Canaccord Capital Inc.
2005 Annual Report

OCUSED
ATED
GLOBAL

FOCUSED. *INTEGRATED.* GLOBAL.

CANACCORD
CAPITAL

FOCUSED. INTEGRATED. GLOBAL.

Canaccord Capital Inc.'s success to date is the product of strategic focus on delivering superior client service and long term investment in our core businesses. We are proud of our strong, expanding Private Client Services advisor force that develops customized wealth management strategies. Our Global Capital Markets professionals are focused on providing sales and trading, research and investment banking products and services with both local impact and global scope.

Our integrated business model drives efficiency and supports growth through market and product cycles. Our Global Capital Markets and Private Client Services groups create and capitalize on world class opportunities. Our focused sector teams combine the talent of financial services professionals with the capital of Canada's largest independent investment dealer.

With operations in North America and Europe, Canaccord Capital has a unique international access and perspective. Our ability to provide our clients with global insights and opportunity is the result of long term, focused investments and creates a strong competitive advantage. As we move into fiscal 2006, we look forward to continued success, executing as a focused, integrated and global financial services provider.

ABOUT CANACCORD

Canaccord Capital Inc. is a leading Canadian independent full service investment dealer, publicly traded on both the Toronto Stock Exchange and the Alternative Investment Market, a market operated by the London Stock Exchange. Canaccord has substantial operations in each of the two principal segments of the securities industry: Private Client Services and Global Capital Markets. Together these operations offer a wide range of complementary investment products, brokerage services and investment banking services to Canaccord's retail, institutional and corporate clients. Canaccord has approximately 1,260 employees worldwide, including 434 Investment Advisors, located in 28 offices across Canada and internationally.

CONTENTS

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

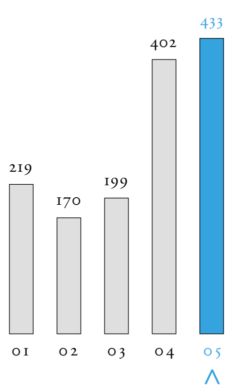
FINANCIAL HIGHLIGHTS

SUMMARY OF CONSOLIDATED FINANCIAL INFORMATION

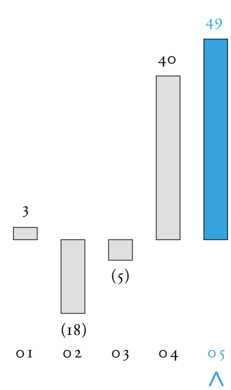
As of and for the years ended March 31 (in thousands of dollars, unless otherwise noted)	2001	2002	2003	2004	2005	Change 2004/2005
Financial results						
Revenue	218,769	170,433	199,206	402,157	432,778	30,621
Expenses	216,352	199,528	204,744	339,600	360,022	20,422
Income taxes	(901)	(11,015)	(485)	22,128	24,177	2,049
Net income (loss)	3,318	(18,080)	(5,053)	40,429	48,579	8,150
Segmented disclosure						
Income (loss) before income taxes						
Private Client Services	44,206	8,982	14,634	57,345	50,672	(6,673)
Global Capital Markets	2,187	(3,940)	7,008	57,268	65,919	8,651
Other	(43,976)	(34,137)	(27,180)	(52,056)	(43,835)	8,221
Balance sheet information						
Total assets	512,303	783,221	830,737	1,508,366	1,638,165	129,799
Total liabilities	445,803	732,964	778,034	1,409,679	1,415,954	6,275
Total shareholders' equity	66,500	50,257	52,703	98,687	222,211	123,524
Other information						
Assets under management ($ millions)	18	51	104	237	380	143
Assets under administration ($ millions)	4,428	4,978	5,037	8,292	9,967	1,675
Common share information						
Shares outstanding (in thousands)						
End of year basic	n.m.	n.m.	27,956	29,983	45,413	15,430
End of year diluted	n.m.	n.m.	28,589	38,089	46,129	8,040
Average basic	24,040	25,389	27,805	28,298	41,635	13,337
Average diluted	24,040	25,389	27,805	37,096	44,188	7,092
Earnings (loss) per share ($)						
Basic	0.14	(0.71)	(0.18)	1.43	1.17	(0.26)
Diluted	0.14	(0.71)	(0.18)	1.12	1.11	(0.01)
Fully diluted book value	n.m.	n.m.	2.28	3.15	4.87	1.72
Share price						
High	–	–	–	–	11.10	n.m.
Low	–	–	–	–	7.96	n.m.
Close	–	–	–	–	10.48	n.m.
Dividends per share	–	–	–	–	0.26	n.m.
Special distributions	–	–	–	–	0.15	n.m.
Total dividends & distributions					0.41	
Market capitalization	n.m.	n.m.	n.m.	n.m.	483,435	n.m.

n.m.: not meaningful

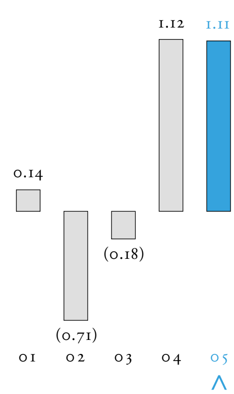
Revenue
($ millions)



Net income
($ millions)



Diluted EPS
($)



CANACCORD CAPITAL INC.
at a GLANCE

Success a product of focused strategy

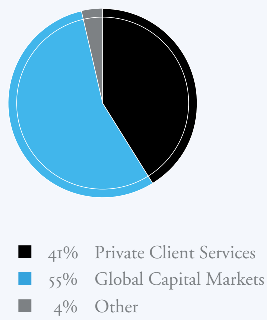
Canaccord's success to date is the product of strategic focus and long term investment in our core businesses. We continue to develop innovative products and services, anticipating our clients' needs and leveraging trends in the global marketplace.

PRIVATE CLIENT SERVICES

Delivering versatile wealth management solutions

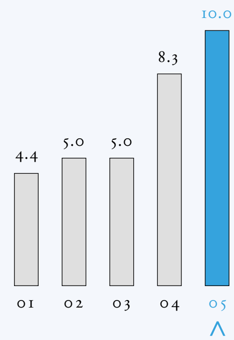
Our focus is on expanding our strong advisor force and generating more recurring revenue.

Share of revenue



Assets under administration

(in billions of dollars)

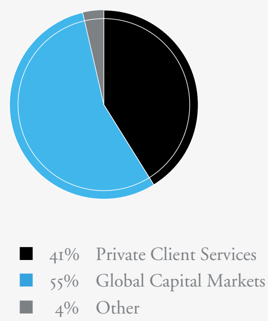


GLOBAL CAPITAL MARKETS

Integration enhances client service

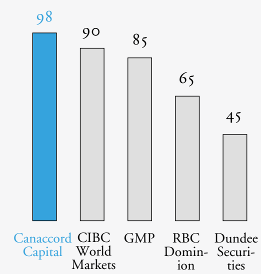
The success of our Global Capital Markets operations reflects that we are leading in more and larger transactions worldwide.

Share of revenue



Number of led transactions – equity offerings over $1.5 million

(fiscal year 2005)



Source: Financial Post Data Group as of March 31, 2005, underwriting table of equity transactions for Canadian issuers placed both in Canada and the UK.

OTHER

Fully integrated operations place us among the industry leaders in front and back office information technology systems, compliance and risk management, operations, finance and administration.

Assets	*Offerings*	*Offices*	*Employees*
> Record revenue of $432.8 million in fiscal 2005	> Private Client Services > Global Capital Markets > Pinnacle Correspondent Brokerage Services	> 28 offices worldwide	> 1,260 employees > 710 licenced professionals
> Assets under administration of $10 billion	> Investment advice > Brokerage services > Portfolio managed accounts > Fee-based accounts > Financial planning services > Manulife products	> 25 retail offices throughout Canada	> 657 employees > 434 Investment Advisors
> Aggregate transaction value in excess of $25.3 billion in fiscal 2005 for equity offerings over $1.5 million > First in participation and number of led transactions among Canadian syndication participants	> Institutional equity sales and trading > International and principal trading > Research > Fixed income trading > Investment banking > Venture capital	> Toronto > London (UK) > Vancouver > Calgary > Montreal > Barbados	> 279 employees > Number of employees in: Corporate finance = 61 Research = 65 Sales & trading = 56 Fixed income = 19 International & principal trading = 44 Other = 34
> Server capacity of over 80,000 trades per day > Dataphile desktop applications > Execlear and Prophile > OMS – online real time trading > Extranet single point of entry for all Pinnacle services	> Pinnacle Correspondent Brokerage Services > Industry leading technology and support systems > Real time processing > Compliance and risk management > Operations > Finance > Legal		> 324 back office and operational support employees

Peter M. Brown, Chairman & CEO and **Michael G. Greenwood,** President & COO

MESSAGE *from the* CHAIRMAN & CEO *and the* PRESIDENT & COO

DEAR FELLOW SHAREHOLDERS,

We are proud to bring you in our first annual report as a public company the results of a record-breaking year and our vision for the future. In fiscal 2005, Canaccord generated revenue of $433 million, went public, restructured our Global Capital Markets group, increased the number of Investment Advisors (IAs) in our Private Client Services group, launched an Employee Stock Purchase Plan and continued our investment in the people and technologies that enable our operational excellence and superior client service. As a result of these efforts, we were able to pay $0.41 per common share in dividends and distributions. Moving into fiscal 2006, Canaccord continues to execute as a global, integrated and focused financial services provider.

Global access driving growth

Total revenue grew 8% to $433 million in fiscal 2005 from $402 million a year ago. Global Capital Markets experienced revenue growth of 13%, based on robust performance in the North American market and significant growth in the European capital markets. Our Private Client Services group also saw a more stable and profitable revenue profile, generating 41% of the Company's revenue. Additionally, 2005 was a strong year for Pinnacle, our correspondent brokerage, which posted 23% revenue growth. We succeeded in growing on many fronts in fiscal 2005 – including net income, capital, assets under administration (AUA), participation in and size of transactions, number of qualified professionals and number of clients – from our record-setting position of 2004.

In fiscal 2005, we generated revenue of $433 million, went public, restructured our Global Capital Markets group, increased the number of Investment Advisors in our Private Client Services segment, launched our Employee Stock Purchase Plan and continued our investment in the people and technologies that enable our operational excellence and superior client service.

Our Private Client Services group has strengthened its position with the ongoing development of wealth management tools. We have developed a new separately managed accounts (SMAs) program known as *Canaccord's Alliance Program*. This program offers professional portfolio management with a choice of strategies based on a client's investment objectives. Building on the success and momentum of the *Independence Account*, Canaccord's internally managed discretionary portfolios, we have added four external money managers during fiscal 2005: Jarislowsky Fraser, KBSH, Legg Mason Brandywine and Seamark.

Together with Manulife Bank we have also developed a unique high interest savings account – a bank account that is traded like a mutual fund – which in three months has already accumulated $76 million in assets. We will continue to develop products and services in order to offer our IAs the freedom to develop the best product mix for their clients, which at the same time reinforces an entrepreneurial culture in which to develop their business.

In the spring and summer of fiscal 2005, the capital markets industry demonstrated its traditional seasonality, with the second half of our fiscal year contributing 62% of annual revenue. Our global strategy continues to help us mitigate the impacts of this seasonality by diversifying our revenue base across focus sectors and innovative products and services.

On June 30, 2004, we entered the capital markets as a public company with global scope and capabilities. In fiscal 2005, our revenue growth of 8% exceeded our expense growth of 6%, driving a 20% growth in net income, reflecting record revenue of $433 million and record net income of $48.6 million. When we went public our share base was diluted by 6.8 million shares sold at $10.25, and as a result diluted earnings per share were down 1%. We nevertheless posted a solid return on equity (ROE) of 24.5%, although it was lower than last year due to the increased capital base. We look forward to continued growth and success, for our clients and our shareholders.

Integration enhancing competitive advantage

Canaccord's global scope and access to product is our key competitive advantage. With the start of fiscal 2005, we escalated the process of integrating the North American and European operations of the Global Capital Markets group into focused teams in each of our core sectors – Mining and Metals, Energy, Technology and Media, Health Sciences and Diversified Industries. The full integration of our capabilities in the North American and European capital markets will strengthen our ability to offer our clients differentiated services. This diversity and quality of product allows our Private Client Services group to offer customized wealth management strategies that capitalize on both global trends and domestic developments, such as declining foreign content restrictions.

To further align employee and shareholder interests, we restructured elements of our compensation structure, effective April 1, 2005. Incentive compensation payouts for the Global Capital Markets team changed to a total compensation payout ratio of 55% of revenue, plus a 3% employment tax in Europe. We also implemented a new Employee Stock Purchase Plan (ESPP) in April 2005, enhancing our ability to attract and retain the highly skilled professionals who are critical to our continued success. Management is gratified that the initial employee participation rate in our ESPP was 46%.

Success a product of focused strategy

Canaccord's success to date is the product of strategic focus and long term investment in our core businesses – Global Capital Markets and Private Client Services. Going forward, in Global Capital Markets we will continue our investment in the European and North American markets. We continue to develop innovative products and services, anticipating our clients' needs and leveraging the trends in the global marketplace.

In Private Client Services, despite an extremely competitive recruiting environment for highly qualified IAs, we successfully added 53 new IAs for a net increase of 25 from a year ago, for a total of 434 IAs. Our focus on employee satisfaction is evidenced in that the *Investment Executive 2005 Brokerage Report Card*, a survey of investment advisors from all main dealers in Canada, ranked us number two overall in Canada. This high ranking and broker satisfaction reflects a corporate culture that appeals to and engages skilled professionals.

As of March 31, 2005, AUA was $10 billion, which has increased at a 22.8% compound annual growth rate (CAGR) since 2001. This growth is a result of both the recruitment of established IAs with larger books of business and organic asset growth reflecting the turnaround in the equity markets. For the 12 months ended March 31, 2005, assets under management (AUM) in our managed account product line was $380 million, up 60.3% since 2004.

Although we went public earlier than we had originally intended, there were a number of factors which influenced our decision. We believe it enabled us to increase our shareholder value while at the same time preserve our independence. There was, and continues to be, a trend to consolidation within the Canadian financial services industry and we did not want to be at a disadvantage and miss out on an opportunity to add to our franchise. We felt we needed the currency of public company stock to best take advantage of any opportunities that might arise. Canaccord has an established track record of successfully acquiring and integrating investment dealers both in Canada and internationally. A key attribute of our success has been to take advantage of down markets to acquire firms and assets at less than peak valuations. We intend to continue to use this opportunistic approach to help us add to

The full integration of our Global Capital Markets capabilities in the North American and European markets strengthens our ability to offer clients differentiated services. Our diversity and quality of product allows our Private Client Services segment to offer customized wealth management strategies that capitalize on both global trends and domestic developments.

our depth and breadth in our core markets of Canada, the US and the UK. The capital from our Initial Public Offering (IPO) has left us in an excellent position to do so.

Our strong results this fiscal year have added to the solid capital position that had already been accumulated through the IPO. We are in the enviable position of possessing excess capital while still posting an ROE of approximately 25%. Where possible, we will make investments that utilize some of this excess capital while still providing the firm with the flexibility and strength to withstand any potential downturns. Our management committee is continually evaluating new strategies that would be complementary to our existing business.

Based on our capital generation experience during fiscal 2005, commencing in fiscal 2006 our dividend policy is going to change. The Board will now determine dividends based on a fixed amount, instead of having a payout amount set in relation to a percentage of annual net income. Canaccord intends to pay a quarterly dividend of $0.06 per share in fiscal 2006. 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.

We continue to implement our strategy to enhance our global products and services. As part of this effort, this spring we were admitted to the Alternative Investment Market (AIM) in London. Canaccord is now publicly traded on both the Toronto Stock Exchange in Canada and on AIM in the UK, providing both the Company and our shareholders with greater visibility and liquidity and a broader group of market comparables.

It has been exciting to watch the growth of Canaccord through the many changes that occurred over the year. The credit for our continued strong performance is a testament to the dedication and contributions of our employees and directors, without whom we would not be Canada's leading independent full service investment dealer.

Peter M. Brown
Chairman & Chief Executive Officer

Michael G. Greenwood
President & Chief Operating Officer

> Canaccord has successfully developed and nurtured an entrepreneurial culture among its employees.

Canaccord's success stems from our ability to attract and retain highly skilled and experienced individuals.

> Integrated team from North America to the UK
> Focused, aggressive business model
> Independent wealth management platform
> Efficient operations infrastructure
> Approximately 60% employee owned

1. CLIENT SERVICE CULTURE *drives* PERFORMANCE *at* CANACCORD

At Canaccord, performance is driven by our client focused culture. Our Private Client Services and Global Capital Markets professionals leverage our entrepreneurial approach and global product offerings to exceed client expectations.

Because we are independently owned, we are able to obtain some of the best local and international products for our clients. Investment Advisors are provided the freedom to choose from a diverse range of wealth management products and tools, customizing successful strategies for each individual. Our Global Capital Markets professionals are committed to bringing international perspectives and opportunities to our corporate and buy-side clients.

In our experience, joining highly qualified, motivated professionals together in partnership results in superior client service that, in turn, helps ensure collective economic success. Canaccord employees are demonstrating their commitment to the success of our clients and the future of our company through their personal investment in the firm. Over 46% of eligible Canaccord employees participated in our Employee Stock Purchase Plan immediately upon its launch. This opportunity to invest in our strategy is one of the key reasons Canaccord attracts and retains talented professionals, enhancing client services overall.

Our focus is on expanding our strong advisor force and generating more recurring revenue.

> 434 Investment Advisors
> $10 billion in AUA in FY2005
> 20% growth of AUA from FY2004
> 22.8% compound annual growth rate in AUA from FY2001 to FY2005
> 18% of Private Client Services revenue from fee-based products in FY2005

2. PRIVATE CLIENT SERVICES *delivers* VERSATILE WEALTH MANAGEMENT SOLUTIONS

Canaccord has one of the largest non-bank retail brokerage sales forces in Canada, which provides a stable platform for growth. The success of our strategic focus is apparent in that the *Investment Executive 2005 Brokerage Report Card* ranked us number two overall in Canada, ahead of all of our bank owned peers.

Key in the transformation of Canaccord has been the reduction of volatility in our Private Client Services revenue stream, achieved without losing our ability to capitalize on strong markets. We continue to recruit new Investment Advisors (IAs), with a focus on increasing AUA and recurring, fee-based revenue. We have also added two new branches in key target markets – White Rock, British Columbia and Halifax, Nova Scotia – as part of our ongoing strategy to diversify our revenue on a geographic basis.

Canaccord is uniquely positioned to provide our clients with timely, reliable research on local and global investment opportunities. We provide IAs with a diverse range of world class wealth management tools and proprietary investment products, facilitating customized and successful strategies for clients. Additionally, the proposed elimination of the RRSP foreign content restrictions will, over time, lead to a shift into international investments that Canaccord is strategically positioned to facilitate, due to its international reach.

> We begin every client relationship the same way – by listening to their objectives, dreams and concerns.

> Canaccord has the largest number of Nomad relationships on the AIM of any Canadian financial services firm.

The success of our Global Capital Markets operations reflects that we are leading in more and larger transactions worldwide.

> 408 equity offerings over $1.5 million in FY2005
> Tripled revenue over four years
> 55 research professionals
> $240 million in total revenue from Global Capital Markets in FY2005

3. GLOBAL CAPITAL MARKETS INTEGRATION *enhances* CLIENT SERVICE

At the beginning of fiscal 2005, Canaccord's Global Capital Markets division escalated the process of integrating our North American and European operations, to better align our global resources and serve our clients in diverse geographies, sectors and business offerings.

The Board of Directors appointed Paul Reynolds as Vice Chair, Head of Global Capital Markets and Mark Maybank as Managing Director, Head of Research and Global Capital Markets Operations, to lead the Global Capital Markets team from London and Toronto, respectively. The integrated corporate finance, sales and trading, and research groups continue to identify and foster opportunities, enabling our clients to capitalize on strong distribution platforms, superior trading execution and reliable global research.

