company and it was challenging to reach similar results in Q1/09 considering the volatility in the current market environment. This resulted in a drop in commission revenue in the Canadian operations compared to Q1/08.

Investment banking revenue was $76.1 million, down $52.5 million or 40.8%, primarily due to decreased activities from Canadian and UK equity markets. Revenue derived from principal trading was $5.9 million, a decrease of $0.9 million, or 13.2% due to the declining markets. Interest revenue was $12.3 million, down $4.0 million or 24.4%, mainly due to lower interest rates compared to the same quarter in the prior year. Other revenue decreased by $2.0 million or 24.2% which was mainly attributed to lower foreign exchange gains in the current quarter.

First quarter revenue in Canada was $108.9 million, a decrease of 32.8% or $53.2 million from the same period a year ago. Our operations were affected by the weaker Canadian equity markets compared to Q1/08.

Revenue in the UK was $33.7 million, a decrease of 29.0% or $13.8 million compared to the same period a year ago. The UK operations had a record quarter in Q1/08, which was not matched in the current period due to the volatility in the capital markets. Revenue from Other Foreign Location was $4.5 million, down 54.6% or $5.4 million, which was due to a decrease in corporate finance revenue.

Revenue in the US was $25.6 million, a decrease of $0.8 million or 3.0%, from Q1/08. Despite the tough market conditions in the US, the US operations maintained a consistent level of revenue compared to Q1/08.

Expenses as a percentage of revenue

	Three months ended June 30		
	2008	*2007*	*Year-over-year increase (decrease)*
Incentive compensation	**47.9%**	49.4%	(1.5)p.p.
Salaries and benefits	**8.9%**	5.8%	3.1p.p.
Other overhead expenses (1)	**29.6%**	20.9%	8.7p.p.
Total	**86.4%**	76.1%	10.3p.p.

(1) Consists of trading costs, premises and equipment, communication and technology, interest, general and administrative, amortization and development costs.
p.p.: percentage points

First quarter 2009 vs. first quarter 2008

Expenses for the three months ended June 30, 2008 were $149.2 million, down 20.3% or $38.0 million from a year ago.

Incentive compensation expense was $82.7 million for the quarter, a decrease of 31.9% or $38.7 million, due to the decrease in incentive-based revenue. Consolidated incentive compensation as a percentage of total revenue was 47.9%, down 1.5 percentage points.

Salaries and benefits expense was $15.4 million, an increase of 8.2% in the first quarter of fiscal 2009 from the same period a year ago. The increase was as a result of 41 additional staff employed firm-wide.

The total compensation (incentive compensation plus salaries) payout as a percentage of consolidated revenue for Q1/09 was 56.8%, an increase of 1.6 percentage points from 55.2 % in Q1/08.

Other overhead expenses

	Three months ended June 30		
(C$ thousands, except % amounts)	*2008*	*2007*	*Year-over-year increase (decrease)*
Trading costs	**$ 6,321**	$ 6,958	(9.2)%
Premises and equipment	**5,785**	5,259	10.0%
Communication and technology	**6,163**	5,739	7.4%
Interest	**3,959**	6,168	(35.8)%
General and administrative	**19,277**	18,271	5.5%
Amortization	**2,042**	1,977	3.3%
Development costs	**7,462**	7,173	4.0%
Total other overhead expenses	**$ 51,009**	$ 51,545	(1.0)%

First quarter 2009 vs. first quarter 2008
Other overhead expenses decreased by 1.0% or $0.5 million from the prior year to $51.0 million for the first quarter of fiscal 2009. Contributing to the overall decrease in overhead expenses was trading costs, which decreased 9.2% or $0.6 million, consistent with the drop in commission revenue. Interest expense also decreased by 35.8% or $2.2 million due to lower interest rates in the current quarter compared to Q1/08.

General and administrative expense was up 5.5% or $1.0 million. The increase in general and administrative expense for Q1/09 was due to a non-recurring expense for consultancy fees incurred to upgrade internal infrastructure.

Net income for Q1/09 was $16.5 million, a decrease of 57.8% or $22.6 million from the same period a year ago. Diluted EPS was $0.31, down by $0.49 or 61.3%. ROE for Q1/09 was 15.7 % compared to an ROE of 41.2% a year ago. The decrease in EPS was largely due to the lower net income as well as the issuance of 6,733,250 common shares in connection with the equity financing in May 2008. Book value per diluted share for Q1/09 was down 3.8% to $7.66.

Income taxes were $7.1 million for the quarter, reflecting an effective tax rate of 30.0%, a decrease of 3.5 percentage points from 33.5% a year ago. The decrease in the rate reflects the reduction in the Canadian federal tax rate from 22.1% to 19.0% as well as the UK tax rate from 30.0% to 28.0%.

Results of operations

Canaccord Adams [1]

(C$ thousands, except employees and % amounts)	Three months ended June 30 2008	Three months ended June 30 2007	Year-over-year increase (decrease)
Canaccord Adams			
Revenue	$ **104,793**	$ 155,023	(32.4)%
Expenses			
Incentive compensation	$ **52,529**	$ 76,203	(31.1)%
Salaries and benefits	**4,223**	4,019	5.1%
Other overhead expenses	**28,268**	26,127	8.2%
Total expenses	**85,020**	106,349	(20.1)%
Income before income taxes [2]	**19,773**	48,674	(59.4)%
Number of employees	**545**	534	2.1%

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

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

First quarter 2009 vs. first quarter 2008
Revenue for Canaccord Adams in Q1/09 was $104.8 million, a decrease of 32.4 % or $50.2 million from the same quarter a year ago, due to the weak global capital markets across all geographies.

Revenue from Canadian operations
Canaccord Adams in Canada generated revenue of $42.0 million in Q1/09, a decrease of 41.9% or $30.4 million from Q1/08. The decrease in revenue in this geographic sector was largely due to the overall decrease in financing activity for Canadian equities in Q1/09. Canadian revenue for Canaccord Adams of $42.0 million represented 40.1% (Q1/08: 46.7%) of Canaccord Adams' total revenue.

Revenue from UK operations
Operations related to Canaccord Adams Limited in the UK include institutional sales and trading, investment banking and research. Revenue in this business was $33.7 million, a decrease of 29.0% or $13.8 million from the same period a year ago due to slower market activity during the quarter. UK revenue of $33.7 million was 32.2% (Q1/08: 30.6%) of Canaccord Adams' total revenue.

