UN MUNDO DE OPORTUNIDADES
SAOL DE DHEISEANNA
無限機遇
EINE WELT VOLLER MÖGLICHKEITEN
UN MONDE DE POSSIBILITÉS
一个充满机会的世界
UN MONDO DI OPPORTUNITÀ
अवसर की एक दुनिया
A WORLD OF OPPORTUNITY

CANACCORD FINANCIAL INC. 2012 ANNUAL REPORT

CANACCORD Financial

ABOUT CANACCORD FINANCIAL INC.

Through its principal subsidiaries, Canaccord Financial Inc. is a leading independent, full-service financial services firm, with operations in two principal segments of the securities industry: global capital markets and wealth management. Canaccord has over 60 offices in 12 countries worldwide, including over 40 wealth management offices located in Canada, the UK and Europe. Canaccord Genuity, the Company's international capital markets division, has operations in Canada, the US, the UK, France, Germany, Ireland, Italy, China, Hong Kong, Singapore, Australia and Barbados.

Contents

More information about Canaccord Financial Inc., including the Company's 2012 online annual report, can be found at www.canaccordfinancial.com.

Singapore

Canaccord provides timely, actionable ideas from many of today's important financial centres, including Singapore – where Canaccord added an office in March of 2012.

***Meaning*: Opportunity**

机会

Opportunities exist around the world, and we're there to help our clients leverage them. With operations in 12 countries and trusted expertise in 18 key sectors of the global economy, Canaccord is strategically positioned to cater to the increasingly global perspective of our corporate, institutional and private clients.

We raise capital. We match corporate interests. We analyze companies. We build client wealth.

We interpret global opportunities for our clients.

Reaching Our Objectives

During fiscal 2012, Canaccord was committed to reaching the objectives we established for our company. It was a productive year, and we're proud of what we've accomplished.

OBJECTIVE 1 STRENGTHEN OUR COMPETITIVE POSITION IN EACH OF OUR CORE MARKETS

- Added scale to our UK and US investment banking operations through the acquisition of Collins Stewart Hawkpoint plc (CSHP)
- Leveraged the capabilities of our expanded Mergers & Acquisitions (M&A) and advisory practice in Canada to achieve record advisory revenue
- Maintained our market leadership in the Canadian capital markets space, leading or co-leading more transactions during the year than any other Canadian investment bank[(1)]

OBJECTIVE 2 EXPAND OUR PRESENCE IN THE ASIA-PACIFIC REGION

- Expanded our operations into Australia and Hong Kong through the acquisition of a 50% interest in BGF Equities, one of the fastest growing boutique advisory firms in Australia, which also provided Canaccord with the capabilities to list companies on the Australian Stock Exchange
- Gained a strategically important office in Singapore, with licences to list companies on both the Singapore Stock Exchange and its junior exchange – SGX Catalist

OBJECTIVE 3 DIVERSIFY OUR GEOGRAPHIC, DIVISIONAL AND SECTOR REVENUE MIX

- Expanded our research coverage to include 18 important sectors of the global economy
- Broadened our global distribution, now offering sales and trading services from 15 trading floors, in 14 cities
- Increased our global listing capabilities with three new licences, providing Canaccord with the ability to list companies on 10 stock exchanges worldwide
- Launched new operations in key geographies, now operating from 12 countries worldwide
- Added a strong, consistently profitable wealth management business in the UK and Europe[(2)]

OBJECTIVE 4 GROW OUR ADVISORY BUSINESS TO CAPITALIZE ON THE STRONG M&A CYCLE

- Gained a highly regarded European advisory franchise through our acquisition of CSHP, with operations in London, Paris and Frankfurt

OBJECTIVE 5 MAINTAIN A SOLID FINANCIAL POSITION[(3)]

- Preserved our strong, liquid balance sheet to support growing business volumes and investments in growth opportunities
- Shareholders' equity of $992.1 million
- Book value of $8.26 per common share

(1) FP Infomart. Transactions over $1.5 million.
(2) Based on performance figures for Collins Stewart Wealth Management for the past 14 years.
(3) All figures as of March 31, 2012.

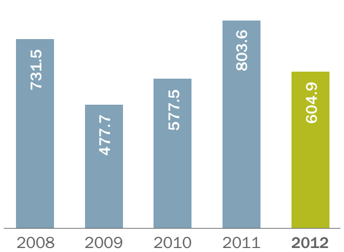
Financial Highlights

SELECTED FINANCIAL INFORMATION[1][2]

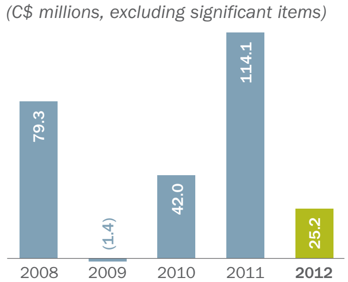
(C$ thousands, except per share and % amounts, and number of employees)	For the years ended March 31 2012	2011	2012/2011 Change	
	IFRS	IFRS		
Canaccord Financial Inc. (CFI)				
Revenue				
Commission	$ **252,877**	$ 294,650	$ (41,773)	(14.2)%
Investment banking	**175,225**	327,499	(152,274)	(46.5)%
Advisory fees	**107,370**	84,914	22,456	26.4%
Principal trading	**10,647**	43,644	(32,997)	(75.6)%
Interest	**31,799**	24,040	7,759	32.3%
Other	**26,946**	28,884	(1,938)	(6.7)%
Total revenue	**604,864**	803,631	(198,767)	(24.7)%
Expenses				
Incentive compensation	$ **304,908**	$ 389,046	$ (84,138)	(21.6)%
Salaries and benefits	**63,924**	64,420	(496)	(0.8)%
Other overhead expenses[3]	**200,842**	194,953	5,889	3.0%
Acquisition-related costs	**16,056**	12,740	3,316	26.0%
Restructuring costs[4]	**35,253**	—	35,253	n.m.
Total expenses	**620,983**	661,159	(40,176)	(6.1)%
Income (loss) before income taxes	**(16,119)**	142,472	(158,591)	(111.3)%
Net income (loss)	$ **(21,346)**	$ 99,743	$ (121,089)	(121.4)%
Net income (loss) attributable to CFI shareholders	$ **(20,307)**	$ 99,743	$ (120,050)	(120.4)%
Non-controlling interests	$ **(1,039)**	$ —	$ (1,039)	n.m.
Earnings (loss) per common share – basic	$ **(0.33)**	$ 1.37	$ (1.70)	(124.1)%
Earnings (loss) per common share – diluted	$ **(0.33)**	$ 1.22	$ (1.55)	(127.0)%
Return on common equity (ROE)	**(3.1)%**	14.2%	(17.3) p.p.	
Dividends per share	$ **0.40**	$ 0.275	$ 0.125	45.5%
Book value per diluted common share[5]	$ **8.26**	$ 8.79	$ (0.53)	(6.0)%
Excluding significant items[6]				
Total expenses	$ **564,182**	$ 643,293	$ (79,111)	(12.3)%
Income before income taxes	$ **40,682**	$ 160,338	$ (119,656)	(74.6)%
Net income	$ **25,193**	$ 114,126	$ (88,933)	(77.9)%
Net income attributable to CFI shareholders	$ **25,591**	$ 114,126	$ (88,535)	(77.6)%
Earnings per common share (EPS) – basic	$ **0.28**	$ 1.56	$ (1.28)	(82.1)%
Earnings per common share (EPS) – diluted	$ **0.25**	$ 1.40	$ (1.15)	(82.1)%
Balance sheet data				
Total assets	$ **5,762,723**	$ 5,097,500	$ 665,223	13.0%
Total liabilities	**4,753,144**	4,340,608	412,536	9.5%
Non-controlling interests	**17,454**	—	17,454	n.m.
Total shareholders' equity	**992,125**	756,892	235,233	31.1%
Number of employees	**2,428**	1,684	744	44.2%