Canaccord boasts top performing professionals in each of our core sectors – Mining and Metals, Energy, Technology and Media, Health Sciences and Diversified Industries. Aligning our products and services globally, under sectoral leadership, enhances the focus and penetration of our corporate finance, sales and trading, and research capabilities.

This model has already proven successful for our clients. For instance, Canaccord is a leading Nominated Adviser (Nomad) on the Alternative Investment Market (AIM) of the London Stock Exchange (LSE), a position that provides a unique level of involvement with and opportunity for our clients.

The global demand for natural resources presents significant long term opportunities for Canaccord.

> Lead-managed 78 Mining and Metals equity transactions globally in FY2005
> Lead-managed over $1 billion in energy related transactions
> Strong distribution network in North America and Europe

4. GLOBAL COMMODITY CYCLES *support* LONG TERM SUCCESS

Our highly ranked portfolio strategist, Nick Majendie, believes we are in a secular bull market for commodities that is likely to last for the next 10 years – a period that is only rivalled in the last 100 years by the post-World War II period. Driven by development in emerging markets such as China and India, this demand for natural resources, particularly in the extractive industries such as gold, base metals and oil and gas, represents significant long term opportunity for Canada and Canaccord with its expertise in these sectors.

This macro view is supported by intensive sectoral research – Canaccord has global Mining and Metals and Energy teams of 12 and 15 research professionals, respectively. In addition, our long-standing, global expertise in commodity related sectors allows us to locate and build strong relationships with exceptional resource companies, from large international mining players such as BHP Billiton and Rio Tinto to microcap exploration opportunities. Our reputation for knowledgeable service in resource sectors creates rewarding opportunities to finance growth and development. For example, our involvement with Niko Resources spanned from February 2003, when the company raised $39.4 million at $26.25 per share, to January 2005, when it raised $102 million at $51.00 per share.

> In FY2005 Canaccord led in 130 commodity related equity transactions.

> Canaccord has 28 offices in 4 countries, and has done financing transactions in over 70 countries.

Our diversified operations provide us with an unparalleled ability to respond to competitive changes.

> Nationally distributed Private Client Services platform
> Global Capital Markets coverage in key markets of US, UK and Canada
> Broadly based revenue mix
> Solid capital base for growth

5. DIVERSIFIED *and* SCALABLE OPERATIONS

At Canaccord, our ongoing strategy has been to diversify our revenue sources across geographies and business segments. We believe this model provides Canaccord with unique long term growth opportunities, while minimizing the cyclical impact of any one market.

With our global diversification across key partners and 1,260 employees, Canaccord is not reliant on any one individual for a significant portion of its revenue. Additionally, no single product or client has a substantial impact on our revenue mix and we are further expanding our product mix to ensure stable revenue streams.

More importantly, our IPO has provided us with sufficient capital for Private Client Services and Global Capital Markets expansion. As Canada's largest independent investment dealer by many measures, we are now better able to respond effectively to competitive changes, to design equity based incentive programs and to finance possible acquisitions.

With our critical mass and the fact that most of our technology and infrastructure investments have been made, Canaccord is in the position to leverage its scalable operations.

PART *of* OUR COMMUNITY

At Canaccord, we are committed to building healthy, prosperous communities. Through sponsorships, targeted donations, awards and employee volunteers, Canaccord strives to improve the neighbourhoods we share. This contribution is a reflection of our shared values and continues Canaccord's long tradition of reinvesting in our communities, with many of our employees contributing significant personal time, money and expertise to various charities and organizations on the local, national and international stages. In fiscal 2005, Canaccord donated over $600,000 to charitable organizations. Of the hundreds of charities and community events our offices participate in every year, we are especially proud of our involvement with the following organizations.

TSUNAMI RELIEF

This winter, Canaccord joined in the international effort to support victims of the natural disaster that devastated communities in Southeast Asia. The Company and our employees personally donated a combined total of $350,000 within two weeks of the disaster to help the relief effort – an investment in communities that are far away, but close to our hearts at their time of need.

UK COMMUNITY INVOLVEMENT

Our UK office is actively involved with ARK – Absolute Return for Kids – whose mission is to transform the lives of children who are victims of abuse, disability, illness and poverty. We have also been active in the community through supporting the Royal Marsden Cancer Campaign, UK Kazakh Association, Tsunami Relief Fund and the Lord Mayor's Appeal.

CANADIAN RED CROSS

Canaccord continues to reinvest in the community by contributing to the Canadian Red Cross to support the development of a state-of-the-art BC Disaster Response Centre. The new Disaster Response Centre will be instrumental in helping communities across western Canada plan for, cope with, and recover from the devastating effects of disasters such as forest fires, floods and landslides. For both local and international disasters, the Centre will collect donations, ensure links are quickly restored between family members and loved ones, and provide critical health and safety information during the crisis so that citizens can keep their families safe.

BIG BROTHERS OF GREATER VANCOUVER

Canaccord is a proud supporter of Big Brothers of Greater Vancouver. We are the title sponsor for Big Brothers Whistler Golf Classic, a charitable golf tournament that in 12 years has now raised more than $1.6 million. Additionally, employees participate every year in the Bowl for Big Brothers to support Big Brothers' mentoring programs to promote the healthy development of children and youth through guidance, support and friendship.

ALZHEIMER SOCIETY OF CANADA

Since 2002, Canaccord has been a proud sponsor of the Hector "Toe" Blake Golf Tournament for the benefit of the Alzheimer Society of Canada. The Montreal event, which was co-founded by a Canaccord employee over 10 years ago, has raised over $750,000 since its inception. This tournament honours the much loved former coach of the Montreal Canadiens who fell victim to Alzheimer's disease. Together with the Canaccord participants, many of Toe's former teammates and other Canadiens alumni are among the regular attendees who volunteer their time and magic to this charitable remembrance.

BAY STREET CHILDREN'S FOUNDATION CHARITY SOFTBALL TOURNAMENT

Canaccord is a long time participant in the Bay Street Pro Celebrity Softball Challenge, hosted by the Bay Street Children's Foundation in Toronto. Now in its ninth year, the event has to date raised $1.2 million for the Bloorview MacMillan Children's Foundation (health services for children with disabilities) as well as for various other local children's organizations.

FINANCIAL REVIEW

CAUTION REGARDING FORWARD-LOOKING STATEMENTS:

This document may contain certain forward-looking statements. These statements relate to future events or future performance and reflect management's expectations regarding 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" or the negative of these terms or other comparable terminology. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and a number of factors could cause actual events or results to differ materially from the results discussed in the forward-looking statements. In evaluating these statements, readers should specifically consider various factors, which may cause actual results to differ materially from any forward-looking statement. These factors include, but are not limited to, market and general economic conditions, the nature of the financial services industry and the risks and uncertainties detailed from time to time in Canaccord's interim and annual financial statements and its Annual Information Form filed on www.sedar.com. These forward-looking statements are made as of the date of this document, and Canaccord assumes no obligation to update or revise them to reflect new events or circumstances.

MANAGEMENT'S DISCUSSION *and* ANALYSIS

Fiscal year 2005 ending March 31, 2005 – this document is dated June 27, 2005.

The following discussion of Canaccord Capital Inc.'s financial condition and results of operations is provided to enable a reader to assess material changes in financial condition and results of operations for the year ended March 31, 2005, compared to the preceding fiscal year, with an emphasis on the most recent year. Unless otherwise indicated or the context otherwise requires, the "Company" refers to Canaccord Capital Inc. "Canaccord" refers to the Company and its direct and indirect subsidiaries. The Management's Discussion and Analysis (MD&A) should be read in conjunction with the audited consolidated financial statements for the year ended March 31, 2005, beginning on page 45 of this report. Canaccord's financial information is expressed in Canadian dollars and is prepared in accordance with Canadian generally accepted accounting principles (GAAP).

NON-GAAP MEASURES

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

Capital employed is a non-GAAP measure of capital used prior to June 30, 2004. Capital employed was capital in the business, which included shareholders' equity and convertible debentures. On June 30, 2004, the convertible debentures were converted to share capital. Return on average capital employed (ROCE) is net income divided by average capital employed during the period, expressed as a percentage. Management used this measure to assess the financial performance relative to average capital employed. As the capital base of Canaccord now comprises only common shareholders' equity, management now uses return on average common equity (ROE) as a performance measure, and when comparing to results up to June 30, 2004, management uses ROCE as the comparison.

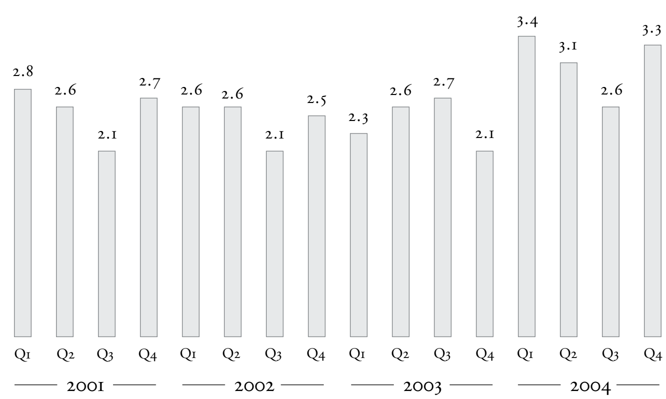
Assets under administration (AUA) is a non-GAAP measure of client assets that is common to the wealth management aspects of the private client services industry. AUA is the market value of client assets administered by Canaccord in respect of which Canaccord earns commissions or fees. This measure includes funds held in client accounts as well as the aggregate market value of long and short security positions. Canaccord's method of calculating AUA may differ from the methods used by other companies and therefore may not be comparable to other companies. Management uses this measure to assess operational performance of the Private Client Services business segment.

BUSINESS OVERVIEW

Canaccord is a leading Canadian independent full service investment dealer. Canaccord has substantial operations in each of the two principal segments of the securities industry: Private Client Services and Global Capital Markets. Together these operations offer a wide range of complementary investment products, brokerage services and investment banking services to Canaccord's retail, institutional and corporate clients. Canaccord has approximately 1,260 employees worldwide, including 434 Investment Advisors, located in 28 offices across Canada and internationally.

Our business is correlated to the overall condition of the North American equity markets, including the seasonal variance in those markets. The Canadian broker dealer industry has experienced a seasonal variance of approximately 13% in revenue from quarter to quarter over the past three years.

Canadian broker dealer total industry revenue
(in billions of dollars, calendar quarters)



Source: Investment Dealers Association as of December 31, 2004, Securities Industry Performance.

In general, North American capital markets are slower in the first half of our fiscal year, which generally contributes only about 35–40% of annual revenue. Historically, activity increases during the remainder of our fiscal year for the industry, with stronger revenue in our second half.

MARKET OUTLOOK

For the 2004 calendar year, North American equity markets returns were positive. The S&P/TSX Composite was up 12.5% from the previous year, outperforming major North American equity markets (S&P500 up 9%, Dow Jones up 3% and Nasdaq up 8.6%). This strong performance was largely driven by surging resource-related equities, low interest rates, strong Canadian dollar, solid income trust market and robust M&A activity, which totalled $115 billion.

For the 2005 calendar year, following a slower momentum in the first quarter after a strong fourth quarter last year, a more modest pace is expected for the remainder of the year. The resource sector will remain on a solid footing, having accounted for almost two-thirds of common equity financings in the first quarter. Issuance activity and Canada's income trust financings are also at healthy levels, up 24% and 29%, respectively, from the same quarter in 2004. Industry sources estimate the strength of the Canadian dollar to be the number one issue that could impact Canadian capital markets. Overall, with North American equity markets advancing at a sustainable pace, market returns continue to exceed historical trends.

In Europe, equity markets performed exceptionally well for the 2004 calendar year. Specifically, the Alternative Investment Market (AIM) – the junior arm of the London Stock Exchange (LSE) – enjoyed a successful year. In 2004, AIM attracted 355 new issues and, for the first quarter that ended March 31, 2005, 130 new issues were listed on AIM. Total financing raised was $10.4 billion for the year and represents almost two and a half times the amount raised in 2003. Growth in this market is largely due to increasing international awareness and the quality of emerging companies that are seeking admission.

FINANCIAL OVERVIEW

Selected financial information (1)

As of and for the years ended March 31 *(in thousands of dollars, except per share, employee and % amounts)*	2005	2004	2003	2005/2004 Increase (decrease)	
Revenue					
Private Client Services	$ 178,176	$ 175,983	$ 97,784	$ 2,193	1.2%
Global Capital Markets	239,654	211,758	91,629	27,896	13.2%
Other	14,948	14,416	9,793	532	3.7%
Total Revenue	$ 432,778	$ 402,157	$ 199,206	$ 30,621	7.6%
Expenses	360,022	339,600	204,744	20,422	6.0%
Net income (loss)	48,579	40,429	(5,053)	8,150	20.2%
Earnings (loss) per share (EPS) – basic	1.17	1.43	(0.18)	(0.26)	(18.2)%
Earnings (loss) per share (EPS) – diluted	1.11	1.12	(0.18)	(0.01)	(0.9)%
Return on average common equity (ROE) (2) / return on average capital employed (ROCE) (3)	24.5%	43.5%	(7.5)%		
Dividends (4)					
Cash dividends	0.26	–	–		
Special cash distribution	0.15	–	–		
Total	0.41				n.m.
Stock dividend	–	0.01	–		
Book value per common share – period end	4.87	3.15	2.28	1.72	54.6%
Balance sheet data:					
Total assets	1,638,165	1,508,366	830,737		
Long term liabilities	41,618	59,142	48,618		
Total liabilities	1,415,954	1,409,679	778,034		
Total common equity	222,211	98,687	52,703		
Number of employees	1,260	1,156	1,152	104	9.0%

(1) Some of this data is considered to be non-GAAP. See page 18 – "Non-GAAP measures".

(2) The lower ROE for fiscal 2005 compared to fiscal 2004 partially reflects the issuance of $70 million in common equity on June 30, 2004.

(3) Effective June 30, 2004, Canaccord's capital in the business consisted of only common shareholders' equity. Management uses ROE for analysis purposes, but as Canaccord's historical capital in the business involved elements other than common equity, such as convertible debentures, comparisons to historical periods are to ROCE.

(4) Stock dividend of one (1) Class 4 preferred share Series A was issued for every 20 Class B common shares outstanding. Features of this dividend and corporate share structure are discussed in Note 11 to the annual consolidated financial statements for the fiscal year ending March 31, 2004, included in the Company's prospectus.

n.m.: not meaningful

Total revenue for the year ended March 31, 2005 was $432.8 million, up $30.6 million, or 7.6%, compared to a year ago and is primarily due to an increase in capital markets activity in Europe during fiscal 2005.

Expenses for fiscal 2005 were $360.0 million, up $20.4 million, or 6.0%, from a year ago, reflecting increases in salary and benefits expense of $8.5 million, or 22.9%, an increase in general and administrative expenses of $6.9 million, or 27.8%, and an increase in interest expense of $3.8 million, or 95.9% from a year ago. The increase in salary and benefits expense is largely due to the addition of 104 net new employees as of March 31, 2005 compared to March 31, 2004. The additional employees were hired to support building out future revenue activity in our business segments and to support the increased requirements of being a public company. The increase in general and administrative expenses is largely due to increases in promotion and travel expenses due to increased business activity throughout the year. As for the increase in interest expense, $3.9 million of client interest was included this year in interest expense based on the adoption of the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 1100, "*Generally Accepted Accounting Principles*", at the beginning of fiscal 2005, whereas in prior periods, client interest expense was netted from revenue.

Expenses and expenses as a % of revenue for the year ended March 31

(in thousands of dollars, except % amounts)	2005		2004		Increase	
Incentive compensation	$ 220,834	51.0%	$ 218,802	54.4%	$ 2,032	0.9%
Salaries and benefits	45,715	10.6%	37,193	9.2%	8,522	22.9%
Other overhead expenses (1)	93,473	21.6%	83,605	20.8%	9,868	11.8%
Total	$ 360,022		$ 339,600		$ 20,422	6.0%

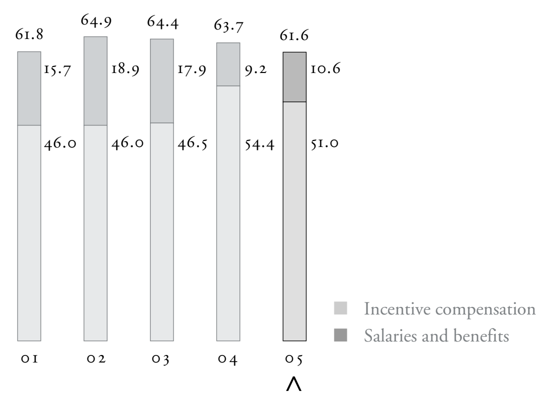
(1) Consists of trading costs, premises and equipment, communication and technology, interest, general and administrative, amortization, development costs and restructuring and other costs.

Incentive compensation expense

For the 12 months ended March 31, 2005, incentive compensation, as a percentage of revenue, decreased to 51.0% compared to 54.4% for fiscal year 2004. The lower payout ratio for fiscal year 2005 partially reflects timing differences in the payout levels in Global Capital Markets in North America, which is discussed in more detail on page 27. The dollar amount paid out increased by $2.0 million for fiscal year 2005 compared to last year, which largely reflects the growth in revenue compared to the same period a year ago.

As of April 1, 2005, the compensation structure of Global Capital Markets was reorganized, which is expected to result in a total compensation payout ratio of approximately 55% for fiscal 2006 with an additional 3% allocated to cover applicable National Health Insurance (NHI) taxes for UK based employees. The change will effectively reduce the overall company compensation expense ratio and align it more closely with the interests and expectations of our external shareholders.

Compensation as a % of revenue



Salaries and benefits and other overhead expenses

For fiscal 2005, salaries and benefits and other overhead expenses increased by $8.5 million and $9.9 million, respectively. This increase is largely due to a company wide talent retention initiative to remunerate salaried employees in all business segments relative to current market levels, plus an increase of 104 net new employees for the year compared to the same period a year ago. The majority of these new employees were hired to support our expansion plans in our various business segments such as Global Capital Markets in Calgary and Europe and to support Canaccord's transition to a publicly traded entity.

General and administrative

Included as a component of other overhead expenses are general and administrative expenses, which increased by $6.9 million for fiscal 2005 reflecting increases in such items as insurance and professional fees, travel and client expenses.

Development costs

Development costs include hiring incentives and systems development costs. Hiring incentives are often required when Canaccord hires new Investment Advisors (IAs) or capital markets professionals. Systems development costs are expenditures that Canaccord has made in conjunction with the development of its information technology platform.

	Development costs for the year ended March 31	
(in thousands of dollars)	2005	2004
Hiring incentives	$ 3,344	$ 3,442
Systems development	4,580	4,798
Total	$ 7,924	$ 8,240

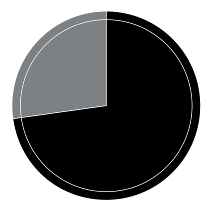
Income taxes were $24.2 million for fiscal year 2005, reflecting an effective tax rate of 33.2% this year compared to 35.4% for a year ago. The lower effective tax rate in fiscal 2005 is related to the geographical composition of net income for the Company and lower federal statutory taxes in Canada. Our effective income tax rate may vary from time to time. A further discussion of our taxes is provided in the Critical accounting estimates section of the MD&A on page 33.

Net income for fiscal 2005 was a record $48.6 million, up $8.2 million, or 20.2%, from a record level a year ago. Diluted earnings per share (EPS) was $1.11, down $0.01, or 0.9%. For fiscal 2005, ROE was 24.5% compared to a ROCE of 43.5% a year ago. The decrease in diluted EPS and ROE partially reflects the additional equity resulting from the issuance from treasury of $70 million in common shares from the IPO on June 30, 2004.

RESULTS BY GEOGRAPHIC SEGMENT

This section is an analysis of Canaccord's results by geographic segment. Canaccord's business operations are grouped into two geographic segments: North America and United Kingdom (UK) and Europe. Revenue from the UK and Europe is derived entirely from Global Capital Markets activity, while revenue in North America is derived from Private Client Services, Global Capital Markets and Other segments.