Revenue from US operations
The US operations reflect the US capital markets activities of Canaccord Adams Inc. First quarter 2009 revenue for Canaccord Adams in the US was $24.6 million (Q1/08: $25.3 million), representing 23.4% (Q1/08: 16.3%) of Canaccord Adams' total revenue. The revenue from US operations remained stable despite challenging market conditions in the US as a result of mergers and acquisitions advisory services provided, expanded sector coverage and enhancements to our equities group platform.

Revenue from Other Foreign Location

Revenue attributable to Other Foreign Location was derived in large part from investment banking activity. Revenue in Q1/09 was $4.5 million (Q1/08: $9.9 million), representing 4.3% (Q1/08: 6.4%) of Canaccord Adams' total revenue. The revenue decrease was mainly attributed to a decrease in corporate finance transactions.

Expenses

Expenses for Q1/09 were $85.0 million, down 20.1% or $21.3 million. The lower expenses were mainly attributed to the decrease in incentive compensation of $23.7 million or 31.1% due to lower incentive-based revenue in the quarter. Salary and benefits expense for the quarter increased by $0.2 million or 5.1%, which resulted from an increase in number of employees. The total compensation expense payout as a percentage of revenue for the quarter was 54.2%, an increase of 2.5 percentage points from 51.7% in Q1/08.

The decrease in incentive compensation expense was offset by an increase in professional fees of $0.6 million or 32.9% as a result of higher costs incurred to upgrade internal infrastructure.

Income before income taxes for the quarter was $19.8 million, a decrease of $28.9 million or 59.4%, from the same quarter a year ago. The decrease in income before taxes was mainly a result of reduced revenue as described above.

Private Client Services [1]

(C$ thousands, except AUM and AUA, which are in C$ millions; number of employees; number of Advisory Teams; and % amounts)	*Three months ended June 30*		*Year-over-year*
	2008	*2007*	*increase (decrease)*
Revenue	**$ 57,853**	$ 76,083	(24.0)%
Expenses			
Incentive compensation	**$ 26,950**	$ 37,680	(28.5)%
Salaries and benefits	**3,781**	4,049	(6.6)%
Other overhead expenses	**13,952**	15,419	(9.5)%
Total expenses	**$ 44,683**	$ 57,148	(21.8)%
Income before income taxes [2]	**13,170**	18,935	(30.4)%
Assets under management ("AUM")	**747**	815	(8.3)%
Assets under administration ("AUA")	**14,695**	15,701	(6.4)%
Number of Advisory Teams	**354**	373	(5.1)%
Number of employees	**760**	757	0.4%

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

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

First quarter 2009 vs. first quarter 2008

Revenue from Private Client Services was $57.9 million, a decrease of $18.2 million or 24.0% mainly due to reduced trading activity relative to Q1/08 as a result of the volatile market. AUA decreased by 6.4% or $1.0 billion to $14.7 billion compared to Q1/08 due to lower market values. AUM decreased by 8.3% year over year. There were 354 Advisory Teams at the end of the first quarter of fiscal 2009, a decrease of 19 from a year ago. Canaccord's fee-based revenue accounted for 15.7% of Private Client Services in Q1/09, compared to 12.0% in Q1/08.

Expenses for Q1/09 were $44.7 million, a decrease of 21.8% or $12.5 million. For the current quarter, the largest decrease in expenses related to incentive compensation expense, which was down 28.5% or $10.7 million. This decrease was consistent with the lower revenue during this period. In addition, interest expense decreased by 42.4% or $2.1 million due to lower interest rates. This was partially offset by an increase in general and administrative expense of 33.5% or $1.0 million related to an increase in professional fees of $0.6 million.

Income before income taxes for the quarter was $13.2 million, a decrease of 30.4% from the same period a year ago. The decrease was due to reduced revenue in Q1/09 compared to Q1/08 as described above.

Corporate and Other (1)

(C$ thousands, except employees and % amounts)	Three months ended June 30 2008	2007	Year-over-year increase (decrease)
Revenue	$ 10,062	$ 14,764	(31.8)%
Expenses			
Incentive compensation	$ 3,248	$ 7,523	(56.8)%
Salaries and benefits	7,439	6,201	20.0%
Other overhead expenses	8,789	9,999	(12.1)%
Total expenses	$ 19,476	$ 23,723	(17.9)%
(Loss) before income taxes	(9,414)	(8,959)	5.1%
Number of employees	393	366	7.4%

(1) Data is considered to be GAAP except for number of employees.

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

First quarter 2009 vs. first quarter 2008
Revenue for the three months ended June 30, 2008 was $10.1 million, a decrease of 31.8% or $4.7 million from the same quarter a year ago. The change was partially related to a decrease in foreign exchange gains compared to the prior year. Foreign exchange gains decreased $1.5 million or 32.9% during the quarter to $3.1 million. Interest revenue also decreased by $2.5 million or a 33.4% drop from the same period in the prior year. The decline in interest revenue was due to lower interest rates in the current quarter compared to a year ago.

Expenses for Q1/09 were $19.5 million, a decrease of 17.9% or $4.2 million. The most significant drop in expenses related to a decrease in incentive compensation, down by 56.8% or $4.3 million, which resulted from a decrease in the profitability of the consolidated group of companies. This was offset by a $1.2 million or 20.0% increase in salaries and benefits during the quarter due to the hiring of an additional 27 employees in the Corporate and Other segment of the Canadian operations compared to the same period a year ago. Most of the new employees were hired to enhance our operations and support services. Other overhead expenses dropped by 12.1% or $1.2 million mainly due to the recovery of commodity tax credits during the quarter.

Overall, loss before income taxes is $9.4 million in the current quarter, representing 5.1% or $0.5 million increase compared to the same quarter a year ago.

Financial condition

Below are specific changes in selected balance sheet items.

Assets
Cash and cash equivalents were $555.0 million on June 30, 2008 compared to $435.6 million on March 31, 2008. Refer to the Liquidity and Capital Resources section below for more details.

Securities owned were $117.0 million compared with $92.8 million on March 31, 2008.

Accounts receivable were $1.5 billion compared with $1.4 billion on March 31, 2008. The change mainly related to an increase in client receivables.

