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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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JUL 23 2004  
THOMSON  
FINANCIAL

**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

SEC FILE NUMBER  
8-21025

**FACING PAGE**

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 04/01/03 AND ENDING 03/31/04  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

Canaccord Capital Corporation (USA), Inc.

REC'D S.E.C.  
JUL 14 2004  
813

OFFICIAL USE ONLY  
FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

2200-609 Granville Street

(No. and Street)

Vancouver

(City)

British Columbia, Canada

(State)

V7Y 1H2

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Ernst & Young, L.L.P.

(Name - if individual, state last, first, middle name)

5 Times Square

(Address)

New York

(City)

NY

(State)

10036-6530

(Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2)

SEC 1410 (3-91)

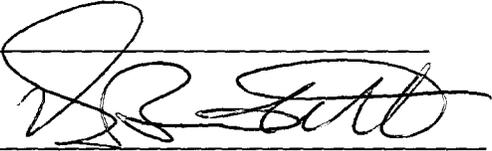
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Handwritten initials/signature

OATH OR AFFIRMATION

I, Dennis N. Burdett, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Canaccord Capital Corporation (USA), Inc., as of March 31, 2004, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

  
\_\_\_\_\_

Signature

Vice President

Title

  
\_\_\_\_\_

Notary Public

**MARTIN MacLACHLAN**  
BARRISTER & SOLICITOR  
1000 - 840 HOWE STREET  
VANCOUVER, B.C. V6Z 2M1  
(604) 687-2242

This report\*\* contains (check all applicable boxes):

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Cash Flows
- (e) Statement of Changes in Stockholders' Equity or partners' or Sole Proprietor's Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- (o) Independent auditor's report on internal control

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

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## REPORT OF INDEPENDENT AUDITORS

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To the Stockholder of  
**Canaccord Capital Corporation (USA), Inc.**

We have audited the statement of financial condition of **Canaccord Capital Corporation (USA), Inc.** as of March 31, 2004 and the statements of income, changes in stockholder's equity and cash flows for the year 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform an audit to obtain reasonable assurance about 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Canaccord Capital Corporation (USA), Inc. at March 31, 2004, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Vancouver, Canada,  
April 23, 2004.

*Ernst & Young LLP*

Chartered Accountants

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Canaccord Capital Corporation (USA), Inc.

**STATEMENT OF FINANCIAL CONDITION**

[Expressed in U.S. dollars]

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As at March 31

	2004
	\$
<b>ASSETS</b>	
Cash	4,354,798
Deposit with clearing broker <i>[note 3]</i>	56,132
Note receivable from parent <i>[note 4]</i>	404,336
Prepaid expenses	23,928
<b>Total assets</b>	<b>4,839,194</b>
<b>LIABILITIES</b>	
Accrued expenses	10,088
Commissions payable	750,109
Income taxes payable	1,059,644
Due to affiliated company <i>[note 4]</i>	395,166
<b>Total liabilities</b>	<b>2,215,007</b>
<b>STOCKHOLDER'S EQUITY</b>	
Capital stock:	
Authorized	
1,250 Class A common shares, without par value	
Issued and outstanding	
702 class A common shares	175,500
Additional paid-in capital	617,846
Retained earnings	1,830,841
<b>Total stockholder's equity</b>	<b>2,624,187</b>
	<b>4,839,194</b>

*See accompanying notes*



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Canaccord Capital Corporation (USA), Inc.

**STATEMENT OF INCOME**

[Expressed in U.S. dollars]

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Year ended March 31

	2004
	\$
<hr/>	
<b>REVENUES</b>	
Commissions	6,275,399
Interest	28,065
Other	80,562
	<hr/> 6,384,026
<b>EXPENSES</b>	
Commissions	2,202,213
Clearing <i>[note 4]</i>	242,491
Communications and printing	67,022
Promotion costs	18,838
Regulatory fees and expenses	46,638
Administrative fees <i>[note 4]</i>	82,394
Research fees <i>[note 4]</i>	516,500
Legal fees	81,469
Other expenses	49,807
	<hr/> 3,307,372
Income before income taxes	3,076,654
Provision for income taxes	1,065,224
<b>Net income</b>	<hr/> 2,011,430