Geographic distribution of revenue



	For the year ended March 31					
			2005			2004
(in thousands of dollars except number of employees)	North America	UK	Total	North America	UK	Total
Revenue	$ 316,688	$ 116,090	$ 432,778	$ 317,668	$ 84,489	$ 402,157
Expenses	274,358	85,664	360,022	271,025	68,575	339,600
Income before income taxes	42,330	30,426	72,756	46,643	15,914	62,557
Number of employees	1,190	70	1,260	1,104	52	1,156

Fiscal 2005 revenue in North America was down $1.0 million, or 0.3% from a year ago, while revenue in the UK and Europe increased by $31.6 million, or 37.4%, reflecting robust market activity in Europe resulting in increased corporate finance activity for Global Capital Markets in Europe. The table on page 60 of the audited consolidated financial statements provides further detail on Canaccord's geographic results.

Expenses for the year in North America were up $3.3 million, or 1.2%, compared to the same period a year ago, while expenses in the UK were up $17.1 million, or 24.9%. These increases are largely attributed to supporting the overall growth in the business as a result of steady market activity in North America and strong revenue growth in the UK capital markets.

BUSINESS SEGMENT RESULTS

Detailed financial results for the business segments are shown on page 59 of the consolidated financial statements.

Private Client Services revenue is principally derived from trading commissions generated from a diverse client base of individuals and high net worth accounts. For fiscal 2005, total revenue was a record $178.2 million, up $2.2 million, or 1.2%, from a record level a year ago.

For the year, expenses for Private Client Services were up $8.9 million, or 7.5%, which was higher than revenue growth for fiscal 2005 compared to fiscal 2004.

Global Capital Markets revenue is generated from commissions and fees earned in connection with investment banking transactions and institutional sales and trading activity, as well as net trading gains and losses from Canaccord's principal and international trading operations. For fiscal 2005, revenue was a record $239.7 million, up $27.9 million, or 13.2% from a record level a year ago, which reflects the overall growth in capital markets activity during the past 12 months.

Fiscal 2005 expenses for Global Capital Markets were $173.7 million, up $19.2 million, or 12.5%. The increase in expenses is primarily related to the steady increase in market activity since last year.

The Other segment includes correspondent brokerage services, interest, foreign exchange revenue and general and overhead expenses, which are not otherwise allocated to the Private Client Services and Global Capital Markets segments. For the year, revenue for this segment was $14.9 million, up 3.7% compared to fiscal year 2004. The increase is largely attributed to an increase in our correspondent brokerage services business, reflecting higher introducing broker activity levels and an increased number of introducing broker clients.

For this segment, expenses decreased by 11.6% for the year compared to the same period a year ago and is mainly due to a decrease in trading costs, which were fully allocated to Private Client Services and Global Capital Markets in fiscal 2005 and only partially allocated in fiscal 2004.

	For the year ended March 31							
	2005				2004			
(in thousands of dollars, except number of employees)	Private Client Services	Global Capital Markets	Other	Total	Private Client Services	Global Capital Markets	Other	Total
Revenue	$178,176	$239,654	$ 14,948	$432,778	$175,983	$211,758	$ 14,416	$402,157
Expenses	127,504	173,735	58,783	360,022	118,638	154,490	66,472	339,600
Income before income taxes	50,672	65,919	(43,835)	72,756	57,345	57,268	(52,056)	62,557
Number of employees	657	279	324	1,260	623	237	296	1,156

Private Client Services

Overview

Canaccord's private clients are primarily individuals and high net worth accounts. Canaccord provides a broad range of financial services and investment products to its private clients, including both third party and proprietary products. Revenue from Private Client Services is generated through traditional commission based brokerage services, the sale of fee-based products and services, and through fees and commissions earned by private client IAs in respect of corporate finance and venture capital transactions.

Industry profile

Changing demographics over the last decade have led to a steady demand for managed products, retirement planning and other wealth management services. According to the Investment Dealers Association (IDA) of Canada, wealth management was one of the two main growth drivers in the Canadian securities industry in 2004, followed by investment banking. In 2004, revenue from wealth management sources in Canada grew 17% over 2003.

Outlook

Overall, the North American economy remains generally upbeat as the average consumer seems better positioned for further spending in the period ahead given firm job market prospects and rising incomes. As such, we expect a modest pace in growth in our Private Client Services business for the remainder of the 2005 calendar year, assuming normal capital market conditions prevail.

Financial performance

(in thousands of dollars, except assets under administration and assets under management, which are in millions of dollars, employees and Investment Advisors are in single digits)	Private Client Services summary for the 12 months ended March 31			
	2005	2004	Increase (decrease)	
Revenue	$ 178,176	$ 175,983	$ 2,193	1.2%
Expenses	127,504	118,638	8,866	7.5%
Income before income taxes	50,672	57,345	(6,673)	(11.6)%
Assets under administration	9,967	8,292	1,675	20.2%
Assets under management	380	237	143	60.3%
Number of Investment Advisors	434	409	25	6.1%
Number of employees	657	623	34	5.5%

For fiscal 2005, total revenue was a record $178.2 million, up $2.2 million, or 1.2%, from a record level a year ago.

Expenses for the year were up $8.9 million, or 7.5%, which was higher than revenue growth for fiscal 2005 compared to fiscal 2004. Due to a change in cost allocation methodology at the beginning of fiscal 2005, variable trading costs are applied directly to the relevant business group. For fiscal year 2005, variable trading costs of $7.7 million were directly applied to Private Client Services. Without this newly allocated cost, expenses for the year would have increased by 1.0%, which is less than the revenue growth of 1.2%.

Income before income taxes for Private Client Services was $50.7 million, down 11.6% from the same period a year ago.

Operational highlights

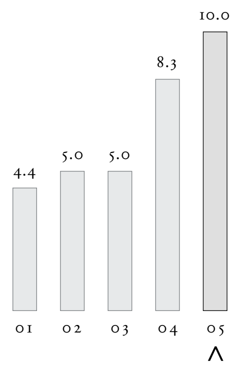
Canaccord's ongoing development of an outstanding suite of wealth management tools continued in fiscal 2005. We believe that it is important to continue to add to our product base to maintain our leadership in this area and create an environment that will be attractive to IAs currently at bank owned dealers.

Supported by the demographic and socio-economic trends in Canada, we believe it is important to have a comprehensive wealth management offering that not only includes a diverse product selection, but that puts the "advisor" role firmly in the hands of the IA.

Despite an extremely competitive recruiting environment for highly qualified IAs, we successfully added 53 new IAs for a net increase of 25 from a year ago, for a total of 434 IAs. As of March 31, 2005, AUA was $10 billion, which has increased at a 22.8% compound annual growth rate (CAGR) since 2001. This growth is as a result of both the recruitment of established IAs with larger books of business and organic asset growth reflecting the turnaround in the equity markets. For the 12 months ended March 31, 2005, assets under management (AUM) in our managed account product line was $380 million, up 60.3% since 2004.

Canaccord has developed a new separately managed accounts (SMAs) program known as *Canaccord's Alliance Program*. This program offers professional portfolio management with a choice of strategies based on a client's investment objectives.

Assets under administration (AUA)
(in billions of dollars)



Building on the success and momentum of Canaccord's internally managed *Independence Account*, we added four external money managers during fiscal 2005: Jarislowsky Fraser, KBSH, Legg Mason Brandywine and Seamark. We will continue to develop products and services in order to offer our IAs the freedom to develop the best product mix for their clients, which, at the same time, reinforces an entrepreneurial culture in which to develop their business.

We have also added two new branches in key target markets – White Rock, British Columbia and Halifax, Nova Scotia. These branches will not only contribute to the growth of our company, but will also further diversify our revenue on a geographic basis and improve our ability to recruit in two key Canadian markets.

Global Capital Markets

Overview

Contribution to our Global Capital Markets revenue comes from two regions, North America and Europe. Our Global Capital Markets group has experienced tremendous growth and tripled its revenue over the last four years. Our team has extensive market knowledge and expertise and is active in the most productive sectors of the global markets, including Mining and Metals, Energy, and Technology and Media.

Canaccord's Global Capital Markets group operates as one integrated team in North America and in the UK to provide comprehensive high quality services to corporate and institutional clients in:

- Institutional equity sales and trading
- International and principal trading
- Research
- Fixed income trading
- Investment banking
- Venture capital

Industry profile

Advances in technology and the globalization of the marketplace are transforming Canadian equity and debt markets, and an increasingly sophisticated investor is looking outside the domestic marketplace. Changing demographics and more flexible government regulations have also fostered this growing investment industry. We believe that, in the long term, through Canaccord's global platform, we will continue to improve foreign market access and provide an unparalleled ability to respond to industry challenges.

Outlook

Canaccord has traditionally been strong in the resource sectors and is well positioned to take advantage of what we perceive to be a long term commodity cycle. A weaker US dollar and a historic shift in the price of oil and gas have created a positive environment for Canaccord's resource practice and for our clients.

Another area for future growth for Global Capital Markets is the North American income trust market. This sector has become a major part of Canada's investment market, which has grown from a market capitalization of $9 billion in 1996 to over $114 billion in December 2004. Recognizing the importance of this sector, Standard and Poor's has recently added income trusts to the benchmark of the S&P/TSX Composite Index.

In Europe, Canaccord has been successful in providing sales and trading, research and investment banking services to European institutional and corporate clients by offering a diverse product mix of growing companies with mid-market capitalizations. We continue to value this unique business and believe it is a key aspect of our future growth. Our European presence is one of the key factors which differentiates Canaccord from our peers in Canada and gives us the competitive advantage when developing client relationships.

Canaccord's strategy is to continue developing our European presence through expanding Europe based relationships and providing institutional clients with a superior and diverse product mix of growing companies with mid-market capitalizations in our focus sectors – Mining and Metals, Energy, Technology and Media, Health Sciences and Diversified Industries.

Financial performance

Global Capital Markets summary for the year ended March 31

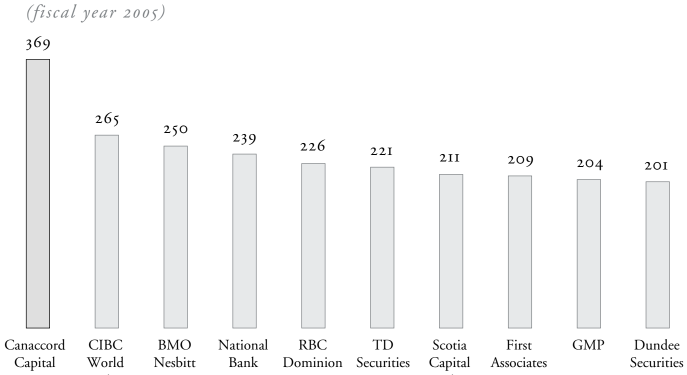
(in thousands of dollars, except number of employees)	2005 North America	2005 UK	2005 Total	2004 North America	2004 UK	2004 Total
Revenue						
Capital markets	$ 95,559	$ –	$ 95,559	$ 88,821	$ –	$ 88,821
International trading	15,452	–	15,452	16,800	–	16,800
Registered traders	4,275	–	4,275	11,493	–	11,493
Fixed Income	8,278	–	8,278	10,155	–	10,155
International (UK)	–	116,090	116,090	–	84,489	84,489
Total revenue	$ 123,564	$ 116,090	$ 239,654	$ 127,269	$ 84,489	$ 211,758
Expenses	88,071	85,664	173,735	85,915	68,575	154,490
Income before income taxes	35,493	30,426	65,919	41,354	15,914	57,268
Number of employees	209	70	279	185	52	237

Revenue

Global Capital Markets revenue is generated from commissions and fees earned in connection with investment banking transactions and institutional sales and trading activity, as well as net trading gains and losses from Canaccord's principal and international trading operations. Accordingly, this revenue is directly affected by the level of corporate and institutional activity and general economic, market and business conditions in Canada and internationally. For fiscal year 2005, revenue was a record $239.7 million, up $27.9 million, or 13.2% from a record level a year ago and is due to an increased level of lead managed and syndicate activity, with flow through contribution to growth in our Private Client Services unit. Our dedicated team of investment banking professionals participated in raising over $25.3 billion in equity offerings over $1.5 million for clients. According to the Financial Post Data Group, Canaccord participated in the highest number of transactions amongst its peers with a total of 369 transactions over $1.5 million, including equity financings, IPOs and mergers and acquisitions during fiscal year 2005.

Participation in number of transactions – equity offerings over $1.5 million

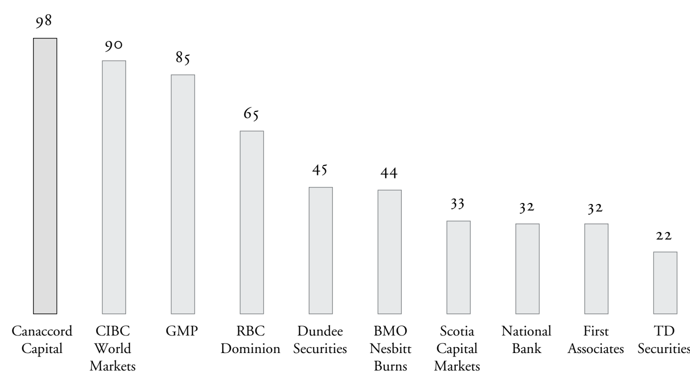
(fiscal year 2005)



Source: Financial Post Data Group as of March 31, 2005, underwriting table of equity transactions for Canadian issuers placed both in Canada and the UK.

Number of led transactions – equity offerings over $1.5 million

(fiscal year 2005)



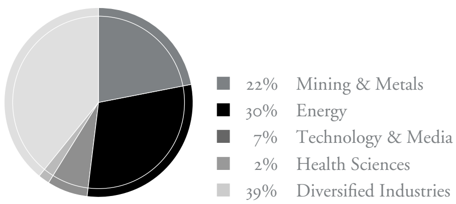
Source: Financial Post Data Group as of March 31, 2005, underwriting table of equity transactions for Canadian issuers placed both in Canada and the UK.

Capital markets revenue

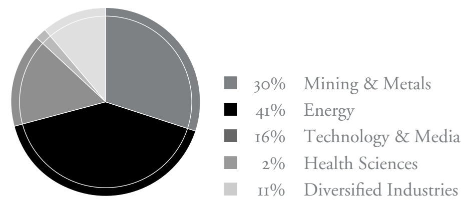
Revenue from capital markets activity during fiscal 2005 derived from equity financing transactions was $95.6 million, up $6.7 million, or 7.6%, compared to fiscal 2004. The increase is largely due to strong capital markets activity in North America and Canaccord's growing ability to facilitate larger transactions.

Global Capital Markets

Transactions by sector



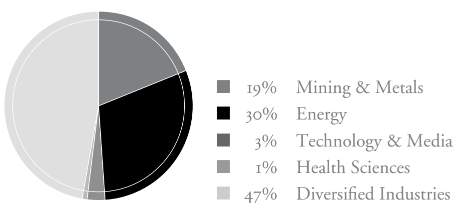
Revenue by sector



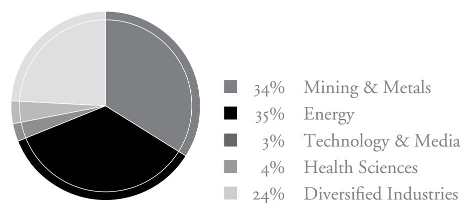
During the year, Canaccord participated in raising over $25.3 billion for 408 equity offerings over $1.5 million, excluding venture capital. Of these transactions, 52% came from the Mining and Metals and Energy industries due to strong global market demand for natural resources. Canaccord also participated in 184 venture capital transactions worth over $369.0 million.

Global Capital Markets – North America

Transactions by sector

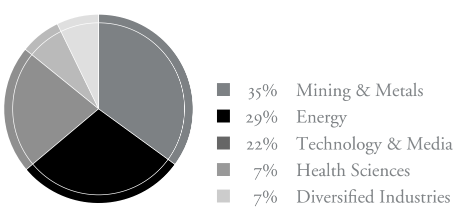


Revenue by sector

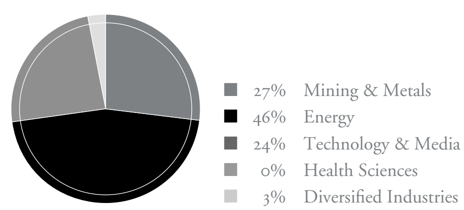


Global Capital Markets – UK

Transactions by sector



Revenue by sector



Equity offerings over $1.5 million

For the year ended March 31 (in thousands of dollars)

	2005		2004	
Industry	# of transactions	Aggregate deal value	# of transactions	Aggregate deal value
North America	360	$ 24,165,421	311	$ 20,068,254
UK	48	1,200,401	47	1,046,000
Total (1)	408	$ 25,365,822	358	$ 21,114,254

(1) Sources: Financial Post Data Group and Company sources – included in the 48 transactions in the UK are nine Canadian issuer transactions placed in the UK market.

Total revenue relating to mergers and acquisitions increased by $1.7 million from $1.3 million in fiscal 2004 to $3.0 million in fiscal 2005. We have managed to penetrate further into this area by hiring corporate finance professionals in the past year with a mandate to help grow our mergers and acquisitions business. We will continue to invest in this service offering as we recognize that revenue generated from mergers and acquisitions advisory services tends to be counter-cyclical to some of our other revenue streams and generates high margins with low capital requirements. In addition, we realize that this area is a natural extension of services offered to our existing clients.

International trading revenue

Canaccord's International Trading group deals principally with US brokerage firms executing orders on their behalf in Canadian listed equities and trading in US equities on behalf of Canadian clients. Revenue is generated through this trading activity. Revenue in this business was $15.5 million, down $1.3 million, or 8.0% from 2004.

Registered traders revenue

Canaccord's Registered Traders group operates by taking positions, trading and making markets in equity securities including securities of companies with small to medium sized market capitalizations. Revenue is generated through inventory trading gains and losses. Revenue in this business was $4.3 million, down $7.2 million, or 62.8% from 2004. Since the beginning of fiscal 2005, we have been reviewing the strategy and performance of this unit, as well as reducing the allocated capital. The performance of this business and the effectiveness of the implemented changes will be monitored carefully.

Fixed income revenue

Canaccord also trades in fixed income securities generating revenue through interest income and trading gains and losses. Canaccord's activity in this area is generally limited to higher grade corporate and government debt instruments. Revenue in this business was $8.3 million, down $1.9 million, or 18.5% from 2004.

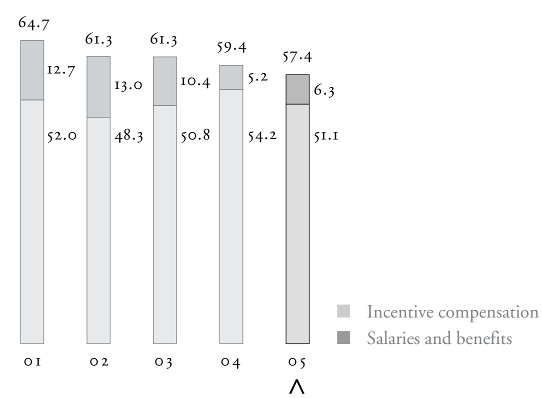
International (UK) revenue

Canaccord's operation in Europe includes an institutional sales and trading team, a corporate finance team and a research department. Canaccord's position as an approved broker, sponsor and Nominated Adviser (Nomad) for AIM and LSE companies, combined with its capital markets strength in both Canada and Europe, places Canaccord in a strong position to serve its corporate and institutional clients and capitalize on the opportunities in this market area. Revenue in this business was $116.1 million, up $31.6 million, or 37.4% from 2004.

Expenses

Expenses for the year were $173.7 million, up $19.2 million, or 12.5%. The increase in expenses is primarily related to a steady increase in market activity over the year. Contributing to this increase were general and administrative expenses, which were up $5.4 million, incentive compensation, up $5.1 million, and salary and benefits expense, up $4.1 million. Growth in incentive compensation expense for the year is largely due to our Global Capital Markets team reaching their target goals as early as Q2/05, resulting in accelerated payouts. Also contributing to the increase in expenses is the change in cost allocations where variable trading costs are directly applied to the relevant business group. For the year, trading costs increased $4.3 million. Without the additional allocated trading cost, expenses would have only increased 9.7%.