Other assets decreased by $10.6 million compared to March 31, 2008 mainly due to a decrease in future income taxes which was partially offset by an increase in income taxes receivable.

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

Accounts payable were $1.8 billion compared to $1.7 billion at March 31, 2008, an increase of $0.1 billion mainly related to an increase in payables to brokers and investment dealers.

Other liabilities increased by $18.5 million compared to March 31, 2008 due to an increase in marketable securities sold short.

Off-balance sheet arrangements

At June 30, 2008 Canaccord had credit facilities with banks in Canada, the US and the UK in the aggregate amount of $492.5 million. These credit facilities, consisting of call loans, letters of credit and daylight overdraft facilities are collateralized when utilized by either unpaid securities and/or securities owned by the Company. A subsidiary of the Company has also entered into secured irrevocable standby letters of credit from a financial institution totalling $2.3 million (US$2.3 million) as rent guarantees for its leased premises in Boston, New York and San Francisco. As of June 30, 2008 there were no outstanding balances under these standby letters of credit.

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

Liquidity and capital resources

Canaccord has a capital structure comprised of share capital, retained earnings and accumulated other comprehensive losses. On June 30, 2008 cash and cash equivalents net of call loans were $555.0 million, an increase of $134.4 million from $420.6 million as of March 31, 2008. During the quarter ended June 30, 2008 financing activities generated cash in the amount of $65.8 million, which was primarily due to the issuance of common shares from an equity financing in May 2008. Investing activities used cash in the amount of $0.7 million for the purchase of equipment and leasehold improvements. Operating activities provided cash in the amount of $70.2 million, which was due to net increases in non-cash working capital items, net income and items not affecting cash. A decrease in cash of $1.0 million was attributed to the effect of foreign exchange on cash balances. In total, there was an increase in net cash of $134.4 million compared to March 31, 2008. This increase is largely attributed to cash provided by operating activities and the equity financing that occurred during the first quarter of fiscal 2009.

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

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

	Contractual obligation payments due by period				
(C$ thousands)	***Total***	*Fiscal 2010*	*Fiscal 2011 – Fiscal 2012*	*Fiscal 2013 – Fiscal 2014*	*Thereafter*
Premises and equipment operating leases	**$ 138,681**	$ 22,023	$ 36,208	$ 31,196	$ 49,254

Outstanding share data

	Outstanding shares as of June 30	
	2008	*2007*
Issued shares excluding unvested shares (1)	**50,068,905**	45,183,714
Issued shares outstanding (2)	**54,590,583**	47,864,234
Issued shares outstanding – diluted (3)	**57,465,952**	48,872,327
Average shares outstanding – basic	**47,518,618**	45,170,532
Average shares outstanding – diluted	**52,720,457**	48,859,145

(1) Excludes 2,895,551 unvested shares that are outstanding relating to share purchase loans for recruitment and retention programs, 1,576,127 unvested shares purchased by employee benefit trust for the LTIP and 50,000 common shares held in treasury.
(2) Includes 2,895,551 unvested shares that are outstanding relating to share purchase loans for recruitment and retention programs, 1,576,127 unvested shares purchased by employee benefit trust for the LTIP and 50,000 common shares held in treasury.
(3) Includes 2,875,369 of share issuance commitments.

At June 30, 2008 Canaccord had 54,590,583 common shares issued and outstanding, an increase of 6,726,349 common shares from June 30, 2007, due to the net effect of shares issued relating to the equity financing in May 2008, shares issued in connection with stock compensation plans and shares cancelled.

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

The Company renewed its 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 represents 5% of its shares outstanding as of December 21, 2007. During the current quarter, 50,000 shares were purchased through NCIB and subsequently cancelled in July 2008. The employee benefit trust also purchased an aggregate of 468,529 shares for the Company's long term incentive plan ("LTIP") between December 21, 2007 and June 30, 2008, which reduces the number of shares allowable under the NCIB. The number of shares available for purchase under the NCIB as of June 30, 2008 is 1,873,224.

In July 2008, the Company purchased an additional 50,000 shares through the NCIB that were cancelled. The Company had total common shares issued and outstanding of 54,490,583 as of August 8, 2008.

Stock-based compensation plans

Adams Harkness

In connection with the acquisition of Adams Harkness Financial Group Inc. ("Adams Harkness"), a retention plan was established. On January 3, 2006 Canaccord completed the acquisition of Adams Harkness (renamed Canaccord Adams Inc.) which was a privately held Boston, Massachusetts-based institutional investment bank. A retention plan was established, which provides for the issuance of up to 1,118,952 common shares after a three-year vesting period. The total number of shares to be vested is also based on revenue earned by Canaccord Adams Inc. subsequent to the date of acquisition. As revenue levels are achieved during the vesting period, the associated proportion of the retention payment will be recorded as a development cost, and the applicable number of retention shares will be included in weighted average diluted common shares outstanding. After forfeitures, the number of shares subject to the retention plan currently stands at 774,768.

Stock options

The Company granted stock options to purchase common shares of the Company to five independent directors on May 16, 2007 and June 14, 2008. Each of the independent directors has been granted the option to purchase up to 50,000 common shares of the Company. The stock options vest over a four-year period and expire seven years after the grant date. The weighted average exercise price of the stock options is $16.31.

Long term incentive plan

Under the LTIP, eligible participants are awarded restricted share units ("RSUs") which vest over three years. For employees in Canada, an employee benefit trust (the "Trust") has been established, and either (a) the Company will fund the Trust with cash which will be used by a trustee to purchase 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.

International Financial Centre

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

Foreign exchange

Canaccord manages its foreign exchange risk by periodically hedging pending settlements in foreign currencies. Realized and unrealized gains and losses related to these transactions are recognized in income during the year. On June 30, 2008 forward contracts outstanding to sell US dollars had a notional amount of US$18.0 million, a decrease of $19.3 million from a year ago. Forward contracts outstanding to buy US dollars had a notional amount of US$13.3 million, a decrease of US$18.8 million compared to a year ago. The fair value of these contracts was nominal. Some of Canaccord's operations in London, England are conducted in UK pounds sterling; however, any foreign exchange risk in respect of these transactions is generally limited, as pending settlements on both sides of the transaction are typically in UK pounds sterling.