(1) Data is in accordance with IFRS except for ROE, book value per diluted common share, figures excluding significant items and number of employees.
(2) Data includes the results of Genuity since the closing date of April 23, 2010. Results of Canaccord Genuity Asia since the closing date of January 17, 2011 and the results for Canaccord BGF since the closing date of November 1, 2011 are also included. The operating results of Canaccord BGF have been fully consolidated and a 50% non-controlling interest has been recognized. Results of former CSHP entities since March 22, 2012 are also included.
(3) Consists of trading costs, premises and equipment, communication and technology, interest, general and administrative, amortization of tangible and intangible assets, and development costs.
(4) Consists of staff restructuring costs and reorganization expenses related to the acquisition of CSHP, as well as restructuring costs related to the reorganization of certain Canadian trading and other operations.
(5) Book value per diluted common share is calculated as total common shareholders' equity divided by the number of diluted common shares outstanding.
(6) Net income and earnings per common share excluding significant items reflect tax-effected adjustments related to such items. See the Selected Financial Information Excluding Significant Items table on page 32.
p.p.: percentage points
n.m.: not meaningful

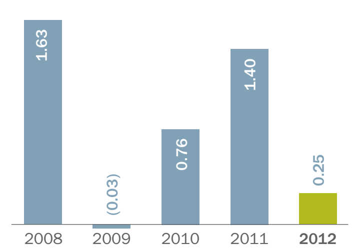
REVENUE FOR FISCAL 2012
(C$ millions)



NET INCOME FOR FISCAL 2012
(C$ millions, excluding significant items)

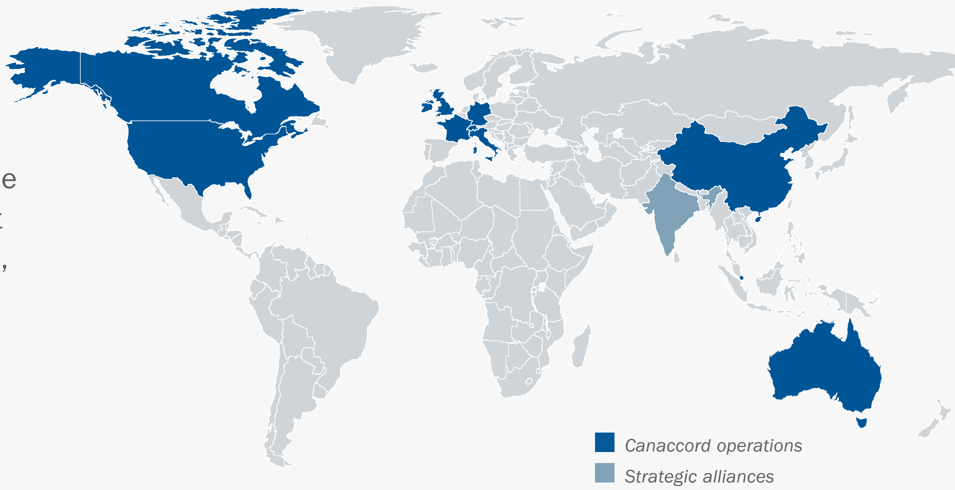


DILUTED EARNINGS/LOSS PER SHARE
(Excluding significant items)



Canaccord at a Glance

Canaccord Financial Inc. is the publicly traded parent company of a group of financial services businesses that provide investment banking, wealth management and correspondent services to corporate, institutional and private clients. The two main operating divisions of the Company are Canaccord Genuity and Canaccord Wealth Management.



Canaccord Genuity[1]

Canaccord Genuity is the capital markets division of Canaccord, and provides timely, actionable ideas to corporate and institutional clients around the world.

- Global investment banking/corporate broking operations, with capabilities to list companies on 10 stock exchanges in six countries
- Highly regarded M&A, advisory and restructuring practice with offices in 19 cities worldwide
- Sales and trading services provided through 15 trading floors in six time zones
- Award-winning research team, with coverage of over 800 companies
- Approximately 1,090 employees, including more than 175 senior level investment bankers, 85 research analysts and 260 sales and trading professionals

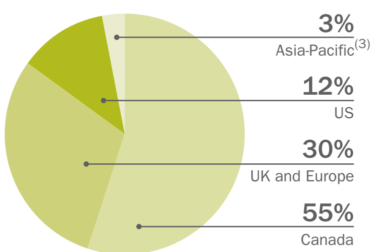
Canaccord Wealth Management[1]

Canaccord Wealth Management is the division of the business dedicated to providing individual investors, charities and intermediaries with tailored investment solutions, brokerage services and financial planning advice.