Compensation as a % of revenue in North America



Incentive compensation expense for the year was $125.4 million, up $5.1 million, or 4.2%, from a year ago. This is largely due to increased revenue resulting from the addition of 42 new employees compared to a year ago. These new employees were hired to support the increase in market activity in Global Capital Markets, but to also expand our presence in key markets, particularly in Europe and Calgary, where we expect strong revenue growth opportunities for the future. Another reason for the increase in incentive compensation is the inherent payroll tax, or NHI tax, associated with doing business in the UK. NHI is a variable tax of approximately 12% to 13% depending on the payout levels. For fiscal year 2005, NHI expense was $3.7 million, up $1.0 million compared to a year ago.

Compensation as a % of revenue in Europe

As of April 1, 2005, a new incentive compensation schedule was implemented to better integrate our Global Capital Markets team in Canada and Europe. The compensation structure of Global Capital Markets was reorganized which is expected to result in a total compensation payout ratio of approximately 55% for fiscal 2006. An additional 3% will be allocated to cover applicable NHI taxes for UK based employees.

Overall, income before income taxes was up $8.7 million, or 15.1%, to $65.9 million compared to fiscal year 2004. This increase is largely due to the strong capital markets activity in European markets where revenue increased by $31.6 million, or 37.4%, compared to the fiscal year 2004.

Operational highlights

At the beginning of 2005, Canaccord's Global Capital Markets escalated the process of integrating its North American and European operations in order to serve our clients better. The integration of our capabilities in North American and European markets will strengthen our ability to offer our clients differentiated levels of service.

Global Capital Markets continues to be a growth engine for the entire firm, with diverse and sustainable sources of revenue. Revenue for the year was $239.7 million as compared to $211.8 million, up $27.9 million or 13.2% from the previous year. This quantitative achievement goes hand-in-hand with our growing reputational franchise that has seen Canaccord's Global Capital Markets team consistently climb in industry rankings of research relevance and accuracy, as well as delivery and impact of diverse client services.

As of March 31, 2005, Canaccord was a Nomad to 51 companies listed on AIM, the junior arm of the LSE, plus broker to four companies listed on the LSE. This unique level of involvement with our clients heightens our ability to meet their development needs, a competitive advantage that is the result of long term, global investment in our diverse focus areas.

In the last four consecutive quarters the Financial Post Data Group has consistently ranked Canaccord number one with the highest number of transaction participations in equity offerings in Canada. For the year ending March 31, 2005, we ranked number one amongst our peers with the highest number of transaction participations and highest number of transactions led. The success of this business segment reflects our ability to target and service key clients in global equity offerings. This ability is a strong differentiator for Canaccord.

As part of our long term growth strategy, we made a number of investments to expand and deepen our presence in our focus sectors. Canaccord has solidified our income trust presence, with enhanced REIT, Royalty trust and Diversified trust research. In Calgary, we have added to our Energy team in research, sales and trading and investment banking. We have added an Institutional Hedge Fund team and expanded our Corporate Finance department with a specific mandate to grow our Mergers and Acquisitions (M&A) business. These steps have been taken in response to growing demand in sectors and regions where Canaccord has specific expertise, and we believe these developments will strengthen our position over the near term and into the future.

Other segment

Overview

The Other segment includes correspondent brokerage services, interest, foreign exchange revenue and expenses not specifically allocable to Private Client Services and Global Capital Markets. Canaccord operates a correspondent brokerage services business under the name of Pinnacle Correspondent Services. Pinnacle provides secure and confidential fully integrated clearing and settlement, administrative, trading and research services to other brokerage firms. The Pinnacle business unit was developed as an extension and application of Canaccord's substantial investment in its information technology and operating infrastructure.

Also included in this segment are Canaccord's operations and support services, which are responsible for front and back office information technology systems, compliance and risk management, operations, finance and all administrative functions. Canaccord has approximately 324 employees engaged in these activities with 55 in the information technology group, 56 in compliance, 58 in finance, 114 in operations and the balance responsible for various administrative functions. The operations group is responsible for all activity in connection with processing securities transactions including trade execution, settlement of securities transactions and custody of client securities. The finance department is responsible for internal financial accounting and controls and external financial and regulatory reporting. The compliance department is responsible for ensuring the firm complies with all legal and financial regulatory requirements as well as monitoring client credit.

	Other segment summary for the 12 months ended March 31			
(in thousands of dollars, except % amounts)	2005	2004	Increase (decrease)	
Revenue	$ 14,948	$ 14,416	$ 532	3.7%
Expenses	58,783	66,472	(7,689)	(11.6)%
Income before income taxes	$ (43,835)	$ (52,056)	$ 8,221	15.8%

Revenue for fiscal year 2005 was $14.9 million, up 3.7% compared to fiscal year 2004.

For 2005, expenses decreased by 11.6%, largely due to a decrease in trading costs of $12.0 million related to a change in cost allocation where variable trading costs were allocated directly to business segments in 2005. For the year, $7.7 million was allocated to Private Client Services and $4.3 million to Global Capital Markets. Without this change in cost allocation, total expenses for the Other segment would have increased 6.4%.

Fiscal 2005 loss before income taxes was $43.8 million, a 15.8% improvement from the same period a year ago, reflecting the change in trading cost allocations.

Operational highlights

Since our IPO in June 2004, we have been working hard to deliver on our strategy to generate long term growth. One of the key areas of our strategic plan is to grow our online trading and correspondent brokerage services business known as Pinnacle, which will enable us to leverage our infrastructure investments and technological capability. At present, Pinnacle provides secure and confidential fully integrated clearing and settlement, administrative, trading and research services to other brokerage firms. The Pinnacle business unit was developed as an extension and application of Canaccord's substantial investment in its information technology platform and back office operating infrastructure. We believe that there is a strong growth opportunity available for providing correspondent brokerage services through the Pinnacle business unit to dealers in the boutique or specialized categories. During fiscal year 2005, Pinnacle's revenue increased 22.6% compared to a year ago.

Use of proceeds

Canaccord used the net proceeds of its public offering to repay subordinated debt of $10 million, support increased levels of activity in its Private Client Services operations, expand its Global Capital Markets capability by providing capital to support corporate financing transactions in terms of both dollar size and number of transactions, expand its online trading capabilities and correspondent brokerage services operations, and for general working capital.

FINANCIAL CONDITION

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

(in thousands of dollars)	Balance sheet summary for the year ended March 31 2005	2004	2003	2002	2001
Assets					
Cash and cash equivalents	$ 349,700	$ 91,966	$ 100,024	$ 23,697	$ 24,291
Securities owned, at market	160,348	376,447	136,073	89,608	94,057
Accounts receivable	1,068,537	997,621	559,627	639,243	366,042
Other assets	59,580	42,332	35,013	30,673	27,913
Total assets	$ 1,638,165	$ 1,508,366	$ 830,737	$ 783,221	$ 512,303
Liabilities and shareholders' equity					
Call loans	$ –	$ 2,541	$ –	$ 1,924	$ 45,072
Securities	105,527	281,723	85,373	31,645	21,312
Accounts payable	1,262,072	1,048,395	644,043	662,724	358,736
Other liabilities	6,737	17,878	–	–	–
Convertible debentures	–	20,377	21,225	11,225	–
Notes payable	41,618	28,765	17,393	8,446	683
Subordinated debt	–	10,000	10,000	17,000	20,000
Shareholders' equity	222,211	98,687	52,703	50,257	66,500
Total liabilities and shareholders' equity	$ 1,638,165	$ 1,508,366	$ 830,737	$ 783,221	$ 512,303

Accounts receivable

Client security purchases are entered into either on a cash or margin basis. When securities are purchased on margin, the Company extends a loan to the client for the purchase of securities, using securities purchased and/or securities in the client's account as collateral. Therefore, client accounts receivable balances, which were $406.8 million as at March 31, 2005, may vary significantly on a day-to-day basis and are based on trading volumes and market activity. As at March 31, 2005, total accounts receivable were $1,068.5 million compared with $997.6 million as at March 31, 2004.

Call loans

Loan facilities utilized by the Company may vary significantly on a day-to-day basis and depend on securities trading activity. As at March 31, 2005, amounts borrowed pursuant to these call loan facilities were nil compared with $2.5 million as at March 31, 2004.

Cash and cash equivalents

Cash and cash equivalents were $349.7 million as of March 31, 2005, compared to $92.0 million as of March 31, 2004. Significant cash sources or uses of cash include the repayment of $10.0 million in subordinated debt on July 30, 2004, the issuance of share capital for net proceeds of $71.9 million, decreases in securities owned of $216.1 million and securities sold short of $176.2 million as at March 31, 2005.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has obtained an irrevocable standby letter of credit from one of its bankers in the amount of GBP 630,540 as a rent guarantee for our leased premises in the UK.

LIQUIDITY AND CAPITAL RESOURCES

Canaccord has a capital structure completely underpinned by share capital, retained earnings, and cumulative foreign currency translation adjustments.

As at March 31, 2005, total cash and cash equivalents were $349.7 million, compared to $92.0 million as of March 31, 2004. For the year ended March 31, 2005, operating activities were a source of cash in the amount of $220.0 million, which was primarily due to net changes in non-cash working capital items, net income and items not affecting cash. For the year ended March 31, 2005, financing activities provided cash in the amount of $59.1 million, which was primarily due to a net issuance of share capital, an increase in notes payable and repayment of subordinated debt. Investing activities used cash in the amount of $17.1 million, which was primarily due to an increase in notes receivable and the purchase of equipment and leasehold improvements. The increases in notes payable and notes receivable correspond to each other and are in connection with Canaccord's Immigrant Investor Program of Quebec.

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 are recorded at their market value. The market value of these securities fluctuates daily as factors (including changes in market conditions, economic conditions and investor outlook) affect market prices. Margin 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 which normally settle within the normal three day settlement cycle, collateralized securities that are borrowed and/or loaned in transactions that can be closed within a few days on demand and balances due to our introducing brokers representing net balances in connection with their client accounts.

The following table summarizes Canaccord's long term contractual obligations as of March 31, 2005.

		Contractual obligations payments due by period			
(in thousands of dollars)	Total	Less than 1 year	1–3 years	4–5 years	After 5 years
Notes payable	$ 41,618	$ –	$ 19,518	$ 22,100	$ –
Premises and equipment operating leases	101,015	2,122	27,211	17,411	54,271
Total	$ 142,633	$ 2,122	$ 46,729	$ 39,511	$ 54,271

Notes payable and notes receivable

Notes payable in the amount of $41.6 million as of March 31, 2005 are non-recourse to Canaccord and correspond to the notes receivable in the same amount. These notes relate to Canaccord's Quebec immigrant investor program. Under this program immigrant investors borrow, through a credit facility arranged by Canaccord, the requisite funds for making a qualifying investment for immigration purposes. Canaccord borrows the investment funds through a non-recourse bank facility, loans the borrowed funds to the immigrant investor by way of a promissory note, and then pledges the note to the lending bank as collateral for the original loan. The lending bank has no recourse to Canaccord beyond the notes receivable that are pledged as security.

Capital resources

Canaccord has credit facilities with Canadian and UK banks in an aggregate amount of $311 million. These credit facilities, consisting of call loans, letters of credit and daylight overdraft facilities, are collateralized by either unpaid securities and/or securities owned by Canaccord. As at March 31, 2005, these credit facilities were available, but not in use.

In addition, Canaccord has a $250 million credit facility with regard to the Immigrant Investor Program of which $219 million is still available as at March 31, 2005.

OUTSTANDING SHARE DATA

	Outstanding shares as of March 31	
	2005	2004
Shares outstanding – basic (1)	**45,413**	29,983
Shares outstanding – diluted (2)	**46,129**	38,089
Average shares outstanding – basic	**41,635**	28,298
Average shares outstanding – diluted	**44,188**	37,096

(1) Excludes 715,957 unvested shares outstanding in fiscal 2005 and 288,951 in fiscal 2004, which relate to share purchase loans.

(2) Includes 715,957 unvested shares in fiscal 2005 and 288,951 in fiscal 2004 – referred to in footnote (1) above.

As of March 31, 2005, Canaccord had 46.1 million common shares issued and outstanding on a diluted basis, up 8.0 million from a year ago, partially reflecting the issuance of shares from the IPO and various other share issuances throughout the year. As of June 1, 2005, there have not been any further changes in share capital from the March 31, 2005 share figures above. Canaccord has received shareholder approval for a stock option plan; however, there are no existing grants at this time and no current intention to give out grants under the stock option plan.

On December 29, 2004, Canaccord commenced a normal course issuer bid to purchase up to 2,306,463 of its common shares through the facilities of the Toronto Stock Exchange (TSX). Under British Columbia corporate legislation, Canaccord is permitted to purchase and hold its own shares without any requirement for cancellation. The purchase of common shares under the normal course issuer bid will enable the Company to acquire shares for resale to new employees, existing employees, and clients of Canaccord and Canaccord affiliates. The total number of shares which may be repurchased under this program are 5% of Canaccord's total outstanding common shares.

Of the 9,877,506 total shares released from escrow on December 27, 2004, 327,470 shares were submitted for sale with 280,687 shares placed with employees and clients, leaving a net amount of 46,783 shares. Under the normal course issuer bid, the Company then acquired and subsequently sold these 46,783 shares at an average price of $9.09 per share during the period ended December 31, 2004. During the quarter ended March 31, 2005, the Company acquired, in an exempt issuer bid, an additional 175,765 shares subject to escrow at $8.80 per share which were later placed with employees at $10.40 per share. The additional cash from these transactions has been recorded in contributed surplus.

CANADIAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

On April 1, 2004, Canaccord adopted the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 1100, "*Generally Accepted Accounting Principles*". This section establishes standards for financial reporting in accordance with GAAP, and provides guidance on sources to consult when selecting accounting policies and determining appropriate disclosures when a matter is not dealt with explicitly in the primary sources of GAAP. The implementation of CICA Section 1100 impacted the classification of Convertible debentures [Note 10 to the annual audited financial statements] and Subordinated debt [Note 11 to the annual audited financial statements]. These consolidated financial statements have been adjusted to reflect the reclassification of these items as liabilities from the capital section of the balance sheet. In addition, this implementation has affected the presentation of client interest revenue and expense, which are presented on a gross basis for the year ended March 31, 2005, but were netted for previous fiscal years.

HEDGING RELATIONSHIPS

On April 1, 2004, Canaccord prospectively adopted the requirements of CICA Accounting Guideline 13, "*Hedging Relationships*" ("AcG 13"), which provides detailed guidance on the identification, design, documentation and effectiveness of hedging relationships for the purpose of applying hedge accounting. The implementation of AcG 13 did not have a material impact on the consolidated financial statements.

EMPLOYEE STOCK PURCHASE PLANS

Effective April 1, 2005, Canaccord successfully implemented two employee stock purchase plans. The first plan, called the Employee Stock Purchase Plan (ESPP), is aimed at all of Canaccord's existing full-time permanent employees while the second plan, called the Employee Stock Incentive Plan (ESIP), is aimed at Canaccord's key executive-level employees.

The ESPP facilitates the purchase by employees of Canaccord's shares on the open market. Employee contributions are matched by the Company to a maximum of $1,500 per year per employee.

The ESIP targets key executive-level employees of Canaccord and is a component of an overall incentive compensation package. It has been designed to align the interests of our key employees with those of our shareholders, while at the same time rebalancing employee share ownership, particularly within the Global Capital Markets group.

On the basis of an estimated share price of $10 per share, it is estimated that the ESIP will cost Canaccord $10 million; this cost will be amortized over a four year period. It is estimated that the total annual cost of these plans will be approximately 1% of annual consolidated revenue.

DIVIDEND POLICY

Our capital generation experience of the last year has resulted in a change to our dividend policy effective with the commencement of the 2006 fiscal year. Instead of setting the dividend policy in relation to a percentage of annual net income, the Board has set a fixed amount. In respect of fiscal year 2006, Canaccord intends to pay a quarterly dividend of $0.06 per share. 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 and Canaccord's financial condition, results of operations and capital requirements and such other factors as the Board determines to be relevant.

DIVIDEND DECLARATION

As our fiscal year 2005 results exceeded our expectations at the time of our IPO, and therefore generated more capital than required for the business, the Board of Directors declared a special distribution in Q3/05 of $0.15 per share or $6.9 million. Total declared dividends (excluding the special distribution of approximately $6.9 million paid after Q3/05) for the 12-month period ended March 31, 2005, were $0.26 per share or $12.0 million, approximately 24.7% of 12-month net income.

INTERNATIONAL FINANCIAL CENTRES

Canaccord is a member of the International Financial Centres of both British Columbia and Quebec, which provide certain tax and financial benefits pursuant to the International Financial Activities Act of British Columbia and the Act Respecting International Financial Centres of Quebec. As such, 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. As of March 31, 2005, forward contracts outstanding to sell US dollars had a notional amount of US$22.8 million and was unchanged from a year ago. Forward contracts outstanding to buy US dollars had a notional amount of US$10.3 million compared to US$20.8 million a year ago. The fair value of these contracts was nominal. Certain of Canaccord's operations in London, England are conducted in UK pounds sterling; however, any foreign exchange risk in respect of these transactions is generally limited as pending settlements on both sides of the transaction are typically in UK pounds sterling.

CRITICAL ACCOUNTING ESTIMATES

The following is a summary of Canaccord's critical accounting estimates. Canaccord's accounting policies are in accordance with Canadian GAAP and are described in Note 1 to the audited consolidated financial statements for the year ended March 31, 2005. 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 judgement based on available information. Actual results or amounts could differ from estimates and the difference could have a material impact on the financial statements.

Revenue recognition and valuation of securities

Securities held, including share purchase warrants and options, are recorded at market value and, accordingly, the audited consolidated financial statements reflect unrealized gains and losses associated with such securities. In the case of publicly traded securities, market value is determined on the basis of market prices from independent sources such as listed exchange prices or dealer price quotations. Adjustments to market prices are made for liquidity relative to the size of the position and holding periods and other resale restrictions, if applicable. Investments in illiquid or non-publicly traded securities are valued on a basis determined by management using information available and prevailing market prices of securities with similar qualities and characteristics, if known.

There is inherent uncertainty and imprecision in estimating the factors which 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 particular period. With Canaccord's security holdings consisting primarily of publicly traded securities, its procedures for obtaining market prices from independent sources, the validation of estimates through actual settlement of transactions and the consistent application of its approach from period to period, Canaccord believes that the estimates of market value recorded are reasonable.

Provisions

Canaccord records provisions related to pending or outstanding legal matters and doubtful accounts related to client receivables, loans, advances and other receivables. Provisions in connection with legal matters are determined on the basis of management's judgement in consultation with legal counsel considering such factors as the amount of the claim, the validity 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 as to 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 judgements 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 assessment in these different jurisdictions. 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.

RELATED PARTY TRANSACTIONS

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

HISTORICAL QUARTERLY INFORMATION

Canaccord's business is cyclical and may experience considerable variations in revenue and income from quarter to quarter and year to year due to the risk factors discussed in the risk section. In addition to overall market cycles, Canaccord's revenue is generally seasonal over the fiscal year where, historically, 60% to 65% of industry revenue has occurred in the last two fiscal quarters of the year. Therefore, historically, revenue during the first two fiscal quarters has approximately averaged 35% to 40% of the annual revenue for the industry. Canaccord's experience follows that of the industry. Furthermore, Canaccord's revenue from an underwriting transaction is recorded only when the transaction has closed. Consequently, the timing of revenue recognition can materially affect Canaccord's quarterly results. The expense structure of Canaccord's operations is geared towards providing service and coverage in the current market environment. If general capital markets activity were to drop significantly, Canaccord would experience losses if it could not change its expense structure quickly enough.

The following table provides selected quarterly financial information for the eight most recently completed financial quarters ended March 31, 2005. This information is unaudited, and 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.