Related party transactions

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

Critical accounting estimates

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

Revenue recognition and valuation of securities

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

Asset-backed commercial paper ("ABCP")

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

Provisions

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

Consolidation of variable interest entities

The Company consolidates variable interest entities ("VIEs") in accordance with the guidance provided by 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 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 the Company is the primary beneficiary of the employee benefit trust.

Stock-based compensation plans

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

Recent accounting pronouncements

Goodwill and intangible assets

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

International financial reporting standards

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

Changes in accounting policies

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

Capital Disclosures

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

Financial Instruments – Disclosures and Presentations

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

General Standards on Financial Statement Presentation

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

Asset-backed commercial paper

At June 30, 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.

A restructuring plan put together by the Pan-Canadian Investors Committee for Third-Party Structured ABCP has been approved by the majority of the note holders and the Ontario Superior Court and a sanction order was made. The decision is subject to a final decision by the Ontario Court of 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 restructuring plan, the Company will receive certain notes, subordinated notes and tracking notes (see Note 7 of the Audited Annual Consolidated Financial Statements) in exchange for its current holdings in 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. There is a significant amount of uncertainty in estimating the amount and timing of cash flows associated with the ABCP. The Company recorded a fair value adjustment of $12.8 million during the fiscal year ended March 31, 2008. There has been no fair value adjustment for the quarter ended June 30, 2008.

Disclosure controls and procedures and internal control over financial reporting

Disclosure controls and procedures

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

Changes in internal control over financial reporting

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

Dividend policy

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

Dividend declaration

For the first quarter fiscal 2009, the Board of Directors approved a quarterly dividend of $0.125 per share. Dividends are payable on September 10, 2008, to shareholders of record on August 29, 2008. The common share dividend payment to common shareholders will total approximately $6.6 million, or about 40.1%, of first quarter net income. Canaccord intends to pay a $0.125 regular quarterly common share dividend for each quarter in fiscal 2009.

Historical quarterly information

Canaccord's revenue from an underwriting transaction is recorded only when the transaction has closed. Consequently, the timing of revenue recognition can materially affect Canaccord's quarterly results. The expense structure of Canaccord's operations is geared towards providing service and coverage in the current market environment. If general capital markets activity were to drop significantly, Canaccord could experience losses.

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

	Fiscal 2009	Fiscal 2008				Fiscal 2007			
(C$ thousands, except per share amounts)	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue									
Canaccord Adams	**$ 104,793**	$ 77,965	$ 109,583	$ 89,071	$ 155,023	$ 130,151	$ 101,427	$ 93,033	$ 125,106
Private Client Services	**57,853**	54,463	61,166	57,415	76,083	75,876	68,831	55,626	72,286
Corporate and Other	**10,062**	11,018	12,605	12,383	14,764	10,416	8,055	7,372	8,735
Total revenue	**$ 172,708**	$143,446	$ 183,354	$ 158,869	$245,870	$216,443	$ 178,313	$ 156,031	$206,127
Net income	**16,459**	(35,154)	15,048	12,411	39,029	26,016	23,692	17,806	25,942
EPS – basic	**$ 0.35**	$ (0.80)	$ 0.34	$ 0.28	$ 0.86	$ 0.57	$ 0.51	$ 0.39	$ 0.57
EPS – diluted	**$ 0.31**	$ (0.80)	$ 0.31	$ 0.26	$ 0.80	$ 0.54	$ 0.49	$ 0.37	$ 0.54

Risks

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

Additional information

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

interim consolidated balance sheets

(Unaudited)

As at (in thousands of dollars)	*June 30, 2008*	*March 31, 2008*	*June 30, 2007*
ASSETS			
Current			
Cash and cash equivalents	**$ 555,017**	$ 435,649	$ 329,584
Securities owned [note 3]	**117,013**	92,796	225,734
Accounts receivable [notes 5 and 12]	**1,525,096**	1,422,917	2,052,737
Income taxes receivable	**19,440**	11,083	–
Future income taxes	**10,725**	28,207	7,761
Total current assets	**2,227,291**	1,990,652	2,615,816
Investment [note 6]	**5,000**	5,000	5,000
Investment in asset-backed commercial paper [note 7]	**29,860**	29,860	–
Equipment and leasehold improvements	**39,575**	40,686	39,231
Goodwill and other intangible assets [note 8]	**32,167**	32,520	33,580
	$ 2,333,893	$ 2,098,718	$ 2,693,627
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Bank indebtedness	**$ –**	$ 15,038	$ 2,265
Securities sold short [note 3]	**32,227**	13,757	85,222
Accounts payable and accrued liabilities [notes 5 and 12]	**1,836,764**	1,687,479	2,189,371
Income taxes payable	**–**	–	2,528
Subordinated debt [note 9]	**25,000**	25,000	25,000
Total current liabilities	**1,893,991**	1,741,274	2,304,386
Commitments and contingencies [note 15]			
Shareholders' equity			
Share capital [note 10]	**218,419**	145,166	146,068
Retained earnings	**232,232**	222,597	247,903
Accumulated other comprehensive losses	**(10,749)**	(10,319)	(4,730)
Total shareholders' equity	**439,902**	357,444	389,241
	$ 2,333,893	$ 2,098,718	$ 2,693,627

See accompanying notes

interim consolidated statements of operations

(Unaudited)

	For the three months ended	
(in thousands of dollars, except per share amounts)	***June 30, 2008***	*June 30, 2007*
REVENUE		
Commission	**$ 71,996**	$ 85,775
Investment banking	**76,147**	128,625
Principal trading	**5,911**	6,813
Interest	**12,329**	16,310
Other	**6,325**	8,347
	172,708	245,870
EXPENSES		
Incentive compensation	**82,727**	121,406
Salaries and benefits	**15,443**	14,269
Trading costs	**6,321**	6,958
Premises and equipment	**5,785**	5,259
Communication and technology	**6,163**	5,739
Interest	**3,959**	6,168
General and administrative	**19,277**	18,271
Amortization	**2,042**	1,977
Development costs	**7,462**	7,173
	149,179	187,220
Income before income taxes	**23,529**	58,650
Income tax expense (recovery)		
Current	**(11,550)**	17,075
Future	**18,620**	2,546
	7,070	19,621
Net income for the period	**$ 16,459**	$ 39,029
Basic earnings per share [note 10[iv]]	**$ 0.35**	$ 0.86
Diluted earnings per share [note 10[iv]]	**$ 0.31**	$ 0.80