- Wealth management operations in Canada, the UK, Europe and Australia, catering to the specific needs of clients in each of these markets
- Assets under administration in Canada and assets under management in the UK totalling C$27.9 billion[2]
- 280 Investment Advisory teams located at 35 wealth management offices across Canada
- Over 100 investment professionals located at six wealth management offices in the UK and Europe
- Operates under the name Canaccord Wealth Management (in Canada) and Collins Stewart Wealth Management (in the UK and Europe)

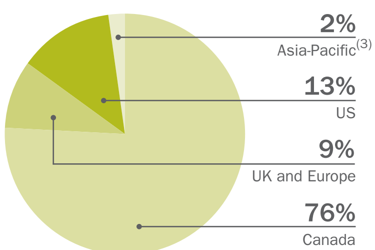
EMPLOYEES BY GEOGRAPHY

(As at March 31, 2012. Includes employee additions from the acquisition of CSHP)



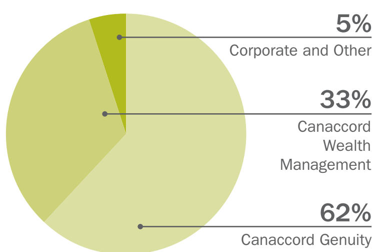
FISCAL 2012 REVENUE BY GEOGRAPHY

(Includes contributions from the acquisition of CSHP from March 22 to March 31, 2012 only)



FISCAL 2012 REVENUE BY BUSINESS SEGMENT

(Includes contributions from the acquisition of CSHP from March 22 to March 31, 2012 only)



(1) All figures as of March 31, 2012.
(2) See Non-IFRS Measures on page 23.
(3) Includes Other Foreign Locations.

Expanded Business Scale

On March 21, 2012, Canaccord Financial Inc. completed its acquisition of Collins Stewart Hawkpoint plc.

As the acquisition closed just prior to Canaccord's fiscal 2012 year end, contributions from newly acquired CSHP operations were only recorded from March 22 to March 31, 2012. To provide a better understanding of the scale of our combined business, we have presented comparative information for both Canaccord and CSHP in the table below.

COLLECTIVE FINANCIAL PERFORMANCE – CANACCORD FINANCIAL INC. AND CSHP[1]

	For the years ended		
(C$ thousands, except per share and % amounts)	**March 31, 2012**	December 31, 2011	December 31, 2011
	Canaccord Financial Inc.[2]	**Canaccord Financial Inc.[2]**	**Collins Stewart Hawkpoint plc.[3]**
	IFRS	IFRS	IFRS
Capital Markets revenue			
Investment banking/corporate broking	**$ 135,664**	$ 177,580	$ 20,094
Advisory	**107,331**	108,435	67,876
Securities, fixed income and other	**130,482**	138,163	153,761
Wealth Management	**201,290**	219,470	85,122
Corporate and Other	**30,097**	31,116	—
Total revenue	**604,864**	674,764	326,853
Expenses			
Incentive compensation	**$ 304,908**	$ 328,650	$ 184,529
Salaries and benefits	**63,924**	63,832	25,447
Other overhead expenses[4]	**200,842**	198,101	107,338
Acquisition-related costs	**16,056**	5,656	—
Restructuring costs	**35,253**	6,292	—
Total expenses	**620,983**	602,531	317,314
Income (loss) before income taxes	**$ (16,119)**	$ 72,233	$ 9,539
Net income (loss)	**(21,346)**	51,771	7,538
Non-controlling interests	**(1,039)**	(495)	—
Net income (loss) attributable to public company	**(20,307)**	52,266	7,538
Net income (loss) attributable to common shareholders	**(25,122)**	48,558	7,538
Earnings per common share (EPS) – diluted	**(0.33)**	0.57	0.03[6]
Excluding significant items[5]			
Total expenses	**564,182**	586,026	317,314
Income before income taxes	**40,682**	88,741	9,539
Net income	**25,193**	65,357	7,538
Net income attributable to public company	**25,591**	65,538	7,538
Net income attributable to common shareholders	**20,776**	61,830	7,538
EPS – basic	**0.28**	0.82	0.03[6]
EPS – diluted	**0.25**	0.73	0.03[6]

Past performance may not be indicative of future performance.

(1) Data is in accordance with IFRS except for figures excluding significant items.
(2) Data includes the results of Genuity since the closing date of April 23, 2010. Results of Canaccord Genuity Asia since the closing date of January 17, 2011 and results of Canaccord BGF since the closing date of November 1, 2011 are also included. The operating results of Canaccord BGF have been fully consolidated and a 50% non-controlling interest has been recognized. Results of former CSHP entities since March 22, 2012 are also included for the period ended March 31, 2012.
(3) The applicable exchange rate used for the 12-month period ended December 31, 2011 for CSHP was £1.0:C$1.5822.
(4) Consists of trading costs, premises and equipment, communication and technology, interest, general and administrative, amortization of tangible and intangible assets, and development costs.
(5) Net income and earnings per common share excluding significant items reflect tax-effected adjustments related to such items. See the Selected Financial Information Excluding Significant Items table on page 32.
(6) Collins Stewart Hawkpoint plc EPS figures are unaudited. EPS figures are calculated using CSHP share count figures for the year ended December 31, 2011.

Fellow Shareholders:

Canaccord's expansion during fiscal 2012 has positioned our company as a leading, growth-focused independent investment bank – one that is global in its scope and service offering, but focused in client attention. Today, we provide our growing client base with opportunities from a broader range of sectors and geographies than ever before. And we're combining the core strengths, expertise and business relationships our professionals have developed in each of our markets to generate real value for our clients and shareholders.

"During fiscal 2012, we accomplished many important initiatives to build a strong foundation for Canaccord's long term success. It was a pivotal year for our firm, and one that will forever shape our company's future."

During fiscal 2012, we significantly expanded our global reach and service offering through acquisitions in Europe and Australia. We achieved record advisory revenue, for the second consecutive year, underscoring the value of the investments we've made to build out our M&A and advisory capabilities. And we strengthened our wealth management division, growing our fee-based revenue and adding a strong, profitable wealth management business based in the UK. Most importantly, we accomplished all of this with a disciplined approach and a firm commitment to adhering to our stated acquisition criteria.