*See accompanying notes*



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**Canaccord Capital Corporation (USA), Inc.**

**STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY**  
[Expressed in U.S. dollars]

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Year ended March 31

	Class A Common shares		Additional paid-in capital	Retained earnings (accumulated deficit)	Total
	#	\$	\$	\$	\$
Balance, March 31, 2003	702	175,500	617,846	(180,589)	612,757
Net income	—	—	—	2,011,430	2,011,430
Balance, March 31, 2004	702	175,500	617,846	1,830,841	2,624,187

*See accompanying notes*



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Canaccord Capital Corporation (USA), Inc.

**STATEMENT OF CASH FLOWS**

[Expressed in U.S. dollars]

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Year ended March 31

2004  
\$

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**OPERATING ACTIVITIES**

Net income	2,011,430
Decrease in commission receivable from clearing broker	34,701
Increase in deposit with clearing broker	(264)
Increase in prepaid expenses	(7,616)
Increase in accrued expenses	88
Increase in commissions payable	619,258
Increase in taxes payable	1,059,644
Increase in due to affiliated company	324,439
<b>Changes in operating assets and liabilities</b>	<b>2,030,250</b>
<b>Net cash provided by operating activities</b>	<b>4,041,680</b>

**INVESTING ACTIVITIES**

Increase in note receivable from parent	(6,020)
<b>Net cash used in investing activities</b>	<b>(6,020)</b>

<b>Net increase in cash and cash equivalents during the year</b>	<b>4,035,660</b>
Cash, beginning of year	319,138
<b>Cash, end of year</b>	<b>4,354,798</b>

**Supplemental cash flow information**

Income taxes paid	5,575
Interest paid	270

*See accompanying notes*



## NOTES TO FINANCIAL STATEMENTS

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March 31, 2004

### 1. INCORPORATION AND CORPORATE ACTIVITIES

Canaccord Capital Corporation (USA), Inc. [the "Company"] is an introducing broker/dealer registered with the Securities and Exchange Commission ["SEC"] and is a member of the National Association of Securities Dealers ["NASD"]. The Company's primary source of revenue is commission income relating to securities trade execution for U.S. resident clients. The Company clears all transactions with and for clients through Southwest Securities Inc. and Canaccord Capital Corporation, an affiliated company. Accordingly, the Company does not handle nor hold any client monies and securities relating to client accounts.

The Company is a wholly-owned subsidiary of Canaccord Holdings Ltd., a Canadian company.

### 2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States. The significant accounting policies are as follows:

#### Securities transactions and commissions

Customers' securities transactions are recorded on a settlement-date basis, with related commission income and expenses recorded on a trade-date basis.

#### Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### Income taxes

The amount of current and deferred income taxes payable is recognized as of the date of the financial statements, utilizing currently enacted tax laws and rates.

## NOTES TO FINANCIAL STATEMENTS

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March 31, 2004

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

#### Translation of foreign currencies

Assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the year-end rates of exchange, while revenue and expense items are translated at exchange rates prevailing on the date of occurrence. Gains or losses resulting from foreign currency transactions are included in other income.

### 3. DEPOSIT WITH CLEARING BROKER

Under the terms of the fully disclosed clearing agreement with Southwest Securities Inc., the Company is required to maintain a clearing deposit. The clearing deposit was \$56,132 at March 31, 2004.

### 4. RELATED PARTY TRANSACTIONS

The Company has a clearing arrangement with Canaccord Capital Corporation ["CCC"] (affiliated company), which is a member of the Investment Dealers Association of Canada.

The Company recognized \$82,394 in administrative costs, \$71,339 in clearing fees and \$516,500 in research fees during the year ended March 31, 2004. The amounts owed to affiliated companies related to these arrangements are non-interest bearing and due on demand. All services are provided to the Company by CCC.

The Company executed a loan agreement with the parent in September 27, 2001. The balance as of March 31, 2004 is \$404,336. The loan earns interest at the U.S. prime rate per annum less 2.5%, calculated and compounded monthly. The loan is unsecured and is due on demand.