See accompanying notes

interim consolidated statements of changes in shareholders' equity

(Unaudited)

As at and for the three months ended June 30, 2008 and 2007 and for the year ended March 31, 2008 (in thousands of dollars)	***June 30, 2008***	*March 31, 2008*	*June 30, 2007*
Common shares, opening	**$ 111,142**	$ 147,900	$ 147,900
Shares issued	**67,952**	495	426
Shares held in treasury	**(221)**	–	–
Shares cancelled	**–**	(127)	–
Acquisition of common shares for long term incentive plan [note 11]	**(790)**	(27,247)	(8,544)
Release of vested common shares from employee benefit trust [note 11]	**3,125**	–	–
Unvested share purchase loans	**(1,416)**	(9,879)	(6,596)
Common shares, closing	**179,792**	111,142	133,186
Contributed surplus, opening	**34,024**	8,396	8,396
Excess on redemption of common shares	**(170)**	(369)	–
Shortfall on distribution of acquired common shares	**–**	(29)	–
Stock-based compensation [note 11]	**2,790**	20,776	3,139
Unvested share purchase loans	**1,983**	5,250	1,347
Contributed surplus, closing	**38,627**	34,024	12,882
Share capital	**218,419**	145,166	146,068
Retained earnings, opening	**222,597**	213,659	213,659
Net income for the period	**16,459**	31,334	39,029
Cash dividends	**(6,824)**	(22,396)	(4,785)
Retained earnings, closing	**232,232**	222,597	247,903
Accumulated other comprehensive income (losses), opening	**(10,319)**	2,236	2,236
Other comprehensive losses	**(430)**	(12,555)	(6,966)
Accumulated other comprehensive losses, closing	**(10,749)**	(10,319)	(4,730)
Shareholders' equity	**$ 439,902**	$ 357,444	$ 389,241

interim consolidated statements of comprehensive income

(Unaudited)

(in thousands of dollars)	*For the three months ended* ***June 30, 2008***	*June 30, 2007*
Net income for the period	**$ 16,459**	$ 39,029
Other comprehensive income (losses), net of taxes		
Net change in unrealized losses on translation of self-sustaining foreign operations	**(430)**	(6,966)
Comprehensive income for the period	**$ 16,029**	$ 32,063

See accompanying notes

interim consolidated statements of cash flows

(Unaudited)

(in thousands of dollars)	*For the three months ended* June 30, 2008	June 30, 2007
OPERATING ACTIVITIES		
Net income for the period	$ 16,459	$ 39,029
Items not affecting cash		
Amortization	2,042	1,977
Stock-based compensation expense	6,308	3,178
Future income tax expense	18,620	2,546
Changes in non-cash working capital		
Decrease (increase) in securities owned	(24,215)	122,274
Increase in accounts receivable	(102,446)	(415,611)
Increase in income taxes receivable	(8,798)	–
Increase in securities sold short	18,451	44,049
Increase in accounts payable and accrued liabilities	143,820	68,569
Decrease in income taxes payable	–	(10,634)
Cash provided by (used in) operating activities	70,241	(144,623)
FINANCING ACTIVITIES		
Issuance of shares for cash net of issuance costs	66,462	350
Acquisition of shares held in treasury	(391)	–
Decrease (increase) in unvested common share purchase loans	567	(5,249)
Acquisition of common shares for long term incentive plan	(790)	(8,544)
Dividends paid	–	(4,786)
Cash provided by (used in) financing activities	65,848	(18,229)
INVESTING ACTIVITIES		
Purchase of equipment and leasehold improvements	(670)	(4,187)
Acquisition of investment	–	(5,000)
Cash used in investing activities	(670)	(9,187)
Effect of foreign exchange on cash balances	(1,013)	(7,282)
Increase (decrease) in cash position	134,406	(179,321)
Cash position, beginning of period	420,611	506,640
Cash position, end of period	$ 555,017	$ 327,319
Cash position is comprised of:		
Cash and cash equivalents	555,017	329,584
Call loans	–	(2,265)
	$ 555,017	$ 327,319
Supplemental cash flow information		
Interest paid	$ 3,923	$ 6,160
Income taxes paid	553	28,814

See accompanying notes

notes to interim consolidated financial statements

(Unaudited)

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

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

The Company's business is cyclical and experiences considerable variations in revenue and income from quarter to quarter and year to year due to factors beyond the Company's control. 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 interim unaudited consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles ("GAAP") with respect to interim financial statements, applied on a consistent basis. These interim unaudited consolidated financial statements follow the same accounting principles and methods of application as those disclosed in Note 1 to the Company's audited consolidated financial statements as at and for the year ended March 31, 2008 ("Audited Annual Consolidated Financial Statements") except for change in accounting policies as described in Note 2. Accordingly, they do not include all the information and footnotes required for compliance with Canadian GAAP for annual financial statements. These interim unaudited consolidated financial statements and notes thereon should be read in conjunction with the Audited Annual Consolidated Financial Statements.

The preparation of these interim unaudited consolidated financial statements and the accompanying notes requires management to make estimates and assumptions that affect the amounts reported. In the opinion of management, these interim unaudited consolidated financial statements reflect all adjustments necessary to state fairly the results for the periods presented. Actual results could vary from these estimates and the operating results for the interim periods presented are not necessarily indicative of results that may be expected for the full year.

Consolidation of variable interest entities

The Company consolidates variable interest entities ("VIEs") in accordance with the guidance provided by 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 11] to fulfill obligations to employees arising from the Company's long term incentive plan. The employee benefit trust has been consolidated in accordance with AcG-15 as it meets the definition of a VIE and the Company is the primary beneficiary of the employee benefit trust.