BUILDING A FOUNDATION FOR LONG TERM SUCCESS

Our expansion activities during fiscal 2012 centred around the acquisition of Collins Stewart Hawkpoint plc (CSHP) – a transformative transaction that closed at the end of our fiscal year. Through it, we grew Canaccord Genuity's global platform substantially, added important operational scale to our UK and US capital markets operations, and gained a profitable on-and-offshore UK-based wealth management business.

As contributions from the now integrated operations of CSHP were recorded in only the last seven days of our fiscal year, our 2012 results are not a true reflection of the capabilities our much larger firm now has. We expect the full potential of our improved earnings power will become evident over the next several years, as cost and revenue synergies of this powerful business combination converge with healthier market conditions to generate meaningful long term value for our shareholders.

SOLID FINANCIAL PERFORMANCE

On a global basis, Canaccord generated $605 million in revenue during fiscal 2012, a respectable achievement considering the precarious economic backdrop and market volatility that existed during much of the year, but a 25% decrease from the record revenue we generated during last year's much stronger market environment. Advisory revenue contributed more to our global revenue than ever before, with 18% of fiscal 2012 revenues coming from M&A and advisory activity – primarily generated by our Canadian investment banking team. In fact, 2012 was our second consecutive record year for advisory revenue. And we believe this exceptional performance is a precursor to what our expanded advisory team can generate in the years ahead with the addition of the strong European advisory franchise we gained through CSHP.

Acquisition-related activities and associated restructuring led to $57 million of significant expense items during the fiscal year. Including these expense items, Canaccord recorded a net loss of $21 million during fiscal 2012, or $(0.33) per common share. On a normalized basis, excluding all acquisition-related and restructuring expenses, Canaccord generated $25 million in net income during the year, or $0.25 per diluted common share.

STRONG BALANCE SHEET

Canaccord's balance sheet remains strong and liquid. The corporate development initiatives we undertook during fiscal 2012 were financed largely through the issuance of cumulative, non-convertible preferred shares – a financing opportunity that allowed us to deploy low-cost capital to significantly strengthen our business. Approximately 18 million common shares were also issued to complete the transaction of CSHP on March 21. The value we received from this share issuance cannot be underestimated. By issuing 20% more common shares, we essentially doubled the earnings potential of our global business through the acquisition.

As at March 31, 2012, Canaccord had shareholders' equity of $992 million – a 31% increase compared to the same time last year – working capital of $331 million, and book value per share of $8.26.

GLOBAL CAPITAL MARKETS CAPABILITIES

The capabilities of our global capital markets team were significantly bolstered this year through our expansion efforts. During fiscal 2012, we gained capabilities to operate on the Australian, Hong Kong, Singapore and Singapore Catalist stock exchanges. We now have investment banking teams in four more countries than last year. And we added five trading desks in four new financial centres.

The strength of our Canadian capital markets business was evident again this year. Generating 62% of Canaccord Genuity's global revenue, it continues to provide a solid foundation as we develop the strength of our operations in other geographies. In the US, in particular, we see opportunities to meaningfully increase margins and enhance revenue potential with the expanded team we gained from CSHP. As the strength of the US economy continues to improve, we believe the investments we're making to develop our business in this market will generate long term value.

In the UK, our focus is progressing away from initial integration activities to initiatives aimed at further capturing cost and revenue synergies. Our teams have come together successfully, and we're already seeing positive early results from our combined UK business. In fact, two new corporate clients have retained Canaccord Genuity as their broker in the weeks since the integration, firmly positioning us as a leading investment bank in the UK, with the second most retained corporate clients in this market[1].

During fiscal 2012, we also expanded our Asia-Pacific operations with the acquisition of a 50% interest in BGF Equities, now named Canaccord BGF. Our new partnership in Australia provides us with increased access to Australia's robust resource sector, and expanded our operations into Hong Kong. The acquisition was a major component of our unfolding Asia-Pacific strategy, and combined with our established investment banking business in mainland China and new operations in Singapore, we now provide our clients in the region with a full-service offering unmatched by other mid-market focused investment banks.

ADVANCING OUR WEALTH MANAGEMENT PLATFORM

The growth of Canaccord's wealth management platform into the UK and European markets not only enhances the size and stability of this division's revenue streams, it positions us well to leverage the changing market dynamics in the UK wealth management industry. We believe opportunities to grow our client asset base will emerge as smaller industry participants face uneconomical operating costs due to increasing regulatory requirements. As a result, we are proactively investing in our IT infrastructure within our wealth management division, in anticipation of increased client activity.

Our Canadian wealth management operations continued to make meaningful progress in growing its fee-based revenue. At 18.5%, the division is now generating more revenue from recurring sources than at any other point in its history, and is growing its fee-based assets faster than any other Canadian investment dealer[2]. Combined with the strong recurring revenue from Collins Stewart Wealth Management (CSWM), the division is now much better positioned to withstand fluctuating market conditions, while still providing enough leverage to capitalize on traditional trading activity in better market environments.

THE VIEW AHEAD

During fiscal 2012, we accomplished many important initiatives to build a strong foundation for Canaccord's long term success. It was a pivotal year for our firm, and one that will forever shape our company's future. In the year ahead, our priorities will be focused on leveraging the inherent value of the investments we made during 2012 – ensuring we best position and support our expanded team to generate the revenue and earnings power we know exists in our firm today.

Our commitment to generating long term shareholder value remains the basis of all our strategic decisions – especially as we navigate the Company in today's dynamic global economic environment. We're building a business that can better withstand market fluctuations, and is best positioned to serve the broader needs of our growing global client base. We're building a business our clients are loyal to, our employees are proud of, and our shareholders are rewarded by.

Paul D. Reynolds
President & Chief Executive Officer
May 2012

(1) Source: Hemscott. As of May 17, 2012
(2) Source: *Investor Economics*

CANACCORD Genuity

Canaccord's capital markets division, Canaccord Genuity, was transformed during fiscal 2012 with the addition of offices in France, Germany, Ireland, Italy, Australia, Hong Kong and Singapore. Our growth initiatives this year also significantly strengthened our businesses in the UK and the US, by combining the talent base and services of our existing operations with those acquired through CSHP. And in Canada, our traditional capital markets stronghold, Canaccord Genuity continued to demonstrate the power of our expanded team, producing our second straight year of record advisory revenue.