## NOTES TO FINANCIAL STATEMENTS

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March 31, 2004

### 5. CONTINGENCIES AND COMMITMENTS

The Company applies the provisions of the Financial Accounting Standards Guarantor's Accounting and Disclosure Requirements for Guarantees, including Indirect Guarantees of Indebtedness of Others ("FIN 45") which provides accounting and disclosure requirements for certain guarantees. The Company has agreed to indemnify the clearing broker for losses that it may sustain from the customer accounts introduced by the Company. At March 31, 2004, the total amount of customer balances maintained by its clearing broker subject to such indemnification was approximately \$13,835. In accordance with applicable margin lending practices, customer balances are typically collateralized by customer securities or supported by other types of recourse provisions.

### 6. REGULATORY NET CAPITAL REQUIREMENT

As a registered introducing broker-dealer, the Company is subject to the net capital rule of the Securities and Exchange Commission [Rule 15c3-1]. Rule 15c3-1 requires that the Company maintain a regulatory net capital equal to the greater of 6 2/3% of aggregate indebtedness or \$5,000. At March 31, 2004, the Company had net capital of \$2,195,923, which was \$2,048,256 in excess of the required net capital of \$147,667.

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## Supplemental Information

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**COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1  
OF THE SECURITIES AND EXCHANGE COMMISSION**

[Expressed in U.S. dollars]

Year ended March 31

	2004 \$
<b>Total stockholder's equity</b>	2,624,187
Deductions and/or charges	
Total non-allowable assets	428,264
<b>Net capital</b>	<b>2,195,923</b>
<b>Minimum net capital</b>	<b>147,667</b>
<b>Excess net capital</b>	<b>2,048,256</b>

Note: There are no material differences between the amounts presented above and the amounts presented in the Company's March 31, 2004 unaudited FOCUS Part II A Report.



**COMPUTATION OF DETERMINATION OF RESERVE  
REQUIREMENTS FOR BROKER/DEALERS UNDER RULE  
15c3-3 OF  
THE SECURITIES AND EXCHANGE COMMISSION**

Year ended March 31

The Company has claimed an exemption from Rule 15c3-3 under section (k)(2)(ii), in which all customer transactions are cleared through another broker-dealer on a fully disclosed basis.

Company's clearing firm:      Southwest Securities, Inc.  
   Canaccord Capital Corporation

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**SUPPLEMENTARY REPORT  
ON INDEPENDENT AUDITORS**

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## INDEPENDENT AUDITORS' SUPPLEMENTARY REPORT ON INTERNAL CONTROL

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To the Stockholder of  
**Canaccord Capital Corporation (USA), Inc.**

In planning and performing our audit of the financial statements of **Canaccord Capital Corporation (USA), Inc.** (the "Company") for the year ended March 31, 2004, we considered its internal control, including control activities for safeguarding securities, to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission ("SEC"), we have made a study of the practices and procedures followed by the Company in making the periodic computations of aggregate indebtedness and net capital under Rule 17a3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making the quarterly securities examinations, counts, verifications and comparisons;
2. Recordation of differences required by rule 17a-13;
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned criteria. Two of the criteria of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States. Rule 17a-5(g) of the SEC lists additional criteria of the practices and procedures listed in the preceding paragraph.

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Because of inherent limitations in any internal control or the practices and procedures referred to above, misstatement due to errors or fraud may occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that internal control may become inadequate because of changes in conditions, or that the effectiveness of its design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the specific internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, and its operation that we consider to be material weaknesses as defined above.

We understand that practices and procedures that meet the criteria referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not meet such criteria in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at March 31, 2004 to meet the SEC's criteria.

This report is intended solely for the information and use of management, the Stockholder, the SEC, and the National Association of Securities Dealers, Inc., and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers and is not intended to be and should not be used by anyone other than these specified parties.

Vancouver, Canada,  
April 23, 2004.

*Ernst & Young LLP*  
Chartered Accountants