Recent accounting pronouncements

Goodwill and Intangible Assets

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

International Financial Reporting Standards ("IFRS")

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

2. Change in accounting policies

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

Capital Disclosures

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

Financial Instruments – Disclosures and Presentation

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

General Standards on Financial Statement Presentation

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

3. Securities owned and securities sold short

	June 30, 2008		March 31, 2008		June 30, 2007	
	Securities owned	Securities sold short	Securities owned	Securities sold short	Securities owned	Securities sold short
Corporate and government debt	**$ 23,741**	**$ 18,056**	$ 34,433	$ 5,106	$ 49,965	$ 28,287
Equities and convertible debentures	**93,272**	**14,171**	58,363	8,651	175,769	56,935
	$ 117,013	**$ 32,227**	$ 92,796	$ 13,757	$ 225,734	$ 85,222

As at June 30, 2008, corporate and government debt maturities range from 2008 to 2053 [March 31, 2008 – 2008 to 2053 and June 30, 2007 – 2007 to 2040] and bear interest ranging from 3.10% to 11.60% [March 31, 2008 – 2.85% to 11.60% and June 30, 2007 – 3.125% to 11.50%].

4. Financial instruments

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

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

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

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

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

Credit risk

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

The primary source of credit risk to the Company is in connection with trading activity by private clients and private client margin accounts. To minimize its exposure, the Company applies certain credit standards, applies limits to transactions and requires settlement of securities transactions on a cash basis or delivery against payment. Margin transactions are collateralized by securities in the 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. Management monitors the collectibility of receivables and estimates an allowance for doubtful accounts. It is the Company's policy to provide an allowance against all unsecured and under-margined accounts.

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

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

Liquidity risk

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

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

Financial liability	*Carrying amount*	*Contractual terms to maturity*
Accounts payable and accrued liabilities	$ 1,836,764	Due within one year
Subordinated debt	25,000	Due on demand *

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

Market risk

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

Fair value risk

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

During the year ended March 31, 2008 the Company recorded a fair value adjustment of its investment in asset-backed commercial paper ("ABCP") as a result of the uncertainties and lack of liquidity in the ABCP market. Detailed information is disclosed in Note 7 of the Audited Annual Consolidated Financial Statements.

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

Financial instrument	*Carrying value*	*Effect of a 5% increase in fair value on net income*	*Effect of a 5% decrease in fair value on net income*
Securities owned, net of securities sold short	$ 84,786	$ 1,164	$ (1,164)
Investment in ABCP	29,860	1,045	(1,045)
Investment [1]	5,000	n/a	(137)

(1) Investment is classified as available for sale and carried at cost as the investment does not have a quoted market price, and therefore, there is no impact on other comprehensive income ("OCI") resulting from any temporary fluctuation in the market price of the investment. An other than temporary decline in the value of the investment is recognized in net income and the table indicates the impact on net income as a result of a 5% impairment of the investment.

Interest rate risk

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

All cash and cash equivalents mature within three months. Net client receivables/(payables) charges/(incurs) interest based on floating interest rates. Subordinated debt bears interest at a rate of prime plus 2%, payable monthly.

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

	Carrying value	*Net income effect of a 100 bps increase in interest rates*	*Net income effect of a 100 bps decrease in interest rates*
Cash and cash equivalents	$ 555,017	$ 762	$ (762)
Clients payables, net	386,657	(531)	531
RRSP cash balances held in trust	375,120	514	514
Brokers and investment dealers payables, net	86,541	(185)	185
Subordinated debt	25,000	(34)	34

Foreign exchange risk

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

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

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

Currency	*Effect of a 5% increase in fair value on net income*	*Effect of a 5% decrease in fair value on net income*	*Effect of a 5% increase in fair value on OCI*	*Effect of a 5% decrease in fair value on OCI*
US dollar	$ (1,582)	$ 1,582	$ 129	$ (129)
British pound sterling	(26)	26	8,639	(8,639)

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

Forward contracts outstanding at June 30, 2008:

	Notional amounts (millions of USD)	Average price (CAD/USD)	Maturity	Fair value (millions of USD)
To sell US dollars	**$ 18.00**	**$ 1.02**	**July 2, 2008**	**$ 0.1**
To buy US dollars	**$ 13.25**	**$ 1.02**	**July 2, 2008**	**$ (0.1)**

Forward contracts outstanding at March 31, 2008:

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

Forward contracts outstanding at June 30, 2007:

	Notional amounts (millions of USD)	Average price (CAD/USD)	Maturity	Fair value (millions of USD)
To sell US dollars	$ 37.25	$ 1.06	July 3, 2007	$ 0.1
To buy US dollars	$ 32.00	$ 1.06	July 3, 2007	$ (0.1)

Securities lending and borrowing

The Company employs securities lending and borrowing primarily to facilitate the securities settlement process. These arrangements are typically short term in nature, with interest being received on the cash delivered and interest being paid on the cash received. These transactions are fully collateralized and are subject to daily margin calls for any deficiency between the market value of the security given and the amount of collateral received. These transactions are collateralized by either cash or securities, including government treasury bills and government bonds and are reflected within accounts receivable and accounts payable. The Company manages its credit exposure by establishing and monitoring aggregate limits by customer for these transactions. Interest earned on cash collateral is based on a floating rate. At June 30, 2008 the floating rates for equities and bonds were 1.19% and 2.82%, respectively [March 31, 2008 – 1.32% and 2.95%, respectively, and June 30, 2007 –3.03% and 4.07%, respectively].

	Cash		Securities	
	Loaned or delivered as collateral	Borrowed or received as collateral	Loaned or delivered as collateral	Borrowed or received as collateral
June 30, 2008	**$ 152,623**	**$ 52,161**	**$ 8,611**	**$ 161,210**
March 31, 2008	188,654	84,257	13,541	279,550
June 30, 2007	334,906	78,235	23,370	431,524

Lines of credit

The Company also has credit facilities with banks in Canada, the US and the UK for an aggregate amount of $492.5 million. A subsidiary of the Company has also entered into secured irrevocable standby letters of credit from a financial institution totalling $2.3 million (US$2.3 million) as rent guarantees for its leased premises in Boston, New York and San Francisco. As of June 30, 2008 there were no outstanding balances under these standby letters of credit.

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

5. Accounts receivable and accounts payable and accrued liabilities

Accounts receivable

	June 30, 2008	March 31, 2008	June 30, 2007
Brokers and investment dealers	**$ 409,812**	$ 425,038	$ 901,200
Clients	**681,108**	555,935	718,810
RRSP cash balances held in trust	**375,120**	400,603	362,067
Other	**59,056**	41,341	70,660
	$ 1,525,096	$ 1,422,917	$ 2,052,737

Accounts payable and accrued liabilities

	June 30, 2008	March 31, 2008	June 30, 2007
Brokers and investment dealers	**$ 496,353**	$ 407,193	$ 569,733
Clients	**1,067,765**	1,037,860	1,369,152
Other	**272,646**	242,426	250,486
	$ 1,836,764	$ 1,687,479	$ 2,189,371

Accounts payable to clients include $375.1 million [March 31, 2008 – $400.6 million and June 30, 2007 – $362.1 million] payable to clients for RRSP cash balances held in trust.