Today, Canaccord's capital markets platform provides investment banking, M&A and advisory, sales and trading, and research services to a growing, global client base – who value the quality of our ideas, the depth of our sector expertise, and the strength of our corporate and institutional relationships.

Canaccord Genuity is the division name for Canaccord's capital markets businesses. Also included in this division are Canaccord Genuity Hawkpoint, Canaccord BGF and Canaccord Genuity Asia.

Frankfurt, Germany

Canaccord significantly expanded its capital markets operations during fiscal 2012, including a new office in Frankfurt – just one of several cities our new European advisory practice, Canaccord Genuity Hawkpoint, operates from.

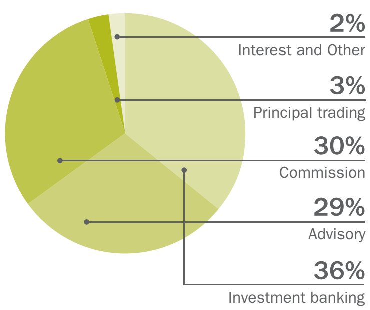
***Meaning:* Opportunities**

MÖGLICHKEITEN

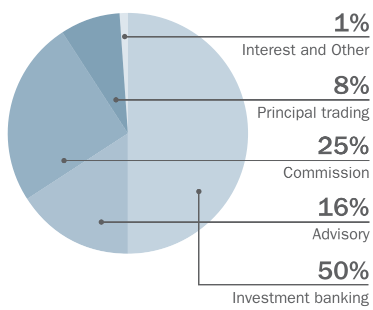
CANACCORD GENUITY REVENUE BY ACTIVITY – GLOBAL

(Includes contributions from the acquisition of CSHP from March 22 to March 31, 2012 only)

Fiscal 2012

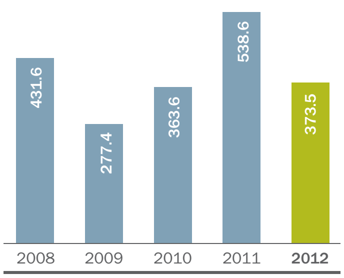


Fiscal 2011



CANACCORD GENUITY REVENUE – GLOBAL

(C$ millions, fiscal years. Includes contributions from the acquisition of CSHP from March 22 to March 31, 2012 only)



Globally Integrated Capital Markets Platform

Canaccord Genuity's expanded geographic reach allows us to layer a global perspective to the client relationships we have in each of our local markets. By leveraging our skills, expertise and business networks in markets around the world, Canaccord Genuity is uniquely positioned to provide the very best opportunities to our growing, sophisticated and increasingly diverse client base.

The expansion initiatives Canaccord undertook during fiscal 2012 are already gaining traction. Our M&A and advisory teams in Canada, Asia, the UK and Europe are collaborating to ensure our corporate clients are provided with the most opportune corporate development options – whether they be in our clients' domestic markets, or a world away. And this integrated strategy is building remarkable value for our clients, and making a notable impact on the activity of our advisory practice. During fiscal 2012, Canaccord Genuity generated record advisory revenue of $107.3 million, a 27% increase compared to the previous record last year. Even more telling of the value our global reach is generating for clients is the number of large transactions that had a cross-border element this year. In fact, the two largest acquisitions Canaccord Genuity advised on during the fiscal year included an overseas component.

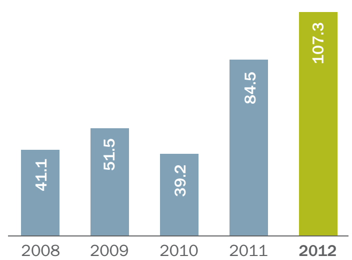
Our expansion efforts this year have also significantly grown our global capital raising capabilities. With licences to list companies on 10 stock exchanges, and trading desks in six countries, Canaccord Genuity now provides a growing set of corporate clients with access to a truly global network of sophisticated investors.

And while our growing team of sales and trading professionals continue to provide tailored investing ideas to their set of trusted institutional relationships, our global reach means our clients are provided with the very best domestic *and* international opportunities, from a growing number of key sectors and wider breadth of respected research coverage.

Paris, France

RECORD ADVISORY REVENUE – GLOBAL

(C$ millions, fiscal years. Includes contributions from the acquisition of CSHP from March 22 to March 31, 2012 only)



38%
of Canaccord Genuity's revenue was generated outside of Canada during fiscal 2012

27%
increase in global advisory revenue compared to the previous record generated last year

15
trading floors in 14 cities, covering six different time zones

18
key sectors of the global economy are covered by Canaccord Genuity's integrated capital markets team

2,750+
institutional accounts covered

Fiscal 2013: Reflecting Our Expanded Global Business

Just prior to Canaccord's fiscal 2012 year end, on March 21, 2012, the Company acquired Collins Stewart Hawkpoint plc – marking a pivotal point in Canaccord Genuity's evolution. We expect our expanded platform will change the geographic diversification of our revenue streams considerably in fiscal 2013.

CAPITAL MARKETS EMPLOYEES:

UK AND EUROPE

2007
81

2012[1]
150

Beginning of 2013
461

UNITED STATES

2007
163

2012[1]
181

Beginning of 2013
302

ASIA-PACIFIC

2007
0

2012[1]
47

Beginning of 2013
80

Fiscal years

(1) Average fiscal year employee count prior to CSHP acquisition.

Strategic Alliances

Supplementing Canaccord's global operations are two important strategic alliances, which provide key opportunities to many Canaccord Genuity clients:

EXPORT-IMPORT BANK OF CHINA (CHINA)

In 2010, Canaccord signed a mutually beneficial agreement with the Export-Import Bank of China (Eximbank) that provides qualified Canaccord clients with increased access to Chinese debt financing. In addition, in February 2012, Canaccord and Eximbank announced their intention to establish a joint US$1 billion fund aimed at investing in Canada's natural resource sector and in resource companies listed on Canadian exchanges.