Fourth quarter 2005

Canaccord's fourth quarter 2005 was down from the fourth quarter of 2004, which was a record quarter in terms of revenue and net income. Revenue was down 5.1% over the fourth quarter of 2004, while net income was down $3.7 million. Global Capital Markets' fourth quarter 2005 revenue decreased by $4.0 million, or 4.7%, over the fourth quarter of 2004, while Private Client Services' revenue decreased $4.3 million, or 7.0%. Canaccord's fourth quarter 2004, which was the second strongest quarter in history, was during the calendar quarter of January 1, 2004 to March 31, 2004, where an abnormally large amount of capital markets activity occurred in such sectors as Mining and Metals, Energy, Technology and Media, and Health Sciences, in which Canaccord has a strong depth and breadth of coverage both in North America and Europe. This higher level of activity generated strong results for the Global Capital Markets business segment, but also provided considerable revenue generating activity for Private Client Services. Furthermore, improved equity valuations and successful recruiting initiatives of IAs resulted in strong growth in Private Client Services revenue.

	Fiscal 2005				Fiscal 2004			
(in thousands of dollars, except per share amounts)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue								
Private Client Services	$ 56,391	$ 46,964	$ 36,499	$ 38,322	$ 60,667	$ 48,540	$ 39,144	$ 27,632
Global Capital Markets	81,444	72,368	46,671	39,171	85,425	66,515	39,001	20,817
Other	5,094	4,351	2,431	3,072	4,595	3,584	3,258	2,979
Total revenue	142,929	123,683	85,601	80,565	150,687	118,639	81,403	51,428
Net income (loss)	17,307	16,743	6,123	8,406	20,992	11,267	8,601	(431)
EPS – basic	0.38	0.37	0.14	0.28	0.74	0.40	0.31	(0.02)
EPS – diluted	0.38	0.36	0.13	0.23	0.58	0.32	0.24	(0.02)

IMPACT OF CHANGES IN CAPITAL MARKETS ACTIVITY

As a brokerage firm deriving its revenue primarily from sales commissions, underwriting and advisory fees, and inventory trading activity, Canaccord's business is materially affected by conditions in the financial marketplace and economic conditions generally. The revenue earned by Canaccord during the fiscal years 2000–2004 reflected a challenging environment in which the equity markets declined from record highs in early 2000 to substantially reduced levels of corporate activity and investor confidence in late 2000, which lasted through 2002. Investor confidence during this period was shaken by corporate and financial scandals, terrorist activity, military conflicts and political uncertainty. Canaccord's operating activity and revenue levels during this period were significantly affected by these external factors. Furthermore, readers should be aware that revenue was $294.7 million in 2000 and $218.8 million in 2001. The strong growth in revenue from 2002 to 2004 was from the trough portion of a cycle, not the continuation of a consistently upward growth trajectory of revenue. In 2003, the business environment improved as the economy showed signs of recovery, investor confidence strengthened and corporate activity increased. Augmented by these economic factors and conditions, Canaccord's business development initiatives and infrastructure development prior to this period laid the foundation for Canaccord's growth in revenue from fiscal 2003 to fiscal 2005.

COMPARISON OF YEARS ENDED MARCH 31, 2004 AND 2003

Revenue

Revenue increased from $199.2 million in fiscal 2003 to $402.2 million in fiscal 2004 representing an increase of $203.0 million, or 102%. This increase in revenue was primarily due to an increase in Private Client Services revenue from $97.8 million in fiscal 2003 to $176.0 million in fiscal 2004, an increase of $78.2 million, or 80%, and an increase in Global Capital Markets revenue from $91.6 million in fiscal 2003 to $211.8 million in fiscal 2004, an increase of $120.2 million, or 131%. The largest contributors to the change in Global Capital Markets revenue were underwriting and corporate finance fees and institutional sales, which increased from $64.1 million in fiscal 2003 to $173.3 million in fiscal 2004, an increase of $109.2 million, or 170%, and an increase of $10.4 million, or 58%, in net revenue from international and principal trading operations ($18.0 million in fiscal 2003 compared to $28.4 million in fiscal 2004). Revenue from fixed income inventory trading increased from $9.5 million in fiscal 2003 to $10.1 million in fiscal 2004.

Commission revenue is principally generated from retail trading activity. The increase from fiscal 2003 to fiscal 2004 reflects the improved market and economic conditions, which were reflected in increased trading activities, generally. By way of example, trading value on the TSX increased from $609.3 billion for the year ended March 31, 2003 to $744.3 billion for the year ended March 31, 2004, representing an increase of 22%.

The increase in Global Capital Markets revenue reflected the increased financing activity by corporate issuers and the increased capability of Canaccord's Global Capital Markets group. Canaccord's Global Capital Markets group participated in 353 investment banking transactions in fiscal 2003 with an aggregate deal value of $8.8 billion and 544 investment banking transactions in fiscal 2004 with an aggregate deal value of $16.4 billion.

Expenses

Expenses increased by $134.9 million, or 66%, from $204.7 million in fiscal 2003 to $339.6 million in fiscal 2004. This increase is significantly less than the 102% increase in revenue from fiscal 2003 to fiscal 2004. The largest component of expenses is incentive compensation, which represents payments made to investment advisors and capital markets professionals in connection with variable transaction based fees and commissions earned primarily in connection with trading and investment banking activities. Incentive compensation increased from $92.6 million in fiscal 2003 to $218.8 million in fiscal 2004, representing an increase of $126.2 million, or 136%. As a percentage of revenue, incentive compensation increased from 47% in fiscal 2003 to 54% in fiscal 2004.

The balance of expenses represents overhead expenses, which are largely fixed in nature. These expenses comprise salaries and benefits ($37.2 million in fiscal 2004 compared to $35.7 million in fiscal 2003, an increase of 4%), trading costs ($17.3 million in fiscal 2004 compared to $15.3 million in fiscal 2003, an increase of 13%), premises and equipment ($13.0 million in fiscal 2004 compared to $12.1 million in fiscal 2003, an increase of 7%), communication and technology ($12.3 million in fiscal 2004 compared to $13.0 million in fiscal 2003, a decrease of 5%) and general and administrative expenses ($24.9 million in fiscal 2004 compared to $20.6 million in fiscal 2003, an increase of 21%).

Canaccord realized a gain on disposal of investments of $4.3 million in fiscal 2003 as a result of the sale of shares Canaccord held in the Toronto Stock Exchange Inc. This gain was offset against the expenses described above.

Net income (loss)

Net income increased from a net loss of $5.1 million in fiscal 2003 to net income of $40.4 million in fiscal 2004, representing an increase of $45.5 million. This reflects an increase of $68.1 million in income before income taxes from fiscal 2003 to fiscal 2004, which was offset by an increase of $22.6 million in income tax expense from fiscal 2003 to fiscal 2004.

RISK MANAGEMENT

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

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

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

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

Market risk

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

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

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

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

Credit risk

The primary source for credit risk to Canaccord is in connection with trading activity by clients in the Private Client Services area and private client margin accounts.

To minimize financial exposure in this area, Canaccord applies certain credit standards and conducts financial reviews with respect to clients and new accounts.

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

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

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

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

Operational risk

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

Regulatory and legal risk

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

Legal risk includes litigation risk. As with other securities dealers, Canaccord is involved with litigation and is a defendant in various legal actions. See Note 16 on "Commitments and Contingencies" in the audited consolidated financial statements.

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

Losses, if any, arising from significant legal matters are recorded as other costs in the Company's consolidated financial statements.

RISK FACTORS

Overview

The securities industry and Canaccord's activities are by their very nature subject to a number of inherent risks. Economic conditions, competition and market factors such as volatility in the Canadian and international markets, interest rates, commodity prices, market prices, trading volumes and liquidity will have a significant impact on Canaccord's profitability. Revenue from Private Client Services activity is dependent on trading volumes and, as such, it is dependent on the level of market activity and investor confidence. Revenue from Global Capital Markets activity is dependent on financing activity by corporate issuers and the willingness of institutional clients to actively trade and participate in capital markets transactions. There may also be a lag between market fluctuations and the level of Canaccord's market activity and the impact that these factors have on Canaccord's operating results and financial position. Furthermore, Canaccord's business is cyclical and thus experiences considerable variations in revenue and income from quarter to quarter and year to year due to the factors discussed above. These factors are beyond Canaccord's control and, accordingly, revenue and net income will fluctuate, as it has historically.

An investment in the common shares involves a number of risks, some of which, including market, liquidity, credit, operational, legal and regulatory risks, could be substantial and are inherent in the Company's business and which include, but are not necessarily limited to, those set out below. Prospective investors should carefully consider the following information about these risks, together with the other information in this document, before buying common shares. It should be noted that this list is not exhaustive, but contains those risks that the directors consider to be of particular relevance. Other risk factors may apply.

Risks associated with the financial services business generally

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

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

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

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

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

Risk of changes in foreign currency exchange rates

Canaccord's results are reported in Canadian dollars. A portion of the Company's business is conducted and denominated in UK pounds sterling and in US dollars. Any fluctuations in the value of the pound sterling and in the US dollar relative to the Canadian dollar may result in variations in the revenue and net income of the Company expressed in Canadian dollars. Although Canaccord manages its foreign exchange risk by periodically hedging pending settlements in foreign currencies such procedures may not be adequate and any changes in currency values may have a material affect on the Company's business, results of operations and financial condition.

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

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

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

Canaccord's revenues are likely to be lower during periods of declining prices or inactivity in the market for securities of companies in the sectors on which Canaccord is focused. Canaccord's business is particularly dependent on the market for equity offerings by companies in the Mining and Metals, Energy, Technology and Media, Health Sciences and Diversified Industries sectors. These markets have historically experienced significant volatility not only in the number and size of equity offerings, but also in the aftermarket trading volume and prices of newly issued securities.

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

Canaccord's revenue increased by more than 100% from fiscal 2003 to fiscal 2004, including more than a three-fold increase in investment banking revenue from Canaccord's UK and European operations. There can be no assurance that this revenue level can be sustained.

Risks of underwriting activities

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

Dependence on ability to retain and recruit personnel

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

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

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

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

Litigation and potential securities laws liability

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

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

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

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

Dependence upon availability of capital

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

Credit risk and exposure to losses

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

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

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

Significant fluctuations in quarterly results

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

Significant competition

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

Regulation

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

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

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

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

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

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

Management of growth

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

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

Dependence on systems

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

Risk management policies and procedures

Canaccord's risk management policies and procedures are based on historical market behaviour and depend on evaluations of certain information regarding markets, clients and other matters. However, there may be situations where these procedures and methods do not adequately predict future risk exposure or where the risk exposure may be substantially higher than historical measures indicate. Accordingly, there is no certainty that Canaccord's risk management policies, systems and procedures will be adequate to prevent a substantial financial loss.

Employee misconduct

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

Restrictions on ownership and transfer of common shares

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

Control risks

As of June 1, 2005 existing employee and director shareholders collectively owned approximately 60% of the common shares. If sufficient of these shareholders act or vote together, they will have the power to exercise significant influence over all matters requiring shareholder approval, including the election of the Company's directors, amendments to its articles, amalgamations and plans of arrangement under Canadian law and mergers or sales of substantially all of its assets. This could have the effect of preventing Canaccord from entering into transactions that could be beneficial to it or its other shareholders. Also, third parties could be discouraged from making a tender offer or takeover bid to acquire any or all of the outstanding common shares of the Company. In addition, the single largest shareholder is The Manufacturers Life Insurance Company with 13.1% of the common shares. Any significant change in these shareholdings through sale or other disposition, or significant acquisitions by others, of the common shares in the public market or by way of private transactions could result in a change of control that may result in changes in business focus or practices that may affect the profitability of Canaccord's business.

Potential conflicts of interest

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

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

Fluctuations in market price

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

Legal proceedings

Canaccord, in the normal course of business as an investment dealer, is involved with litigation and is a defendant in various legal actions. Canaccord has established accruals for matters that are probable and can be reasonably estimated. While the outcome of these actions is subjective to future resolution, management's evaluation and analysis of these actions indicates that, individually and in the aggregate, the probable ultimate resolution of these actions will not have a material effect on the financial conditions of the Company.

FINANCIAL INSTRUMENTS

In the normal course of business Canaccord utilizes certain financial instruments to manage its exposure to credit risk, market risk and foreign exchange risk as mentioned above. However, another key financial instrument utilized by the Company is to manage interest rate risk.

Interest rate risk

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

ADDITIONAL INFORMATION

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

AUDITORS' REPORT

To the Shareholders of Canaccord Capital Inc. (formerly Canaccord Holdings Ltd.)

We have audited the consolidated balance sheets of *Canaccord Capital Inc.* (*formerly Canaccord Holdings Ltd.*) as at March 31, 2005 and 2004 and the consolidated statements of operations and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada

April 22, 2005,
except for Note 17 [ii] which is as of May 3, 2005.

Ernst & Young LLP

Chartered Accountants

CONSOLIDATED BALANCE SHEETS

As at March 31 (in thousands of dollars)	2005	2004 [restated – note 1]
Assets		
Current		
Cash and cash equivalents	$ 349,700	$ 91,966
Securities owned, at market [note 2]	160,348	376,447
Accounts receivable [notes 3, 4 and 14]	1,068,537	997,621
Future income taxes [note 5]	3,992	–
Total current assets	1,582,577	1,466,034
Equipment and leasehold improvements [note 6]	13,750	12,373
Notes receivable [note 7]	41,618	28,765
Deferred charges [note 8]	220	1,194
	$ 1,638,165	$ 1,508,366
Liabilities and shareholders' equity		
Current		
Call loans [note 9]	$ –	$ 2,541
Securities sold short, at market [note 2]	105,527	281,723
Accounts payable and accrued liabilities [notes 3, 4 and 14]	1,262,072	1,048,395
Income taxes payable	6,737	16,905
Future income taxes [note 5]	–	973
Total current liabilities	1,374,336	1,350,537
Notes payable [note 7]	41,618	28,765
Convertible debentures [note 10]	–	20,377
Subordinated debt [note 11]	–	10,000
Total liabilities	1,415,954	1,409,679
Commitments and contingencies [notes 3 and 16]		
Shareholders' equity		
Share capital [note 12]	151,030	60,409
Cumulative foreign currency translation adjustment	(1,383)	265
Retained earnings	72,564	38,013
Total shareholders' equity	222,211	98,687
	$ 1,638,165	$ 1,508,366

See accompanying notes

On behalf of the Board:

Peter M. Brown
Chairman & Chief Executive Officer

Terrence A. Lyons
Director

CONSOLIDATED STATEMENTS *of* OPERATIONS *and* RETAINED EARNINGS

Years ended March 31 (in thousands of dollars, except per share amounts)	2005	2004
Revenue		
Private client services	$ 178,176	$ 175,983
Global capital markets	239,654	211,758
Other	14,948	14,416
	432,778	402,157
Expenses		
Incentive compensation	220,834	218,802
Salaries and benefits	45,715	37,193
Trading costs	16,863	17,310
Premises and equipment	11,849	13,017
Communication and technology	14,037	12,290
Interest	7,824	3,994
General and administrative	31,791	24,874
Amortization	3,185	3,565
Development costs	7,924	8,240
Restructuring and other costs [note 13]	–	315
	360,022	339,600
Income before income taxes	72,756	62,557
Income taxes (recovery) [note 5]		
Current	29,142	17,420
Future	(4,965)	4,708
Net income for the year	48,579	40,429
Retained earnings, beginning of year	38,013	2,352
Dividends		
Stock dividend	–	(1,357)
Cash dividends	(13,835)	–
Excess on redemption of common shares [note 12 [iii]]	(193)	(3,411)
Retained earnings, end of year	$ 72,564	$ 38,013
Basic earnings per share [note 12 [v]]	$ 1.17	$ 1.43
Diluted earnings per share [note 12 [v]]	$ 1.11	$ 1.12

See accompanying notes

CONSOLIDATED STATEMENTS *of* CASH FLOWS

Years ended March 31 (in thousands of dollars)	2005	2004
Operating activities		
Net income for the year	$ 48,579	$ 40,429
Items not involving cash		
Amortization	3,863	3,565
Future income taxes (recovery)	(4,965)	4,708
Changes in non-cash working capital		
Decrease (increase) in securities owned	216,099	(240,374)
Increase in accounts receivable	(70,916)	(437,994)
Decrease in income taxes recoverable	–	558
Increase (decrease) in securities sold short	(176,196)	196,350
Increase in accounts payable and accrued liabilities	213,677	404,352
Increase (decrease) in income taxes payable	(10,168)	16,905
Cash provided by (used in) operating activities	219,973	(11,501)
Financing activities		
Decrease in subordinated debt	(10,000)	–
Increase in notes payable	12,853	11,372
Redemption of convertible debentures	(20)	(302)
Issuance of share capital	71,865	15,624
Increase in unvested common share purchase loans	(1,415)	–
Redemption of share capital	(379)	(10,762)
Dividends paid	(13,835)	–
Cash provided by financing activities	59,069	15,932
Investing activities		
Purchase of equipment and leasehold improvements	(4,562)	(3,911)
Increase in notes receivable	(12,853)	(11,372)
Decrease (increase) in deferred charges	296	(341)
Cash used in investing activities	(17,119)	(15,624)
Unrealized foreign exchange loss (gain)	(1,648)	594
Increase (decrease) in cash position	260,275	(10,599)
Cash position, beginning of year	89,425	100,024
Cash position, end of year	$ 349,700	$ 89,425
Cash position is comprised of:		
Cash and cash equivalents	$ 349,700	$ 91,966
Call loans	–	(2,541)
	$ 349,700	$ 89,425
Supplemental cash flow information		
Interest paid	$ 1,495	$ 2,576
Income taxes paid	$ 37,756	$ 816

See accompanying notes

NOTES *to* CONSOLIDATED FINANCIAL STATEMENTS

As as March 31, 2005 and 2004 and for each of the two years ended March 31, 2005
(in thousands of dollars, except per share amounts)

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

Historically, the Company's operating results are characterized by a seasonal pattern and it earns the majority of its revenue in the last two quarters of its fiscal year.

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and principles of consolidation

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

At March 31, 2005, the Company's operating subsidiaries, all of which are 100% owned, include:

Canaccord Capital Corporation
Canaccord Capital (Europe) Limited
Canaccord International Ltd.
Canaccord Capital Corporation (USA), Inc.
Canaccord Financial Services Ltd.
Stockwave Equities Ltd. (formerly 508763 B.C. Ltd.)
CLD Financial Opportunities Limited
Canaccord Financial Holdings Inc.
Canaccord Capital Credit Corporation

All intercompany transactions have been eliminated.

Canadian generally accepted accounting principles

On April 1, 2004, the Company adopted the requirements of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1100, "*Generally Accepted Accounting Principles*". This section establishes standards for financial reporting in accordance with GAAP, and provides guidance on sources to consult when selecting accounting policies and determining appropriate disclosures when a matter is not dealt with explicitly in the primary sources of GAAP. The implementation of CICA Section 1100 impacted the classification of Convertible Debentures [Note 10] and Subordinated Debt [Note 11]. These consolidated financial statements have been adjusted to reflect the reclassification of these items as liabilities from the capital section of the balance sheet. In addition, this implementation has affected the presentation of client interest revenue and expense which are presented on a gross basis for the year ended March 31, 2005, but were netted for the previous fiscal year.

Hedging relationships

On April 1, 2004, the Company prospectively adopted the requirements of CICA Accounting Guideline 13, "*Hedging Relationships*" ("AcG 13"), which provides detailed guidance on the identification, designation, documentation and effectiveness of hedging relationships for the purpose of applying hedge accounting. The implementation of AcG 13 did not have a material impact on the consolidated financial statements.

Securities transactions

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

Cash and cash equivalents

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

Securities owned and securities sold short

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

Collateralized securities transactions

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

Private Client Services revenue

Private Client Services revenue consists of revenue generated through traditional commission based brokerage services, recognized on a trade date basis, the sale of fee-based products and services, recognized on an accrual basis, and through fees and commissions earned on venture capital and other corporate finance transactions, recognized through an allocation of global capital markets revenue.

Interest earned by clients and paid to clients is recognized on an accrual basis. The gross amount of client interest earned is included in private client revenue.

Global Capital Markets revenue

Global Capital Markets revenue consists of trading and underwriting fees, management and advisory fees, and fees and commissions earned on corporate finance activities. Global capital markets revenue is also generated through commissions from acting as agent for trading securities on behalf of institutional clients and from income earned in connection with principal trading operations.