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

Amounts due from and to clients are due by the settlement date of the trade transaction. Margin loans are due on demand and are collateralized by the assets in the client accounts. Interest on margin loans and amounts due to clients is based on a floating rate [June 30, 2008 – 6.75%–7.00% and 0.25%–1.75%, respectively; March 31, 2008 – 7.25%–8.00% and 0.25%–2.25%, respectively; and June 30, 2007 – 8.00%–10.25% and 2.25%–3.00%, respectively].

6. Investment

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

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

7. Investment in asset-backed commercial paper

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

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

On March 20, 2008 the Pan-Canadian Investors Committee for Third-Party Structured ABCP (the "Committee") issued an Information Statement containing the details of the Committee Restructuring Plan (the "Plan"), which was approved by 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 a final decision by the Ontario Court of 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 Dominion Bond Rating Services while the subordinated notes will likely be unrated.

- $8.7 million of MAV3 Traditional Assets ("TA") and Ineligible Asset ("IA") Tracking Notes
  The TA and IA Tracking Notes will bear interest at the rate equal to the net rate of return generated by the related specific tracking assets. The maturities of the notes will range between 13 years and 29 years. These notes will likely be unrated.

- $1.1 million of MAV2 IA Tracking Notes
  The IA Tracking Notes will bear interest at the rate equal to the net rate of return generated by the related specific tracking assets. The maturities of the notes will range between 5 years and 31 years. The IA Tracking Notes will not be rated.

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

The assumptions used in the valuation model include:

Weighted average interest rate	2.48%
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%

If these assumptions were to change, the fair value of ABCP could change significantly. Based on these assumptions, the Company recorded a fair value adjustment of $12.8 million during the year ended March 31, 2008. There has been no fair value adjustment recorded for the three months ended June 30, 2008.

8. Goodwill and other intangible assets

	June 30, 2008	*March 31, 2008*	*June 30, 2007*
Goodwill	**$ 30,070**	$ 30,070	$ 30,070
Other intangible assets			
Balance at beginning of period	**2,450**	3,863	3,863
Amortization	**353**	1,413	353
Balance at end of period	**2,097**	2,450	3,510
	$ 32,167	$ 32,520	$ 33,580

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

9. Subordinated debt

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

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

10. Share capital

	June 30, 2008	*March 31, 2008*	*June 30, 2007*
Share capital			
Common shares	**$ 241,751**	$ 173,799	$ 173,857
Common shares held in treasury	**(221)**	–	–
Unvested share purchase loans	**(36,826)**	(35,410)	(32,127)
Acquisition of common shares for long term incentive plan [note 11]	**(24,912)**	(27,247)	(8,544)
Contributed surplus	**38,627**	34,024	12,882
	$ 218,419	$ 145,166	$ 146,068

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, June 30, 2007	47,864,234	$ 173,857
Shares issued in connection with stock compensation plans [note 11]	5,944	69
Shares cancelled	(35,127)	(127)
Balance, March 31, 2008	47,835,051	173,799
Shares issued in connection with equity financing	6,733,250	67,454
Shares issued in connection with stock compensation plan [note 11]	22,282	498
Balance, June 30, 2008	**54,590,583**	**$ 241,751**

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

The Company renewed its normal course issuer bid ("NCIB") on December 24, 2007 and is currently entitled to acquire from December 31, 2007 to December 30, 2008, up to 2,391,753 of its shares, which represents 5% of its shares outstanding as of December 21, 2007. In June 2008, 50,000 shares were purchased under the NCIB and subsequently cancelled in July 2008. In addition, the employee benefit trust purchased 468,529 shares for the long term incentive plan [Note 11] from December 21, 2007 to June 30, 2008 which reduces the number of shares allowable under the NCIB. The number of shares available for purchase under NCIB as of June 30, 2008 is 1,873,224.

[iii] **Common share purchase loans**
The Company provides forgivable common share purchase loans to employees in order to purchase common shares. The unvested balance of forgivable common share purchase loans is presented as a deduction from share capital. The forgivable common share purchase loans are amortized over a vesting period up to five years. The difference between the unvested and unamortized values is included in contributed surplus.

[iv] **Earnings per share**

	For the three months ended	
	June 30, 2008	June 30, 2007
Basic earnings per share		
Net income for the period	**$ 16,459**	$ 39,029
Weighted average number of common shares (number)	**47,518,618**	45,170,532
Basic earnings per share	**$ 0.35**	$ 0.86
Diluted earnings per share		
Net income for the period	**$ 16,459**	$ 39,029
Weighted average number of common shares (number)	**47,518,618**	45,170,532
Dilutive effect of unvested shares (number)	**2,895,551**	2,279,281
Dilutive effect of directors options (number) [note 11]	**–**	125,000
Dilutive effect of share issuance commitment in connection with retention plan (number) [note 11]	**552,631**	326,576
Dilutive effect of unvested shares purchased by employee benefit trust (number) [note 11]	**1,594,664**	401,239
Dilutive effect of share issuance commitment in connection with long term incentive plan (number) [note 11]	**158,993**	556,517
Adjusted weighted average number of common shares (number)	**52,720,457**	48,859,145
Diluted earnings per share	**$ 0.31**	$ 0.80

11. Stock-based compensation plans

Retention plans

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

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

The plan for Adams Harkness (renamed Canaccord Adams Inc.) provides for the issuance of up to 1,118,952 common shares of the Company after a three-year vesting period. The total number of shares which will vest is also based on revenue earned by Canaccord Adams Inc. during the vesting period. The aggregate number of common shares that vest will be that number which is equal to the revenue earned by Canaccord Adams Inc. during the vesting period divided by US$250.0 million multiplied by the number of common shares subject to the retention plan. As such revenue levels are achieved during the vesting period, the associated proportion of the retention payment will be recorded as a development cost and the applicable number of retention shares will be included in diluted common shares outstanding [Note 10 [iv]]. The Company has expensed $931 and $1,129 for the period ended June 30, 2008 and June 30, 2007. At June 30, 2008 the number of common shares subject to the plan is 774,768.