ICICI SECURITIES LTD. (INDIA)

Through Canaccord's acquisition of CSHP, we gained an important alliance with the investment banking subsidiary of India's largest private sector bank, to market the introduction of Indian companies to the London securities markets, distribute offerings and placements of Indian or dual-listed securities into the UK and Europe, and jointly publish and distribute over 100 Indian listed companies into the UK and Europe.

Canada

The Canadian market has traditionally been Canaccord's capital markets stronghold, and fiscal 2012 proved to be no different. Producing 62% of Canaccord Genuity's revenue during the fiscal year, the strength of our Canadian team continues to provide a solid foundation for Canaccord's global business.

More than ever before, Canaccord has established itself as a full-service investment bank in Canada. This year's record advisory revenue underscores the value of the investments we've made over the last two years to broaden the services we offer, the sectors we cover, and the corporate and institutional relationships we have in our domestic market. Canaccord Genuity now advises on more M&A transactions than any other independent firm in Canada – and the size and prominence of the transactions we advise on has never been more notable. During fiscal 2012, the Canadian investment banking team generated $78.8 million in advisory revenue – 25% higher than the previous record set the year before. Even more, the average value of the transactions we advised on nearly doubled.

Despite an industry-wide slowdown in Canadian equity transactions compared to the previous year, Canaccord Genuity continued to dominate the market for number of transactions led or co-led, with 82 transactions[1], raising over $1.5 billion for clients during fiscal 2012. In addition, Canaccord Genuity led or co-led five fixed income transactions in Canada during the year that raised $327.5 million for clients.

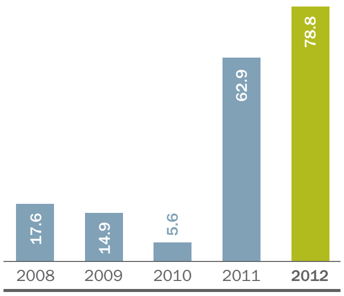
And the capabilities of Canaccord Genuity's Canadian-based research team were highlighted in this year's Brendan Wood International survey – where we ranked as the top independent investment bank, and tied for first of all investment banks for our Quality of Investment Ideas. Even more, Canaccord Genuity analysts were ranked second by issuing companies in terms of who they respect and trust most to tell their story. In fact, five Canaccord Genuity analysts ranked in the top five of their respective sectors, and we ranked first for our coverage of the Insurance and the Telecommunications & Wireless sectors.


Toronto, Canada

More companies trust Canaccord Genuity to lead equity financings than any other Canadian investment bank, seven years running.

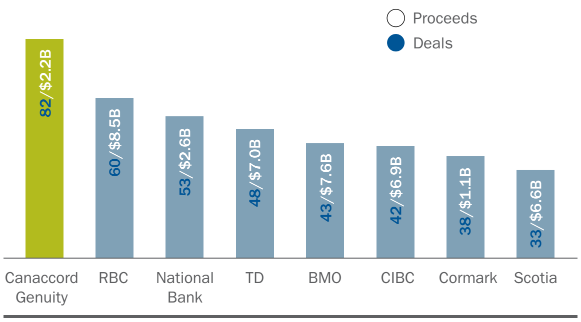
RECORD ADVISORY REVENUE – CANADA

(C$ millions, fiscal years)



CANADIAN MARKET LEADERSHIP

(Number of transactions led or co-led in Canada during fiscal 2012)[1]



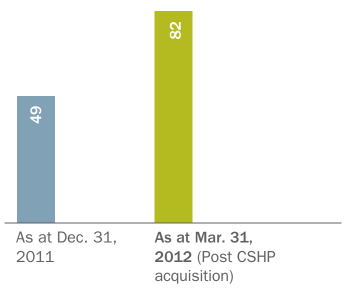
[1] Transactions over 1.5 million in the Canadian market. Source: FP Infomart.

UK and Europe

During fiscal 2012, Canaccord Genuity strengthened its UK operations and laid an important foundation to fully participate in the eventual market recovery in the UK and Europe. Through the acquisition of CSHP, our capital markets platform was largely transformed, combining the best of our investment banking and sales and trading professionals, services, and sector expertise to provide our growing client base with the highest quality service offering possible.

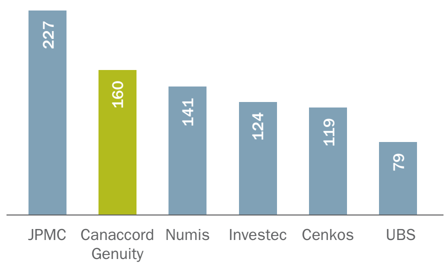
Now positioned as one of the leading independent investment banks in the UK market, Canaccord Genuity has emerged as a top-two bank for its number of retained corporate clients; a market leader on AIM – by aggregate market cap, number of clients, and the value of shares traded; and a well-respected source for independent qualitative and quantitative research. In fact, through the acquisition of CSHP, Canaccord Genuity's UK-based research coverage has more than tripled, and the number of sales and trading professionals in the UK and Europe has grown by 67% – enhancing the breadth of sectors and market caps we cover, and the depth of our strong institutional client relationships.

NUMBER OF SALES AND TRADING PROFESSIONALS – UK AND EUROPE



TOP TWO FOR NUMBER OF RETAINED CORPORATE CLIENTS – UK

(Broker to number of companies. Canaccord Genuity, UK peers. As at May 17, 2012)



Introducing Canaccord Genuity Hawkpoint

CANACCORD Genuity Hawkpoint

Through the acquisition of CSHP, Canaccord gained a highly regarded UK and European advisory franchise. Now branded Canaccord Genuity Hawkpoint, this business will meaningfully enhance our advisory capabilities – not only in this geography, but also worldwide – as our global advisory team leverages their shared expertise and client relationships.

While revenue contributions from this business were only recorded in the last week of Canaccord's 2012 fiscal year, we expect the contribution from advisory activities will grow materially in the years ahead. From April 1, 2011 to March 31, 2012 (Canaccord's fiscal year), our new colleagues at Canaccord Genuity Hawkpoint advised on 45 transactions, with an aggregate value of £12 billion.