Revenue and fees from underwritings, mergers and acquisitions and other corporate finance activities are recorded when the underlying transaction is substantially completed under the engagement terms and the related revenue is reasonably determinable. Trading revenue is recognized on a trade date basis. Management and advisory fees are recognized on an accrual basis.

Equipment and leasehold improvements

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

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

Deferred charges

Deferred charges consist of set-up costs relating to the pre-operating period of a new correspondent brokerage services division, legal and other costs relating to raising capital in the business, costs relating to an Initial Public Offering of common shares and costs relating to a new human resources and payroll system.

Deferred charges are being amortized as follows:

Correspondent services division set-up costs	3 years straight-line basis
Convertible debenture costs	5 years straight-line basis
Systems development costs	5 years straight-line basis

Convertible debenture costs were written off in the current year upon their conversion.

Deferred common share issuance costs were recorded as a reduction of share capital at the time the Initial Public Offering closed on June 30, 2004.

Development costs

Development costs consist of internal information systems development, expensed as incurred, and hiring incentives for new employees. Hiring incentives relate to forgivable loans to acquire shares of the Company, which are amortized on a straight-line basis over three years.

Translation of foreign currency transactions and foreign subsidiaries

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the year end exchange rate. Non-monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at historical rates. Revenue and expenses are translated at the average exchange rate for the year. Foreign currency translation gains and losses are recorded in income in the year in which they occur.

The functional currency of the Company is the Canadian dollar. Financial statements of foreign subsidiaries, all of which are self-sustaining, whose functional currency is other than the Canadian dollar are translated into Canadian dollars using the current rate method. Under the current rate method, assets and liabilities are translated at the year end exchange rate. Revenue and expenses are translated at the average exchange rate for the year. Unrealized foreign currency translation gains or losses are accumulated as a separate component of shareholders' equity.

Income taxes

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

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

Earnings per share

Basic earnings per share is computed by dividing the net income for the year by the weighted average number of common shares outstanding. Diluted earnings per share is calculated to reflect the dilutive effect of convertible debentures by application of the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted earnings per share assumes that the proceeds from the conversion of convertible debentures are applied to repurchase common shares at the average market price for the period.

Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results may differ from those estimates.

Pension plan

The Company provides a defined contribution pension plan on behalf of its current employees. The defined contribution pension plan is available to certain administrative employees with more than two years of consecutive service. The Company is required to match the employees' contributions to a maximum of 2% of the employees' base salary. Costs of the defined contribution plan, representing the Company's required contribution, are charged to income in the year. The amount of the charge for the year, including a voluntary contribution by the Company, was $288 [2004 – $268].

The Company formerly provided a final pay defined benefit pension plan for certain administrative employees. The plan is closed and has 18 current and retired members. The plan's assets, accrued benefit obligations and related pension expense of the Company are not material.

2. SECURITIES OWNED AND SECURITIES SOLD SHORT

	March 31, 2005		March 31, 2004	
	Securities owned	Securities sold short	Securities owned	Securities sold short
Corporate and government debt	$ 124,395	$ 82,001	$ 327,224	$ 275,285
Equities and convertible debentures	35,953	23,526	49,223	6,438
	$ 160,348	$ 105,527	$ 376,447	$ 281,723

As at March 31, 2005 corporate and government debt maturities range from 2005 to 2051 [March 31, 2004 – 2005 to 2054] and bear interest ranging from 2.05% to 14.0% [March 31, 2004 – 2.35% to 14.0%].

3. FINANCIAL INSTRUMENTS

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

Credit risk

The primary source of credit risk to the Company is in connection with trading activity by private clients and private client margin accounts. To minimize its exposure, the Company applies certain credit standards, applies limits to transactions and requires settlement of securities transactions on a cash basis or delivery against payment. Margin transactions are collateralized by securities in the client's accounts in accordance with limits established by the Company and applicable regulatory requirements.

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

As at March 31, 2005 and 2004, the Company's most significant counterparty concentrations are with financial institutions and institutional clients. Management believes that they are in the normal course of business and does not anticipate loss for non-performance.

Market risk

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

The Company is exposed to market risk as a result of its principal trading in equity securities and fixed income securities. Securities held for trading are valued at market and as such, changes in market value affect earnings (loss) as they occur. The Company mitigates its market risk exposure through controls to limit concentration levels and capital usage within its inventory trading accounts.

Interest rate risk

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

Foreign exchange risk

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

Forward contracts outstanding at March 31, 2005:

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

Forward contracts outstanding at March 31, 2004:

	Notional amounts (millions of USD)	Average price (CAD/USD)	Maturity	Fair value (millions of USD)
To sell US dollars	$ 22.75	$ 1.32	April 5, 2004	$ 0.1
To buy US dollars	$ 20.75	$ 1.32	April 5, 2004	$ (0.1)

Fair value of financial assets and liabilities

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

Securities lending and borrowing

The Company employs securities lending and borrowing primarily to facilitate the securities settlement process. These arrangements are typically short term in nature, with interest being received on the cash delivered. These transactions are fully collateralized and are subject to daily margin calls for any deficiency between the market value of the security given and the amount of collateral received. These transactions are collateralized by either cash or securities, including government treasury bills and government bonds and are reflected within accounts receivable and accounts payable. The Company manages its credit exposure by establishing and monitoring aggregate limits by customer for these transactions.
Interest earned on cash collateral is based on a floating rate [March 31, 2005 – 2.0% for equities and 2.3% for bonds and March 31, 2004 – 1.5% for equities and 1.8% for bonds].

	Cash		Securities	
	Loaned or delivered as collateral	Borrowed or received as collateral	Borrowed or received as collateral	Loaned or delivered as collateral
March 31, 2005	$ 130,359	$ 68,329	$ 131,905	$ 70,708
March 31, 2004	$ 337,016	$ 43,231	$ 342,197	$ 53,169

Lines of credit

At March 31, 2005, the Company has credit facilities with Canadian and United Kingdom banks in an aggregate amount of $311 million. These credit facilities, consisting of call loans, letters of credit and daylight overdraft facilities are collateralized by either unpaid securities and/or securities owned by the Company.

Canaccord Capital Corporation has provided a bank letter of credit in the amount of $1.4 million as a guarantee for lease obligations of Canaccord Capital (Europe) Limited.

4. ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts receivable

	2005	2004
Brokers and investment dealers	$ 353,734	$ 471,073
Clients	406,769	268,062
RRSP cash balances held in trust	293,595	237,806
Other	14,439	20,680
	$ 1,068,537	$ 997,621

Accounts payable and accrued liabilities

	2005	2004
Brokers and investment dealers	$ 358,711	$ 247,944
Clients	719,195	698,999
Other	184,166	101,452
	$ 1,262,072	$ 1,048,395

Accounts payable to clients include $293,595 [2004 – $237,806] payable to clients for RRSP cash balances held in trust.

Client security purchases are entered into on either a cash or a margin basis. In the case of a margin account, the Company extends a loan to a client for the purchase of securities, using securities purchased and/or other securities in the client's account as collateral. Amounts loaned to any client are limited by margin regulations of the Investment Dealers Association 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 are based on a floating rate [March 31, 2005 – 6.25% and 1.25%, respectively, and March 31, 2004 – 6.00% and 1.00%, respectively].

5. INCOME TAXES

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

	2005	2004
Assets:		
Legal settlements	$ 1,656	$ 929
Unpaid remuneration	849	669
Unamortized forgivable loans	614	236
Unamortized capital cost of equipment and leasehold improvements over their net book value	65	139
Loss carryforwards	–	38
Share issuance (initial public offering) costs	2,092	–
	5,276	2,011
Liabilities:		
Unrealized gain on marketable securities	1,213	2,343
Deferred charges	71	157
Unrealized foreign exchange gains on equity investments	–	131
Other	–	353
	1,284	2,984
Future income tax assets (liabilities)	$ 3,992	$ (973)

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

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

	2005	2004
Income taxes at the statutory rate	$ 25,024	$ 23,213
Less: International Finance Business recovery of provincial taxes	(1,312)	(1,323)
Non-deductible items affecting the determination of taxable income	465	238
Income tax expense – current and future	$ 24,177	$ 22,128

6. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

	Cost	Accumulated amortization	Net book value
2005			
Computer equipment	$ 3,084	$ 2,228	$ 856
Furniture and equipment	9,573	4,488	5,085
Leasehold improvements	20,100	12,291	7,809
	$ 32,757	$ 19,007	$ 13,750
2004			
Computer equipment	$ 3,280	$ 2,518	$ 762
Furniture and equipment	7,836	3,682	4,154
Leasehold improvements	18,187	10,730	7,457
	$ 29,303	$ 16,930	$ 12,373

7. IMMIGRANT INVESTOR PROGRAM OF QUEBEC

The Company sponsors an immigrant investor program that provides assistance to Canadian immigrant applicants under the investor category and to their professional consultants and advisors. Included in these services is a program that enables immigrant investors to borrow, through a credit facility arranged by the Company, the requisite funds for making a qualifying investment for immigration purposes. The Company borrows as notes payable the investment funds through a non-recourse bank facility, loans the borrowed funds to the immigrant investor by way of a note receivable and then pledges the notes receivable to the lending bank as collateral for the notes payable.

[i] Notes receivable

Under the provisions of the Immigrant Investor Program of Quebec, funds have been advanced to various Immigrant Investors by Canaccord Capital Credit Corporation ("CCCC") and Canaccord Financial Holdings Inc. ("CFHI"). The immigrant investors sign a note receivable for the principal amounts advanced plus accrued interest, which are both due on the fifth anniversary from the date the funds were advanced to the investors.

The terms of the notes receivable, including interest rate and maturity date, are identical to the notes payable and are ultimately pledged to guarantee the obligations of CCCC and CFHI.

The recourse of notes payable is limited, ultimately, to these notes receivable and is not against CCCC, CFHI, any related company or any of their respective assets.

Interest revenue of $2,095 [2004 – $1,241] on these loans is included in Other revenue.

[ii] Notes payable

Notes payable are collateralized by the notes receivable with interest capitalized annually and repayable at maturity. The notes payable bear interest ranging from 4.57% to 7.27% [weighted average at March 31, 2005 – 5.81%] and mature between 2007 and 2010 [March 31, 2004 interest rates vary from 4.57% to 7.27% with a weighted average of 5.98%, maturing between 2007 and 2009].

The notes payable, including accrued interest, are due as follows:

	2005	2004
2007	$ 6,808	$ 6,385
2008	12,710	12,004
2009	10,919	10,376
2010	11,181	–
	$ 41,618	$ 28,765

Interest expense of $2,095 [2004 – $1,241] on these loans is included in Interest expense.

8. DEFERRED CHARGES

	Cost	Accumulated amortization	Net book value
2005			
Correspondent services division set-up costs	$ 1,183	$ 1,011	$ 172
Financing costs	491	491	–
Systems development	48	–	48
	$ 1,722	$ 1,502	$ 220
2004			
Correspondent services division set-up costs	$ 1,183	$ 632	$ 551
Financing costs	491	176	315
Common share issuance costs	328	–	328
	$ 2,002	$ 808	$ 1,194

9. CALL LOANS

The Company borrows money primarily to facilitate the securities settlement process for both client and Company securities transactions. The call loans are collateralized by either unpaid client securities and/or securities owned by the Company. Interest on the call loans is at a floating rate.

10. CONVERTIBLE DEBENTURES

	2005	2004
2006 debentures [i]	$ –	$ 10,377
2007 debenture [ii]	–	10,000
	$ –	$ 20,377

On June 22, 2004, the 2006 and 2007 debentures were either redeemed or converted into share capital as part of a reorganization of capital [see Note 12 [ii]].

[i] 2006 debentures

Each 2006 debenture issued by the Company was either redeemed (in whole or in part, including a 5% premium) or exchanged for Class B common shares of the Company at a rate of one such share for each $2.57275 of principal amount.

[ii] 2007 debenture

The 2007 debenture issued by the Company was either redeemed (in whole or in part) or exchanged for Class C common shares of the Company at a rate of one such share for each $2.98230 of principal amount.

Interest expense of $438 [2004 – $1,469] on these debentures is included in Interest expense.

The convertible debentures were collateralized by a floating charge over all of the assets of the Company.

Convertible debentures have been reclassified as a liability due to the requirements of CICA Handbook Section 1100.

11. SUBORDINATED DEBT

	2005	2004
Loan payable, interest payable monthly at prime + 1% per annum [March 31, 2004 – 5.0%], due on demand	$ –	$ 10,000

The loan payable was subject to a subordination agreement and was repaid on July 30, 2004 with the prior approval of the Investment Dealers Association of Canada.

Interest expense of $157 [2004 – $561] on this loan is included in Interest expense.

Subordinated debt has been reclassified as a liability due to the requirements of CICA Handbook Section 1100.

12. SHARE CAPITAL

On June 21, 2004, the Company's shareholders approved a two for one subdivision of the Company's outstanding Class A, Class B and Class C common shares. All common share and per share data included herein have been adjusted to reflect the two for one subdivision as if it had occurred at the beginning of the periods reflected.

	2005	2004
Issued and fully paid		
Share capital		
Common shares	$ 153,061	$ 61,292
Unvested share purchase loans	(2,929)	(1,514)
Preferred shares	–	190
Contributed surplus	898	441
	$ 151,030	$ 60,409

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

	Common		Class B		Class C		Total	
	# of shares	Amount	# of shares	Amount	# of shares	Amount	# of shares	Amount
Balance, March 31, 2003	–	$ –	24,779,672	$ 41,306	3,809,524	$ 10,000	28,589,196	$ 51,306
Shares issued for cash	–	–	5,435,838	15,624	–	–	5,435,838	15,624
Shares cancelled	–	–	(4,031,206)	(7,006)	–	–	(4,031,206)	(7,006)
Shares issued on conversion of Class 4 preferred shares Series A	–	–	357,838	822	–	–	357,838	822
Shares issued on conversion of serial debentures	–	–	209,340	546	–	–	209,340	546
Balance, March 31, 2004	–	–	26,751,482	51,292	3,809,524	10,000	30,561,006	61,292
Shares issued for cash	–	–	897,454	3,568	442,100	1,536	1,339,554	5,104
Shares cancelled	–	–	(95,826)	(186)	–	–	(95,826)	(186)
Shares issued on conversion of Class 4 preferred shares Series A	–	–	82,816	190	–	–	82,816	190
Shares issued on conversion of convertible debentures	–	–	7,378,660	20,357	–	–	7,378,660	20,357
Exchange into common shares (1)	39,266,210	86,757	(35,014,586)	(75,221)	(4,251,624)	(11,536)	–	–
Shares issued in connection with initial public offering (2)	6,829,268	66,170	–	–	–	–	6,829,268	66,170
Shares issued for cash (3)	33,790	134	–	–	–	–	33,790	134
Balance, March 31, 2005	46,129,268	$ 153,061	–	$ –	–	$ –	46,129,268	$ 153,061

(1) Pursuant to an order obtained on June 22, 2004 from the Supreme Court of British Columbia, a capital reorganization which included the creation of a class of common shares and the exchange of all Class B and C common shares for common shares was approved.

(2) Net of share issue costs of $3,830

(3) Sale of shares held by a subsidiary in the group

Pursuant to the Company's normal course issuer bid, as approved by the Toronto Stock Exchange, the Company is entitled to acquire up to 5.0% of its shares from December 29, 2004 to December 28, 2005. This buyback was initiated to facilitate the orderly resale of shares released from escrow on December 27, 2004. Of the 9,877,506 total shares released from escrow, 327,470 shares were submitted for sale with 280,687 shares placed with employees and clients, leaving a net amount of 46,783 shares. Under the normal course issuer bid, the Company then acquired and subsequently sold these 46,783 shares at an average price of $9.09 per share during the period ended December 31, 2004. During the quarter ended March 31, 2005, the Company acquired, in an exempt issuer bid, an additional 175,765 shares subject to escrow at $8.80 per share, which were later placed with employees at $10.40 per share. The additional cash from these transactions has been recorded in contributed surplus.

Preferred shares

	Class 4 Series A # of shares	Class 4 Series A Amount
Balance, March 31, 2003	–	$ –
Shares issued as a stock dividend	1,356,781	1,357
Shares redeemed for cash	(344,017)	(345)
Shares converted into Class B common shares	(822,287)	(822)
Balance, March 31, 2004	190,477	190
Exchange into common shares (1)	(190,477)	(190)
Balance, March 31, 2005	–	$ –

(1) Pursuant to an order obtained on June 22, 2004 from the Supreme Court of British Columbia, a capital reorganization which included the creation of a class of common shares and the exchange of all preferred shares for common shares was approved.

[iii] Excess on redemption of common shares

The excess on redemption of common shares represents amounts paid to shareholders, by the Company and its subsidiaries, on redemption of their shares in excess of the book value of those shares at the time of redemption.

	2005	2004
Redemption price	$ 379	$ 10,417
Book value	186	7,006
Excess on redemption of common shares	$ 193	$ 3,411

[iv] Common share purchase loans

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

[v] Earnings per share

	2005	2004
Basic earnings per share		
Net income for the year	$ 48,579	$ 40,429
Weighted average number of common shares (number)	41,634,920	28,298,424
Basic earnings per share ($)	$ 1.17	$ 1.43
Diluted earnings per share		
Net income for the year	$ 48,579	$ 40,429
Income effect of convertible debentures	282	1,129
Adjusted net income for the year	$ 48,861	$ 41,558
Weighted average number of common shares (number)	41,634,920	28,298,424
Dilutive effect of convertible debentures (number)	1,817,000	7,885,926
Dilutive effect of preferred shares (number)	20,420	307,400
Dilutive effect of unvested shares (number)	715,957	604,124
Adjusted weighted average number of common shares (number)	44,188,297	37,095,874
Diluted earnings per share ($)	$ 1.11	$ 1.12

13. Restructuring and other costs

	2005	2004
Settlement of damage claims	$ –	$ 315

14. Related party transactions

Security trades executed by the Company for employees, officers and shareholders 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:

	2005	2004
Accounts receivable	$ 31,698	$ 26,394
Accounts payable and accrued liabilities	$ 54,691	$ 47,311

15. Segmented information

The Company operates in two industry segments as follows:

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

Global Capital Markets – includes investment banking, research and trading activities on behalf of corporate, institutional and government clients as well as principal trading activities.

Other includes correspondent brokerage services, interest and foreign exchange revenue and expenses not specifically allocable to Private Client Services and Global Capital Markets.

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 capital assets to the segments. Amortization is allocated to the segments based on square footage occupied. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. There are no significant inter-segment revenues.

	2005				2004			
	Private Client Services	Global Capital Markets	Other	Total	Private Client Services	Global Capital Markets	Other	Total
Revenues	$178,176	$239,654	$ 14,948	$432,778	$175,983	$211,758	$ 14,416	$402,157
Expenses	123,619	171,849	53,445	348,913	113,767	152,363	61,350	327,480
Amortization	1,087	1,204	894	3,185	1,295	1,291	979	3,565
Development, restructuring and other costs	2,798	682	4,444	7,924	3,576	836	4,143	8,555
Income (loss) before income taxes	$ 50,672	$ 65,919	$ (43,835)	$ 72,756	$ 57,345	$ 57,268	$ (52,056)	$ 62,557

The Company's business operations are grouped into two geographic segments as follows:

		2005		2004
Canada				
Revenue	$	316,688	$	317,668
Net income		28,211		29,373
Equipment and leasehold improvements		11,888		10,700
United Kingdom				
Revenue	$	116,090	$	84,489
Net income		20,368		11,056
Equipment and leasehold improvements		1,862		1,673

16. COMMITMENTS AND CONTINGENCIES

Commitments

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

2006	$	9,491
2007		10,067
2008		9,775
2009		8,918
2010		8,493
Thereafter		54,271
	$	101,015

Contingencies

The Company, in the normal course of business as an investment dealer, is involved with litigation and as of March 31, 2005 it was a defendant in various legal actions. The Company has established accruals for matters that are probable and can be reasonably estimated. While the outcome of these actions is subject to future resolution, management's evaluation and analysis of these actions indicates that, individually and in the aggregate, the probable ultimate resolution of these actions will not have a material effect on the financial condition of the Company. The actions described below have been commenced against the Company and, although the Company has denied the allegations and intends to vigorously defend itself in each case, the outcome of each action cannot be predicted with certainty. The amounts claimed in respect of these actions, or which could potentially be claimed, are material and, accordingly, these actions are described in these consolidated financial statements.