Under the fair value method, the aggregate cost of the grants made under the Adams Harkness retention plan is estimated to be $11.0 million (US$10.7 million).

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

	For the three months ended	
	June 30, 2008	*June 30, 2007*
Number of common shares subject to the Enermarket retention plan:		
Beginning of period	–	10,254
Grants	–	–
End of period	–	10,254
Shares vested during the period	–	–
Number of common shares subject to the Adams Harkness retention plan:		
Beginning of period	**804,012**	953,107
Issued	–	(7,273)
Forfeitures	**(29,244)**	(53,480)
End of period	**774,768**	892,354
Shares vested during the period	–	–

Stock options

The Company granted stock options to purchase common shares of the Company to five independent directors on May 16, 2007 and June 14, 2008. Each of the independent directors has been granted the option to purchase up to 50,000 common shares of the Company. The stock options vest over a four-year period and expire seven years after the grant date. The weighted average exercise price of the stock options is $16.31.

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

	Number of shares	*Weighted average exercise price ($)*
Balance, June 30, 2007	–	–
Granted	125,000	23.13
Exercised	–	–
Balance, March 31, 2008	125,000	23.13
Granted	125,000	9.48
Exercised	–	–
Balance, June 30, 2008	**250,000**	**16.31**

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

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

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

Compensation expense of $51 (June 30, 2007 – $41) has been recognized for the three months ended June 30, 2008.

Long term incentive plan
Under the long term incentive plan ("LTIP"), eligible participants are awarded restricted share units ("RSUs") which vest over three years. For employees in Canada, an employee benefit trust (the "Trust") has been established, and either (a) the Company will fund the Trust with cash which will be used by a trustee to purchase 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.

The costs of the RSUs are amortized over the vesting period of three years. Compensation expense of $4,828 (June 30, 2007 – $1,932) has been recognized for the three months ended June 30, 2008.

	For the period ended		
	June 30, 2008	March 31, 2008	June 30, 2007
Awards outstanding, beginning of period	**2,221,578**	–	–
Granted	**1,204,870**	2,221,578	475,168
Vested	**(168,050)**	–	–
Awards outstanding, end of period	**3,258,398**	2,221,578	475,168

	For the period ended		
	June 30, 2008	March 31, 2008	June 30, 2007
Common shares held by Trust, beginning of period	**1,621,895**	–	–
Acquired	**100,000**	1,621,895	401,239
Released on vesting	**(145,768)**	–	–
Common shares held by Trust, end of period	**1,576,127**	1,621,895	401,239

12. Related party transactions

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

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

	June 30 2008	March 31, 2008	June 30, 2007
Accounts receivable	**$ 52,012**	$ 48,521	$ 49,490
Accounts payable and accrued liabilities	**$ 69,324**	$ 64,945	$ 81,169

13. Segmented information

The Company has two operating segments:

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

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

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

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

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

	For the three months ended							
	June 30, 2008				June 30, 2007			
	Canaccord Adams	Private Client Services	Corporate and Other	Total	Canaccord Adams	Private Client Services	Corporate and Other	Total
Revenues	**$ 104,793**	**$ 57,853**	**$ 10,062**	**$ 172,708**	$ 155,023	$ 76,083	$ 14,764	$ 245,870
Expenses	**79,985**	**42,708**	**16,982**	**139,675**	101,146	55,346	21,578	178,070
Amortization	**912**	**409**	**721**	**2,042**	911	430	636	1,977
Development costs	**4,123**	**1,566**	**1,773**	**7,462**	4,292	1,372	1,509	7,173
Income (loss) before income taxes	**$ 19,773**	**$ 13,170**	**$ (9,414)**	**$ 23,529**	$ 48,674	$ 18,935	$ (8,959)	$ 58,650

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

	For the three months ended	
	June 30, 2008	June 30, 2007
Canada		
Revenue	**$ 108,878**	$ 162,093
Equipment and leasehold improvements	**24,780**	23,969
Goodwill and other intangible assets	**4,020**	4,270
United Kingdom		
Revenue	**$ 33,718**	$ 47,501
Equipment and leasehold improvements	**7,798**	9,076
United States		
Revenue	**$ 25,641**	$ 26,422
Equipment and leasehold improvements	**6,997**	6,186
Goodwill and other intangible assets	**28,147**	29,310
Other Foreign Location		
Revenue	**$ 4,471**	$ 9,854

14. Capital management

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

Type of capital	Carrying amount	As a percentage of capital
Share capital	$ 218,419	47.0%
Retained earnings	232,232	50.0%
Accumulated other comprehensive losses	(10,749)	(2.3)%
Shareholders' equity	439,902	94.7%
Subordinated debt	25,000	5.3%
	$ 464,902	100.0%

Our capital management framework is designed to maintain the level of capital that will:

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

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

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

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

15. Commitments and contingencies

Commitments

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

2010	$ 22,023
2011	19,251
2012	16,957
2013	16,161
2014	15,035
Thereafter	49,254
	$ 138,681

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

16. Subsequent events

Share Capital

In July 2008 the Company purchased 50,000 common shares under the NCIB for cancellation.

Dividend

On August 7, 2008 the Board of Directors declared a common share dividend of $0.125 per share payable on September 10, 2008, with a record date of August 29, 2008.

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
Phone: 604-643-0128
Fax: 604-643-1878
Email:
investor_relations@canaccord.com

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

INSTITUTIONAL INVESTORS, BROKERS AND SECURITY ANALYSTS:
For financial information inquiries contact:
Katherine Young
Vice President, Investor Relations
2200 – 609 Granville Street
Vancouver, BC, Canada
Phone: 604-643-7013
Fax: 604-601-5863
Email: katherine_young@canaccord.com

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

FISCAL 2009 EXPECTED DIVIDEND (1) AND EARNINGS DATES

	Earnings release date	*Dividend record date*	*Dividend payment date*
Q1/09	August 8, 2008	August 29, 2008	September 10, 2008
Q2/09	November 6, 2008	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

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

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

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

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

AUDITOR:
Ernst & Young LLP
Chartered Accountants
Vancouver, BC

CORPORATE WEB SITE:
canaccord.com

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