Notable transactions led by the Canaccord Genuity Hawkpoint team:

Bank of Ireland

Adviser to Bank of Ireland on its disposal of a UK mortgage book to Nationwide Building Society

December 2, 2011

£1.1 billion

CONVERTEAM THE POWER CONVERSION COMPANY

Adviser to Converteam on its disposal to GE

September 2, 2011

€2.5 billion

Hamworthy

Adviser to Hamworthy plc on the recommended cash offer by Wärtsilä Corp. of Finland

January 31, 2012

£383 million

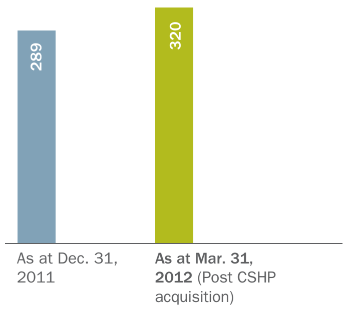
United States

During fiscal 2012, our focus in the US was on strengthening that business by growing the scale of its front-office operations and building out key sector teams.

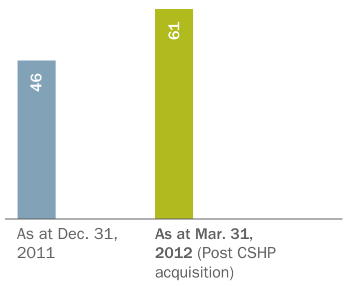
At the end of fiscal 2012, through the acquisition of CSHP, Canaccord gained important additions to its sales and trading and research operations, significantly enhancing our client coverage and service offering in this market, while requiring relatively little additional investment in our technology and compliance infrastructure. The added scale and scope of our US operations should support that business in generating more consistent performance, as a wider range of stronger revenue streams are generated, while being sustained through the back-office infrastructure already in place.

With especially strong sector coverage and integrated banking verticals in the Technology, Life Sciences and CleanTech sectors, Canaccord Genuity's US business is strategically positioned to cater to the needs of growth companies in these key sectors. In fact, Canaccord Genuity has had an established Sustainability and CleanTech team for over 10 years – a longer, deeper and more stable commitment to the sector than any other US firm.

NUMBER OF COMPANIES COVERED BY RESEARCH – US



NUMBER OF SALES AND TRADING PROFESSIONALS – US



Annual Growth Conference

The focus of Canaccord Genuity's US team on emerging and growth companies is highlighted each year at its annual Growth Conference, where institutional investors are presented with some of the most interesting and actionable ideas from over 300 public and private, small to mid-cap companies. This year's conference was a particular success, where over 580 institutional investors, 100 private equity and venture-capitalist attendees and 300 public and private companies were paired at more than 3,400 one-on-one meetings. Canaccord Genuity's 2012 conference is scheduled for August 14–16.

International Equities Group – Offering Trading of International Equities to Canaccord Clients

Through the acquisition of CSHP, Canaccord gained an established and highly experienced team of approximately 20 traders who specialize in international equities, ADRs and OTC securities. For nearly 20 years, the International Equities Group has provided a niche service to US-based institutions and broker-dealers seeking to execute trades outside of US equities. Based out of New York, this team makes markets in over 600 OTC ADRs.

WHAT IS AN ADR?

An American Depository Receipt is a negotiable security that represents the underlying securities of a non-US company that trades in the US financial markets. Many non-US companies trade in the US markets through the use of ADRs.

Asia-Pacific

Over the last two years, Canaccord has expanded its global platform into the increasingly influential Asia-Pacific region and now has offices in six of the region's most important financial centres.

Today, our Asia-Pacific operations offer investment banking services in China, Singapore and Australia, and provide specialized expertise to companies and institutions in each of these respective markets – supplemented by the support and relationships of Canaccord's global investment banking team.

Canaccord's corporate relationships in Asia continue to provide meaningful value to our overall business, driven largely by the region's sustained appetite for investment opportunities in the resource and industrial sectors. More than anywhere else, this is apparent in our mainland China operations, where Canaccord Genuity Asia provides M&A and advisory services to acquisitive Chinese companies, and international companies looking for opportunities in China and/or with Chinese investors. Sinopec's acquisition of Canadian firm Daylight Energy in December 2011, a transaction Canaccord advised on, is a prime example of the kind of opportunities we're seeing from this geography.

Most recently, Canaccord gained an established office in Singapore and listing capabilities on both the Singapore stock exchange and its junior exchange, the SGX Catalist. As a sponsor to over 20 companies on Catalist, Canaccord Genuity is now a key supporter of the exchange, and is well positioned to serve high growth companies interested in becoming publicly listed in Asia.

Canaccord BGF – Australia and Hong Kong

CANACCORD BGF

In November 2011, Canaccord acquired a 50% interest in BGF Equities, one of the fastest growing boutique investment banks in Australia. Now named Canaccord BGF, our new operations in Australia and Hong Kong provide Canaccord with important licences to operate on the Australian and Hong Kong stock exchanges, and have established a valuable foothold in this strategically important geography to access the robust Australian resource industry.

Focused primarily on emerging resource and industrial companies, Canaccord BGF is a full-service investment dealer with sales and trading, investment banking, research and wealth management services, and is well positioned for continued growth. Initiatives are currently underway to build out its wealth management operations and investment banking capabilities.

Canaccord BGF was named the 2012 Mining Broker of the Year by the Asia Mining Congress – a distinction awarded to the brokerage firm specializing in the natural resource sector that has been most instrumental in executing highly successful transactions for mining companies.

Melbourne, Australia

Canaccord Wealth Management

Canaccord's wealth management businesses provide clients with the attentive, personalized service they expect from a local investment manager, but with the benefits and backing of a global financial institution.

CANACCORD Wealth Management

Collins Stewart Wealth Management

Canaccord's wealth management platform was substantially expanded through the acquisition of Collins Stewart Hawkpoint plc, with the addition of a strong, largely fee-based business in the UK and Europe. On a global basis, Canaccord's wealth management division now has approximately $28 billion of assets under administration and over 40 locations.

The expansion of our wealth management platform is expected to create more consistent contributions to Canaccord's overall performance, through less variable revenue streams associated with this division. With a stated objective of growing our percentage of fee-based revenue, the dynamics of the UK wealth management sector presented a key opportunity for Canaccord – one that allowed us to leverage our wealth management expertise and supplier relationships, with a UK business model built with an emphasis on fee-based activity. Today, our wealth management operations in Canada, the UK, the Channel Islands, Isle of Man and Geneva all provide specialized investment and financial planning services tailored to the particular needs of our clients in each market. We pride ourselves on providing personalized, comprehensive investment solutions that assist our wealth management clients in achieving their financial goals.