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

[ii] In 2002, an action was commenced in the Ontario Superior Court of Justice against the Company and other defendants including another investment dealer. The claim makes allegations of illegal activity by two former investment advisors of the other investment dealer and, subsequently, the Company, and that the Company and the other investment dealer failed to supervise. The damages claimed in this action are $27 million. Management's analysis of the claim is that it is unsubstantiated and without merit.

[iii] Since 2002, six actions have been commenced in the Supreme Court of British Columbia against the Company by clients of a former investment advisor of the Company. The claims allege that unsuitable and unauthorized trades were made in the accounts of the plaintiffs by the former investment advisor and are for quantified damages in the aggregate amount of $2.2 million and for other damages and amounts which have not been quantified. The Company has made a counterclaim against certain of the plaintiffs alleging that these plaintiffs were participants in certain illegal activity by the former investment advisor.

[iv] In 2001, a wrongful dismissal action was commenced in the Ontario Superior Court of Justice against the Company. The plaintiff is seeking damages for wrongful dismissal of $4.5 million, an order requiring the Company to repurchase the shares he owned in the Company for approximately $4.3 million and other damages and amounts in the aggregate amount of an additional $2.75 million. Prior to the commencement of the action, the applicable shares were repurchased for approximately $2.7 million. The Company has counterclaimed for losses now quantified at $3.6 million plus interest in connection with a debenture [see Note 10] in a private company, which the Company alleges it purchased on the basis of false representations made by the plaintiff. In September 2004, the plaintiff sought to amend his claim to seek a declaration from the court that he continues to own the shares or, in the alternative, an order requiring the Company to repurchase the shares at a fair market value in an unspecified amount in excess of the amount already claimed. The plaintiff had previously made no claim to continued ownership of the shares or an interest in the Company or its subsidiaries. The motion was dismissed by a Master of the Ontario Superior Court and that decision is now on appeal.

17. SUBSEQUENT EVENTS

[i] Employee Stock Purchase Plan

On April 1, 2005 the Company implemented an Employee Stock Purchase Plan (the "Plan") where the Company would contribute up to a maximum of $1,500 per employee per calendar year. The shares under this Plan will be purchased in the open market.

[ii] Dividend

On May 3, 2005, the Board of Directors declared a common share dividend of $0.11 per share payable on June 10, 2005 with a record date of May 23, 2005.

18. CANADIAN AND INTERNATIONAL FINANCIAL REPORTING STANDARDS DIFFERENCES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). In certain respects, International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board differ from those applied in Canada.

If IFRS were employed, there would be no material adjustment to net income or earnings per share for the years ended and consolidated shareholders' equity of the Company as at March 31, 2005 and 2004.

The areas of material differences between Canadian GAAP and IFRS and their impact on the consolidated financial statements of the Company are described as follows:

[i] Consolidated statement of changes in shareholders' equity

IFRS requires the inclusion of a consolidated statement of changes in shareholders' equity for each statement of income year, as follows:

	March 31, 2005	March 31, 2004
ISSUED AND PAID SHARE CAPITAL		
Common shares		
Balance at the beginning of the year	$ 61,292	$ 51,306
Shares issued for cash	5,104	15,624
Shares cancelled	(186)	(7,006)
Shares issued on conversion of Class 4 preferred shares Series A	190	822
Shares issued on conversion of serial debentures	20,357	546
Shares issued in connection with initial public offering	66,170	–
Shares issued for cash	134	–
Balance at the end of the year	$ 153,061	$ 61,292
Unvested share purchase loans		
Balance at the beginning of the year	$ (1,514)	$ (1,620)
Movements during the year	(1,415)	106
Balance at the end of the year	$ (2,929)	$ (1,514)
Preferred shares		
Balance at the beginning of the year	$ 190	$ –
Shares issued as a stock dividend	–	1,357
Shares redeemed for cash	–	(345)
Shares converted into Class B common shares	–	(822)
Exchange into common shares	(190)	–
Balance at the end of the year	$ –	$ 190
Contributed surplus		
Balance at the beginning of the year	$ 441	$ 994
Movements during the year	457	(553)
Balance at the end of the year	898	441
	$ 151,030	$ 60,409
CUMULATIVE FOREIGN CURRENCY TRANSLATION ADJUSTMENT		
Balance at the beginning of the year	$ 265	$ (329)
Movements during the year	(1,648)	594
Balance at the end of the year	$ (1,383)	$ 265
RETAINED EARNINGS		
Balance at the beginning of the year	$ 38,013	$ 2,352
Net income for the year	48,579	40,429
Excess on redemption of common shares	(193)	(3,411)
Stock dividend	–	(1,357)
Cash dividend (1)	(13,835)	–
Balance at the end of the year	$ 72,564	$ 38,013

(1) Dividends of $0.05 per share were paid on September 10, 2004, December 10, 2004 and March 10, 2005. In addition, a special dividend of $0.15 per share was paid on March 10, 2005.

[ii] *Presentation differences between IFRS and Canadian GAAP*

The following is a summary of presentation differences between IFRS and Canadian GAAP. These differences do not impact the reported shareholders' equity and net income.

(a) Under IFRS, deferred tax assets and liabilities are not classified as current assets and current liabilities.

(b) Accounts payable and accrued liabilities by reportable segment for the years ended March 31, 2005 and 2004 are as follows:

	2005				2004			
	Private Client Services	Global Capital Markets	Other	Total	Private Client Services	Global Capital Markets	Other	Total
Accounts payable and accrued liabilities	$607,809	$406,448	$247,815	$1,262,072	$605,660	$226,125	$216,610	$1,048,395

[iii] *Other disclosures*

IFRS requires certain additional disclosures in the consolidated financial statements, as follows:

(a) On June 9, 2005, the Board of Directors reviewed the financial statements and authorized them for issue. These financial statements will be submitted to the Annual General Meeting of Shareholders to be held on August 5, 2005 for approval.

(b) Total remuneration to the executive members of the Board of Directors recognized in the income statement amounted to $6,566 in 2005 and $7,060 in 2004. Total fees paid to the external members of the Board of Directors for their services amounted to $130 in 2005 and $nil in 2004.

(c) Canaccord Capital Corporation owns 376,200 common shares of Canaccord Capital (Europe) Limited.

(d) Equipment and leasehold improvements

	Computer equipment	Furniture & equipment	Leasehold improvements	2005
Cost				
Balance at the beginning of the year	$ 3,280	$ 7,836	$ 18,187	$ 29,303
Additions	692	1,954	2,036	4,682
Disposals / write-offs	(819)	(189)	–	(1,008)
Foreign currency translation	(69)	(28)	(123)	(220)
Balance at the end of the year	$ 3,084	$ 9,573	$ 20,100	$ 32,757
Accumulated amortization				
Balance at the beginning of the year	$ 2,518	$ 3,682	$ 10,730	$ 16,930
Depreciation	586	1,009	1,625	3,220
Disposals / write-offs	(819)	(182)	–	(1,001)
Foreign currency translation	(57)	(21)	(64)	(142)
Balance at the end of the year	$ 2,228	$ 4,488	$ 12,291	$ 19,007
Net book value at the end of the year	$ 856	$ 5,085	$ 7,809	$ 13,750

	Computer equipment	Furniture & equipment	Leasehold improvements	2004
Cost				
Balance at the beginning of the year	$ 3,462	$ 6,652	$ 15,829	$ 25,943
Additions	321	1,309	2,266	3,896
Disposals / write-offs	(573)	(141)	–	(714)
Foreign currency translation	70	16	92	178
Balance at the end of the year	$ 3,280	$ 7,836	$ 18,187	$ 29,303
Accumulated amortization				
Balance at the beginning of the year	$ 2,325	$ 2,916	$ 8,675	$ 13,916
Depreciation	704	877	2,016	3,597
Disposals / write-offs	(560)	(141)	–	(701)
Foreign currency translation	49	30	39	118
Balance at the end of the year	$ 2,518	$ 3,682	$ 10,730	$ 16,930
Net book value at the end of the year	$ 762	$ 4,154	$ 7,457	$ 12,373

SUPPLEMENTAL INFORMATION

FINANCIAL HIGHLIGHTS

For the years ended March 31 (thousands of dollars, except for assets under management, assets under administration, common share information, and financial ratios)	2005	2004	2003	2002	2001	2000
Financial results						
Revenue	$ 432,778	$ 402,157	$ 199,206	$ 170,433	$ 218,769	$ 294,676
Expenses	360,022	339,600	204,744	199,528	216,352	247,380
Income taxes	24,177	22,128	(485)	(11,015)	(901)	19,946
Net income (loss)	48,579	40,429	(5,053)	(18,080)	3,318	27,350
Business segment						
Income (loss) before income taxes						
Private Client Services	50,672	57,345	14,634	8,982	44,206	54,008
Global Capital Markets	65,919	57,268	7,008	(3,940)	2,187	29,297
Other	(43,835)	(52,056)	(27,180)	(34,137)	(43,976)	(36,009)
Geographic segment						
Income (loss) before income taxes						
Canada	42,330	46,643	(3,262)	(26,415)	1,036	44,634
UK	30,426	15,914	(2,276)	(2,680)	1,381	2,662
Off-balance sheet information ($ millions)						
Assets under management	380	237	104	51	18	10
Assets under administration	9,967	8,292	5,037	4,978	4,428	5,978
Common share information						
Per share ($)						
Basic earnings (loss)	1.17	1.43	(0.18)	(0.71)	0.14	1.45
Fully diluted earnings (loss)	1.11	1.12	(0.18)	(0.71)	0.14	1.45
Fully diluted book value (1)	4.87	3.15	2.28	n.m.	n.m.	n.m.
Share price ($)						
High	11.10	–	–	–	–	–
Low	7.96	–	–	–	–	–
Close	10.48	–	–	–	–	–
Shares outstanding (thousands)						
Basic	45,413	29,983	27,956	n.m.	n.m.	n.m.
Diluted	46,129	38,089	28,589	n.m.	n.m.	n.m.
Average basic	41,635	28,298	27,805	25,389	24,040	18,802
Average diluted	44,188	37,096	27,805	25,389	24,040	18,802
Market capitalization	483,435	n.m.	n.m.	n.m.	n.m.	n.m.
Financial measures						
Dividends per share	0.26	–	–	–	–	–
Special distributions per share (2)	0.15	–	–	–	–	–
Total	0.41					
Dividend yield (closing share price) (2)	2.5%	–	–	–	–	–
Dividend payout ratio (2)	24.7%	–	–	–	–	–
Total shareholder return (3)	5.5%	–	–	–	–	–
Annualized return on average common equity (ROE) / return on average capital employed (ROCE)	24.5%	43.5%	(7.5)%	(28.3)%	5.1%	43.0%
Price to earnings multiple (4)	9.5	–	–	–	–	–
Price to book ratio (5)	2.2	–	–	–	–	–

(1) Fully diluted book value per share is calculated as total shareholders' equity plus unvested share purchase loans less contributed surplus relating to unvested share purchase loans, divided by the number of fully diluted shares outstanding at the end of the period.

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

(3) Total shareholder return is calculated as the change in share price plus dividends and special distributions paid in the current period as a percentage of the prior period's closing share price, assuming reinvestment of all dividends.

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

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

n.m.: not meaningful

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS

For the years ended March 31 (thousands of dollars, except per share amounts and financial measures)	2005	2004	2003	2002	2001	2000
Revenue						
Private Client Services	$ 178,176	$ 175,983	$ 97,784	$ 90,534	$ 140,251	$ 169,892
Global Capital Markets	239,654	211,758	91,629	72,264	66,288	110,484
Other	14,948	14,416	9,793	7,635	12,230	14,300
	$ 432,778	$ 402,157	$ 199,206	$ 170,433	$ 218,769	$ 294,676
Expenses						
Incentive compensation (1)	$ 220,834	$ 218,802	$ 92,594	$ 78,428	$ 100,727	$ 154,350
Salaries and benefits	45,715	37,193	35,661	32,147	34,418	27,803
Trading costs	16,863	17,310	15,343	9,621	13,745	11,780
Premises and equipment	11,849	13,017	12,089	12,616	13,274	10,101
Communication and technology	14,037	12,290	12,984	11,650	12,178	8,687
Interest	7,824	3,994	3,239	4,116	6,551	4,230
General and administrative	31,791	24,874	20,555	18,175	24,534	21,129
Amortization	3,185	3,565	3,898	3,982	2,794	1,580
Development costs	7,924	8,240	4,137	4,443	4,770	4,157
Restructuring and other costs	–	315	8,505	22,753	1,906	1,534
Discretionary payouts	–	–	–	1,597	5,920	3,429
Gain on disposal of investments and claims	–	–	(4,261)	–	(4,465)	(1,400)
	360,022	339,600	204,744	199,528	216,352	247,380
Income (loss) before income taxes	72,756	62,557	(5,538)	(29,095)	2,417	47,296
Income taxes	24,177	22,128	(485)	(11,015)	(901)	19,946
Net income (loss) for the year	48,579	40,429	(5,053)	(18,080)	3,318	27,350
Retained earnings, beginning of year	38,013	2,352	9,066	28,240	43,153	16,440
Dividends						
Stock dividend	–	(1,357)	–	–	–	–
Cash dividend	(13,835)	–	–	–	(8,279)	–
Excess on redemption of common shares	(193)	(3,411)	(1,661)	(1,094)	(9,952)	(637)
Retained earnings, end of year	$ 72,564	$ 38,013	$ 2,352	$ 9,066	$ 28,240	$ 43,153
Incentive compensation expense as % of revenue	51.0%	54.4%	46.5%	46.0%	46.0%	52.4%
Total compensation expenses as % of revenue (2)	61.6%	63.6%	64.4%	64.9%	61.8%	61.8%
Non-compensation expenses as % of revenue	21.6%	20.8%	38.4%	52.2%	37.1%	22.1%
Total expenses as % of revenue	83.2%	84.4%	102.8%	117.1%	98.9%	83.9%
Pre-tax profit margin	16.8%	15.6%	(2.8)%	(17.1)%	1.1%	16.1%
Effective tax rate	33.2%	35.4%	8.8%	37.9%	37.3%	42.2%
Basic earnings (loss) per share	1.17	1.43	(0.18)	(0.71)	0.14	1.45
Fully diluted earnings (loss) per share	1.11	1.12	(0.18)	(0.71)	0.14	1.45
Fully diluted book value per share (3)	4.87	3.15	2.28	n.m.	n.m.	n.m.
Dividends per share	0.26	–	–	–	–	–
Special distributions per share (4)	0.15	–	–	–	–	–
Annualized ROE / ROCE	24.5%	43.5%	(7.5)%	(28.3)%	5.1%	43.0%

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

(2) Total compensation expenses include incentive compensation and salaries and benefits.

(3) Fully diluted book value per share is calculated as total shareholders' equity plus unvested share purchase loans less contributed surplus relating to unvested share purchase loans, divided by the number of fully diluted shares outstanding at the end of the period.

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

n.m.: not meaningful

CONDENSED CONSOLIDATED BALANCE SHEET

As at March 31 (thousands of dollars)	2005	2004	2003	2002	2001	2000
Assets						
Cash and cash equivalents	$ 349,700	$ 91,966	$ 100,024	$ 23,697	$ 24,291	$ 139,713
Securities owned, at market	160,348	376,447	136,073	89,608	94,057	60,433
Accounts receivable	1,068,537	997,621	559,627	639,243	366,042	699,421
Income taxes recoverable	–	–	558	8,581	10,861	–
Future income taxes	3,992	–	3,735	2,327	–	–
Equipment and leasehold improvements	13,750	12,373	12,027	14,151	16,085	8,414
Notes receivable	41,618	28,765	17,393	5,614	–	–
Deferred charges	220	1,194	1,300	–	967	1,459
	$ 1,638,165	$ 1,508,366	$ 830,737	$ 783,221	$ 512,303	$ 909,440
Liabilities and shareholders' equity						
Call loans	$ –	$ 2,541	$ –	$ 1,924	$ 45,072	$ 33,063
Securities sold short, at market	105,527	281,723	85,373	31,645	21,312	8,652
Accounts payable and accrued liabilities	1,262,072	1,048,395	644,043	662,724	358,736	756,659
Income taxes payable	6,737	16,905	–	–	–	18,839
Future income taxes	–	973	–	–	–	(73)
Notes payable	41,618	28,765	17,393	8,446	683	1,064
Convertible debentures (1)	–	20,377	21,225	11,225	–	–
Subordinated debt (1)	–	10,000	10,000	17,000	20,000	27,617
Shareholders' equity (1)	222,211	98,687	52,703	50,257	66,500	63,619
	$ 1,638,165	$ 1,508,366	$ 830,737	$ 783,221	$ 512,303	$ 909,440

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

MISCELLANEOUS OPERATIONAL STATISTICS

As at March 31	2005	2004	2003	2002	2001	2000
Number of employees in Canada						
Number in Private Client Services	657	623	628	623	630	516
Number in Global Capital Markets	209	185	197	187	185	139
Number in Other	324	296	277	259	282	205
Total Canada	1,190	1,104	1,102	1,069	1,097	860
Number of employees in UK						
Number in Global Capital Markets	70	52	50	48	45	43
Number of employees firm wide	1,260	1,156	1,152	1,117	1,142	903
Number of Investment Advisors	434	409	417	416	413	354
Number of licenced professionals	710	675	668	n.m.	n.m.	n.m.
Number of Private Client Services clients	144,451	138,142	131,584	149,360	147,908	143,525
Assets under management ($ millions)	380	237	104	51	18	10
Assets under administration (AUA) ($ millions)	9,967	8,292	5,037	4,978	4,428	5,978
AUA per Investment Advisor ($ millions)	23	20	12	12	11	17
Number of companies with Canaccord Capital Europe Ltd. as broker						
London Stock Exchange (LSE)	6	5	5	3	2	–
Alternative Investment Market (AIM)	51	31	16	6	–	–
Total broker	57	36	21	9	2	–
Number of companies with Canaccord Capital Europe Ltd. as Financial Adviser / Nomad (1)						
LSE	4	3	3	1	1	–
AIM	47	24	10	3	–	–
Total Financial Advisers / Nomads	51	27	13	4	1	–

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

n.m.: not meaningful

QUARTERLY FINANCIAL HIGHLIGHTS

(thousands of dollars, except for assets under management, assets under administration, common share information, and financial ratios)	Fiscal 2005				Fiscal 2004			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Financial results								
Revenue	$ 142,929	$ 123,683	$ 85,601	$ 80,565	$ 150,687	$ 118,639	$ 81,403	$ 51,428
Expenses	117,502	99,094	75,332	68,094	119,477	100,609	67,652	51,862
Income taxes	8,120	7,846	4,146	4,065	10,218	6,763	5,150	(3)
Net income (loss)	17,307	16,743	6,123	8,406	20,992	11,267	8,601	(431)
Business segment								
Income (loss) before income taxes								
Private Client Services	16,644	14,176	9,814	10,038	22,515	15,509	13,241	6,080
Global Capital Markets	20,362	21,310	11,201	13,046	22,970	17,585	14,031	2,682
Other	(11,579)	(10,897)	(10,746)	(10,613)	(14,275)	(15,064)	(13,521)	(9,196)
Geographic segment								
Income (loss) before income taxes								
Canada	17,739	13,545	4,385	6,661	24,187	11,573	11,298	(415)
UK	7,688	11,044	5,884	5,810	7,023	6,457	2,453	(19)
Off-balance sheet information ($ millions)								
Assets under management	380	344	301	274	237	205	135	130
Assets under administration	9,967	8,998	8,678	8,244	8,292	7,049	6,232	5,577
Common share information								
Per share ($)								
Basic earnings (loss)	0.38	0.37	0.14	0.28	0.74	0.40	0.31	(0.02)
Fully diluted earnings (loss)	0.38	0.36	0.13	0.23	0.58	0.32	0.24	(0.02)
Fully diluted book value (1)	4.87	4.69	4.37	4.34	3.15	2.52	2.17	1.93
Share price ($)								
High	10.98	9.75	10.80	11.10	–	–	–	–
Low	8.75	8.43	7.96	10.66	–	–	–	–
Close	10.48	9.19	8.60	10.74	–	–	–	–
Shares outstanding (thousands)								
Basic	45,413	45,416	45,305	45,165	29,983	28,887	27,762	28,595
Diluted	46,129	46,129	46,129	46,129	38,089	37,587	36,852	28,595
Average basic	45,353	45,388	45,305	30,292	29,043	28,154	28,043	27,951
Average diluted	46,069	46,101	46,095	38,467	37,524	37,134	37,053	27,951
Market capitalization	483,435	423,926	396,709	495,425	n.m.	n.m.	n.m.	n.m.
Financial measures								
Dividends per share	0.11	0.05	0.05	0.05	–	–	–	–
Special distributions per share (2)	–	0.15	–	–	–	–	–	–
Dividend yield (closing share price) (2)	4.2%	2.2%	2.3%	1.9%	–	–	–	–
Dividend payout ratio (2)	29.3%	13.8%	37.6%	27.4%	–	–	–	–
Total shareholder return (3)	16.3%	7.5%	(19.4)%	4.8%	–	–	–	–
Annualized ROE / ROCE	32.2%	32.1%	7.3%	19.3%	79.1%	51.4%	44.9%	(2.4)%
Price to earnings multiple (4)	9.5	7.1	6.8	7.8	–	–	–	–
Price to book ratio (5)	2.2	2.0	2.0	2.5	–	–	–	–

(1) Fully diluted book value per share is calculated as total shareholders' equity plus unvested share purchase loans less contributed surplus relating to unvested share purchase loans, divided by the number of fully diluted shares outstanding at the end of the period.

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

(3) Total shareholder return is calculated as the change in share price plus dividends and special distributions paid in the current period as a percentage of the prior period's closing share price, assuming reinvestment of all dividends.

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

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

n.m.: not meaningful

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

(thousands of dollars, except per share amounts and financial measures)	Fiscal 2005 Q4	Fiscal 2005 Q3	Fiscal 2005 Q2	Fiscal 2005 Q1	Fiscal 2004 Q4	Fiscal 2004 Q3	Fiscal 2004 Q2	Fiscal 2004 Q1
Revenue								
Private Client Services	$ 56,391	$ 46,964	$ 36,499	$ 38,322	$ 60,667	$ 48,540	$ 39,144	$ 27,632
Global Capital Markets	81,444	72,368	46,671	39,171	85,425	66,515	39,001	20,817
Other	5,094	4,351	2,431	3,072	4,595	3,584	3,258	2,979
	$ 142,929	$ 123,683	$ 85,601	$ 80,565	$ 150,687	$ 118,639	$ 81,403	$ 51,428
Expenses								
Incentive compensation (1)	$ 77,191	$ 65,449	$ 42,721	$ 35,473	$ 85,532	$ 69,927	$ 39,669	$ 23,674
Salaries and benefits	13,130	10,957	10,414	11,214	10,773	9,181	8,338	8,901
Trading costs	4,493	4,377	3,540	4,453	5,292	4,666	3,808	3,544
Premises and equipment	3,025	2,875	2,920	3,029	3,709	3,184	3,117	3,007
Communication and technology	3,719	3,524	3,573	3,221	2,946	3,114	3,072	3,158
Interest	2,125	1,990	1,436	2,273	1,168	1,019	938	869
General and administrative	10,866	7,248	8,013	5,664	6,910	6,433	5,927	5,604
Amortization	952	802	739	692	751	1,027	875	912
Development costs	2,001	1,872	1,976	2,075	2,396	2,058	1,955	1,831
Restructuring and other costs	–	–	–	–	–	–	(47)	362
	117,502	99,094	75,332	68,094	119,477	100,609	67,652	51,862
Income (loss) before income taxes	25,427	24,589	10,269	12,471	31,210	18,030	13,751	(434)
Income taxes (recovery)	8,120	7,846	4,146	4,065	10,218	6,763	5,150	(3)
Net income (loss) for the period	17,307	16,743	6,123	8,406	20,992	11,267	8,601	(431)
Incentive compensation expense as % of revenue	54.0%	52.9%	49.9%	44.0%	56.8%	58.9%	48.7%	46.0%
Total compensation expenses as % of revenue (2)	63.2%	61.8%	62.1%	57.9%	63.9%	66.7%	59.0%	63.3%
Non-compensation expenses as % of revenue	19.0%	18.3%	25.9%	26.6%	15.4%	18.1%	24.1%	37.5%
Total expenses as % of revenue	82.2%	80.1%	88.0%	84.5%	79.3%	84.8%	83.1%	100.8%
Pre-tax profit margin	17.8%	19.9%	12.0%	15.5%	20.7%	15.2%	16.9%	(0.8)%
Effective tax rate	31.9%	31.9%	40.4%	32.6%	32.7%	37.5%	37.5%	0.7%
Basic earnings (loss) per share	0.38	0.37	0.14	0.28	0.74	0.40	0.31	(0.02)
Fully diluted earnings (loss) per share	0.38	0.36	0.13	0.23	0.58	0.32	0.24	(0.02)
Fully diluted book value per share (3)	4.87	4.69	4.37	4.34	3.15	2.52	2.17	1.93
Dividends per share	0.11	0.05	0.05	0.05	–	–	–	–
Special distributions per share (4)	–	0.15	–	–	–	–	–	–
Annualized ROE / ROCE	32.2%	32.1%	7.3%	19.3%	79.1%	51.4%	44.9%	(2.4)%

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

(2) Total compensation expenses include incentive compensation and salaries and benefits.

(3) Fully diluted book value per share is calculated as total shareholders' equity plus unvested share purchase loans less contributed surplus relating to unvested share purchase loans, divided by the number of fully diluted shares outstanding at the end of the period.

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

CONDENSED CONSOLIDATED BALANCE SHEET

(thousands of dollars)	Fiscal 2005 Q4	Q3	Q2	Q1	Fiscal 2004 Q4	Q3	Q2	Q1
Assets								
Cash and cash equivalents	$ 349,700	$ 256,158	$ 158,560	$ 34,008	$ 91,966	$ 110,001	$ 90,306	$ 122,765
Securities owned, at market	160,348	184,895	305,611	377,789	376,447	202,500	154,298	129,233
Accounts receivable	1,068,537	719,508	1,011,210	1,052,409	997,621	754,766	761,732	563,245
Income taxes recoverable	–	–	701	–	–	–	–	866
Future income taxes	3,992	1,834	1,609	1,645	–	3,029	3,202	3,583
Equipment and leasehold improvements	13,750	13,904	12,373	12,182	12,373	10,719	10,671	11,293
Notes receivable	41,618	41,055	39,251	35,355	28,765	22,758	17,834	17,559
Deferred charges	220	266	632	752	1,194	940	1,091	1,192
	$1,638,165	$1,217,620	$1,529,947	$1,514,140	$1,508,366	$1,104,713	$1,039,134	$ 849,736
Liabilities and shareholders' equity								
Call loans	$ –	$ 6,311	$ 677	$ 40,745	$ 2,541	$ –	$ –	$ –
Securities sold short, at market	105,527	90,033	190,796	270,228	281,723	113,189	57,816	62,029
Accounts payable and accrued liabilities	1,262,072	862,582	1,099,731	957,362	1,048,395	853,968	869,895	687,621
Income taxes payable	6,737	3,259	–	2,742	16,905	10,305	3,780	–
Future income taxes	–	–	–	–	973	–	–	–
Notes payable	41,618	41,055	39,251	35,355	28,765	22,758	17,834	17,559
Convertible debentures (1)	–	–	–	–	20,377	20,763	21,215	21,215
Subordinated debt (1)	–	–	–	10,000	10,000	10,000	10,000	10,000
Shareholders' equity (1)	222,211	214,380	199,492	197,708	98,687	73,730	58,594	51,312
	$1,638,165	$1,217,620	$1,529,947	$1,514,140	$1,508,366	$1,104,713	$1,039,134	$ 849,736

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

MISCELLANEOUS OPERATIONAL STATISTICS

	Fiscal 2005 Q4	Q3	Q2	Q1	Fiscal 2004 Q4	Q3	Q2	Q1
Number of employees in Canada								
Number in Private Client Services	657	647	638	642	623	608	602	604
Number in Global Capital Markets	209	194	185	198	185	182	178	181
Number in Other	324	316	314	308	296	281	275	275
Total Canada	1,190	1,157	1,137	1,148	1,104	1,071	1,055	1,060
Number of employees in UK								
Number in Global Capital Markets	70	67	66	54	52	52	52	47
Number of employees firm wide	1,260	1,224	1,203	1,202	1,156	1,123	1,107	1,107
Number of Investment Advisors	434	426	420	426	409	408	410	420
Number of licenced professionals	710	709	692	689	675	686	672	677
Number of Private Client Services clients	144,451	140,915	138,684	140,553	138,142	133,961	130,837	130,081
Assets under management ($ millions)	380	344	301	274	237	205	135	130
Assets under administration (AUA) ($ millions)	9,967	8,998	8,678	8,244	8,292	7,049	6,232	5,577
AUA per Investment Advisor ($ millions)	23	21	21	19	20	17	15	13
Number of companies with Canaccord Capital Europe Ltd. as broker								
London Stock Exchange (LSE)	6	6	7	6	5	5	5	5
Alternative Investment Market (AIM)	51	44	37	35	31	28	22	18
Total broker	57	50	44	41	36	33	27	23
Number of companies with Canaccord Capital Europe Ltd. as Financial Adviser / Nomad (1)								
LSE	4	4	4	3	3	3	3	3
AIM	47	40	32	28	24	21	15	11
Total Financial Advisers / Nomads	51	44	36	31	27	24	18	14

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

GLOSSARY

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

Assets under administration (AUA)
Assets administered by a financial institution which are beneficially owned by clients and therefore not reported on the consolidated balance sheet. Services provided include safekeeping, collecting investment income, settling purchase and sale transactions and recordkeeping.

Assets under management (AUM)
Assets managed by a financial institution which are beneficially owned by clients and therefore not reported on the consolidated balance sheet. Services provided include the selection of investments and the provision of investment advice. AUM may also be administered by the financial institution.

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

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

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

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

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

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

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

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

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

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

Immigrant Investor Program
A program in Quebec to provide assistance and credit to investor category immigrants to Canada.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE

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

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

STRATEGIC PLANNING PROCESS

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

IDENTIFICATION AND MANAGEMENT OF RISKS

The Board's Mandate includes:

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

SUCCESSION PLANNING AND EVALUATION

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

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

COMMUNICATIONS AND PUBLIC DISCLOSURE

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

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

INTERNAL CONTROLS

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

- The Audit Committee meets no less than five times a year with the Company's Chief Financial Officer and senior finance staff to review internal controls over financial reporting and related information systems
- For each quarterly reporting period, the Company's Chief Executive Officer and Chief Financial Officer provide confirmation to the Audit Committee as to whether the compilation of the Company's financial disclosure was done using the same information systems used for the prior reporting period and as to whether there are any known weaknesses in such information systems
- External auditors provide recommendations to the Audit Committee on an annual basis on the Company's internal controls and information systems

The Company's Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of the Company's disclosure controls and procedures as of March 31, 2005, and concluded that these disclosure controls and procedures met the standards of effectiveness mandated by the Board and recommended as industry practice by external consultants.

GOVERNANCE

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

- The Board is currently composed of eight directors, four of whom are unrelated to the Company
- The CGCC is responsible for periodically reviewing the composition of the Board and its committees
- A formal annual assessment process is to be established to include feedback by all the directors to the full Board, including the completion of a confidential survey with an outside consultant compiling the results
- New directors are provided with substantial reference material on the Company's strategic focus, financial and operating history, corporate governance practices and corporate vision
- It is proposed that the Board have two additional representatives from the Company's UK subsidiary, Canaccord Capital (Europe) Limited and one additional independent director

SUMMARY OF CHARTERS AND COMMITTEES

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

Audit Committee

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

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

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

Corporate Governance and Compensation Committee

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

As Canaccord has now completed its first year as a public company, the Board of Directors recognizes the increasing importance of adopting best practice standards in matters of corporate governance. To ensure that Canaccord meets or exceeds these standards and regulatory requirements going forward, commencing in May 2005 the CGCC retained the services of Patrick O'Callaghan & Associates, a leading Canadian corporate governance consultant, to conduct a review of the existing mandate of the CGCC and to assist the Board in advancing its governance practices. In addition to his extensive experience, Mr. O'Callaghan is well qualified as he consulted with the Board in the development of its original corporate governance mandate. The CGCC has the full support and sponsorship of senior management in this initiative.

BOARD OF DIRECTORS

Peter Brown, O.B.C., LL.D.: (1997) Chairman of the Board & Chief Executive Officer. Past Chairman of the University of British Columbia, the Vancouver Stock Exchange, B.C. Place Corporation and B.C. Enterprise. Member of the Board of Trustees for the Fraser Institute and a member of the World Presidents Organization. Mr. Brown is not currently a director of any other public companies.

Michael Greenwood: (1997) President & Chief Operating Officer. Joined Canaccord in 1994 and has more than 22 years of experience in corporate and government finance. Mr. Greenwood is a member of the Board of the Canadian Investor Protection Fund and was a member of the Board of the Investment Dealers Association. Mr. Greenwood is not currently a director of any other public company.

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

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

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

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

James Pattison, O.C., O.B.C.: (2004) Chairman, Chief Executive Officer and sole owner of The Jim Pattison Group. Mr. Pattison held the position of Chairman and President of Expo '86 Corporation, served as a director on a number of boards and continues to serve as a trustee on the board of the Ronald Reagan Presidential Foundation. He is currently a director of a number of other public companies.

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

The date appearing after the name of each director indicates the year in which he became a director. The term of office will expire at the next Annual General Meeting in 2005.

OTHER EXECUTIVES

Dennis Burdett (Vancouver, BC)
Executive Vice President, Chief Financial Officer & Corporate Secretary
Responsible for overseeing Canaccord's financial activities, administration and operations.

Paul Chalmers (Vancouver, BC)
Executive Vice President
Holds overall responsibility for international trading and registered trading.

Paul DiPasquale (Vancouver, BC)
Executive Vice President & Branch Manager
Responsible for Canaccord's Seventeenth Floor (Bentall) office.

Douglas Doiron (Toronto, ON)
Executive Vice President, Private Client Services, Ontario

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

Richard Grafton (Calgary, AB)
Executive Vice President & Managing Director, Global Co-Head Energy
Holds overall responsibility for energy sector operations.

Timothy Hoare (London, UK)
Chairman & Chief Executive Officer of Canaccord Capital (Europe) Limited, a wholly owned subsidiary of the Company

Andrew Jappy (Vancouver, BC)
Executive Vice President & Chief Information Officer
Responsible for all aspects of information technology and systems and actively involved in managing the international trading department.

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

Robert Larose (Vancouver, BC)
Executive Vice President & National Sales Manager
Responsible for all Canaccord Branch Managers and Investment Advisors across the country.

Nigel Little (London, UK)
Managing Director & Head of Equities for Canaccord Capital (Europe) Limited

Mark Maybank (Toronto, ON)
Executive Vice President & Managing Director, Head of Research and Global Capital Markets Operations
Oversees a group of over 50 research professionals covering over 300 companies across seven sectors.

Jens Mayer (Toronto, ON)
Executive Vice President & Managing Director, Global Head, Mining & Metals
Responsible for Canaccord's investment banking activity.

Paul Reynolds (London, UK)
Vice Chairman, Head of Global Capital Markets

Peter Virvilis (Vancouver, BC)
Executive Vice President & Treasurer
Responsible for overseeing Canaccord's operations services as well as managing treasury-related activities.

William Whalen (Montreal, PQ)
Executive Vice President
Holds overall responsibility for fixed income operations.

SHAREHOLDER INFORMATION

Corporate headquarters:

Street address:
Canaccord Capital Inc.
2200 – 609 Granville Street
Vancouver, BC, Canada

Mailing address:
PO Box 10337
Pacific Centre
2200 – 609 Granville Street
Vancouver, BC
Canada V7Y 1H2

Stock exchange listings:

CCI:TSX
CCI:AIM

Cusip #:
134801109

General shareholder inquiries and information:

The Investor Relations & Communications department is responsible for communicating Canaccord Capital Inc.'s financial results and handling all inquiries related to our common shares.

For more information please contact:
Investor Relations Coordinator
2200 – 609 Granville Street
Vancouver, BC
Canada V7Y 1H2
Phone: 604-643-0128
Fax: 604-643-1878
Email: investor_relations@canaccord.com

Institutional investors, brokers and security analysts:

For financial information inquiries contact:
Anthony Ostler
Senior Vice President, Investor Relations & Communications
2200 – 609 Granville Street
Vancouver, BC
Canada V7Y 1H2
Phone: 604-643-7647
Fax: 604-643-1857
Email: anthony_ostler@canaccord.com

This CCI 2005 Annual Report is available on our Web site at www.canaccord.com. For a printed copy please contact the Investor Relations department.

Common share trading information (Fiscal 2005)

Stock exchange	Ticker	Shares (diluted) outstanding at March 31, 2005	Year-end price March 31, 2005	High	Low	Total volume of shares traded
Toronto TSX	CCI	46,129,268	$10.48	$11.10	$7.96	17,737,784

Fiscal 2005 dividend dates and amounts

Quarter end date	Record date	Payment date	Regular dividend	Special distribution	Total
June 30, 2004	August 25, 2004	September 10, 2004	$0.05		$0.05
September 30, 2004	November 23, 2004	December 10, 2004	$0.05		$0.05
December 31, 2004	February 23, 2005	March 10, 2005	$0.05	$0.15	$0.20
March 31, 2005	May 23, 2005	June 10, 2005	$0.11		$0.11
		Total dividends & distributions	$0.26	$0.15	$0.41

Qualified foreign corporation

CCI has sought advice from US Certified Public Accountants and believes that it is a "qualified foreign corporation" for US tax purposes under the *Jobs & Growth Tax Reconciliation Act of 2003* for fiscal 2005.

Fiscal 2006 expected dividend (1) and earnings dates

	Earnings release date	Dividend record date	Dividend payment date	Anticipated amount
Q1/06	August 5, 2005	August 24, 2005	September 9, 2005	$0.06
Q2/06	November 9, 2005	November 25, 2005	December 9, 2005	$0.06
Q3/06	February 8, 2006	February 24, 2006	March 9, 2006	$0.06
Q4/06	May 17, 2006	May 24, 2006	June 9, 2006	$0.06

(1) Dividends are subject to Board of Directors approval. All dividend payments will depend on general business conditions and the Company's financial condition, results of operations and 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 Trust Company of Canada
100 University Avenue, 9th Floor
Toronto, ON M5J 2Y1
Phone: 1-800-564-6253
(toll-free within North America)
514-982-7555 (international)
Fax: 1-866-249-7775
(toll-free within North America) or
416-263-9524 (international)
Email: service@computershare.com
Internet: www.computershare.com
Offers enrolment for self-service account management for registered shareholders through *Investor Centre*.

Financial information:

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

Auditor:

Ernst & Young LLP
Chartered Accountants
Vancouver, BC

Fees paid to shareholders' auditors:

For fees paid to shareholders' auditors, see page 13 of the Information Circular for the Annual General Meeting of shareholders, which will be held on August 5, 2005.

Principal subsidiaries (2):

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

(2) In addition to the principal subsidiaries listed above, there are five smaller operating subsidiaries.

Corporate Web site:

www.canaccord.com

Annual General Meeting:

The Annual General Meeting of shareholders will be held on Friday, August 5, 2005 at 2:00 p.m. (Pacific time) at The Four Seasons Hotel, 791 West Georgia Street, Vancouver, BC, Canada.

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

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

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Canaccord Capital Inc. *2005 Annual Report*

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