Canaccord Wealth Management is the division name for Canaccord's retail businesses. Also included in this division is Collins Stewart Wealth Management, which is expected to be rebranded Canaccord Wealth Management during fiscal 2013.

Geneva, Switzerland

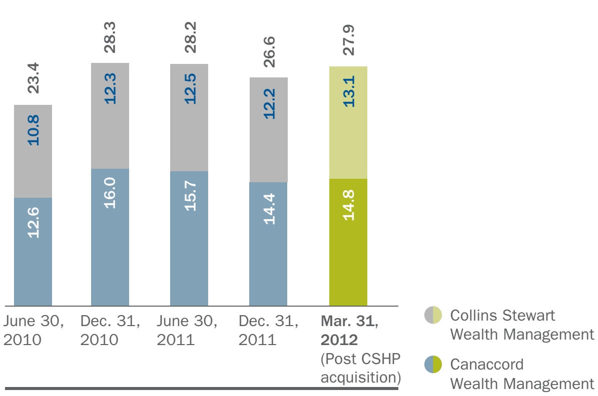
In March of 2012, Canaccord expanded its wealth management operations into the UK, the Channel Islands, Isle of Man and Geneva – growing our asset base and providing a more consistent stream of fee-based revenue to our wealth management division.

***Meaning*: Opportunity**

OPPORTUNITÉ

CLIENT ASSETS – GLOBAL

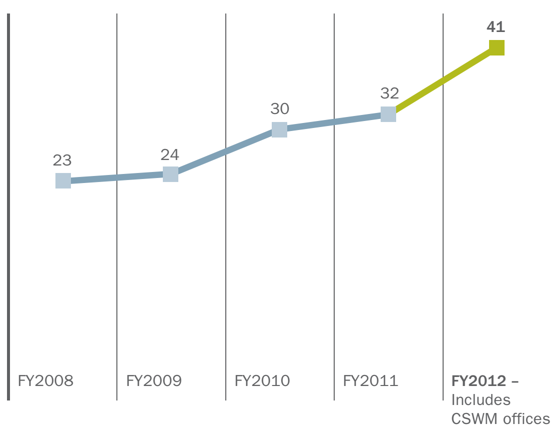
(C$ millions)



Includes assets under administration for Canaccord's Canadian wealth management business, and assets under management for Canaccord's UK and Europe wealth management business.

WEALTH MANAGEMENT OFFICES – GLOBAL

(As at March 31 of each year)



UK and Europe

Through the acquisition of CSHP, Canaccord gained a strong, award-winning wealth management business with offices in London, the Channel Islands (Jersey and Guernsey), Isle of Man and Geneva.

The expansion of Canaccord's wealth management platform into the UK, offshore and European markets signals an important evolution of the division – progress that positions the division well to leverage the changing dynamics of the UK wealth management landscape for its continued growth.

With over 100 client-facing investment professionals and fund managers located in six offices, Collins Stewart Wealth Management provides a full suite of independent wealth management services to high-net worth individuals, intermediaries and institutions, and charities. Thanks to its offshore heritage, the business offers investors a truly multi-asset investment approach delivered through a rigorous investment process that is institutional in quality. Coupled with the focus on customer service and innovation, the business' ability to meet individual clients' objectives has been a key driver of growth.

Approximately 50% of Collins Stewart Wealth Management's revenues are derived through fee-based activities, which makes these revenue streams more stable than those currently being generated from Canaccord's Canadian wealth management business. In fact, Collins Stewart Wealth Management has been consistently and meaningfully profitable for over 14 years.

Already a growth-oriented business when acquired by Canaccord, Collins Stewart Wealth Management has been actively finalizing its integration of Corazon Capital and Andersen Charnley over the past year – acquisitions made by the business in 2010. We expect opportunities to continue growing the asset and client base of the company will emerge over the next several years, as the increasing regulatory burden facing smaller investment dealers in the fragmented UK wealth management market will continue to drive industry consolidation. In anticipation of this, Canaccord is strategically investing in Collins Stewart Wealth Management's IT and operational framework, to lay a strong foundation for the anticipated growth of the business' asset base and client activity.

Organic growth has also been, and continues to be, a key contributor to the success of the business, particularly in fee-based, discretionary assets. In support of this growth, the business has continued to invest in its people, with several significant hires made during the fiscal year, as it looks to build out distribution to valuable new client channels.


London, England

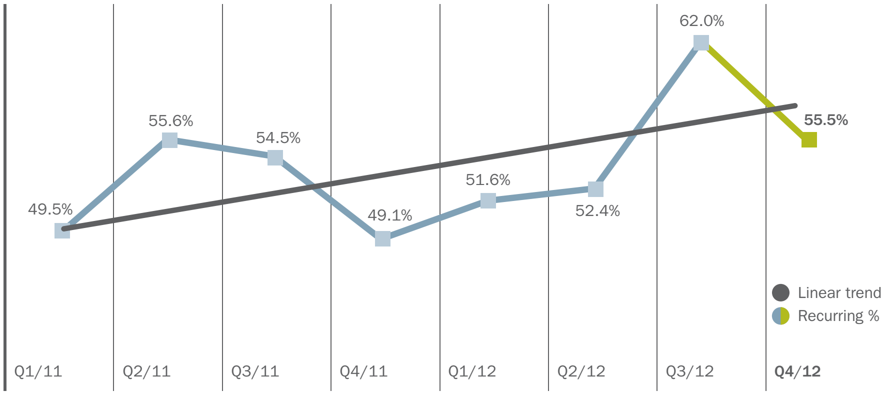
10,000+ client accounts

106 investment professionals

6 offices

FEE-BASED REVENUE AS A % OF TOTAL CSWM REVENUE – UK AND EUROPE

(Canaccord fiscal quarters)



Recent Awards

Best Discretionary Adviser 2012:
Money Marketing Financial Services Awards

Best Advisory Service 2012:
City of London Wealth Management Awards

Best Stockbroker for Bonds:
Financial Times/Investor Chronicle Investment Awards

UK Offshore Investment Manager of the Year 2011:
Citywealth Offshore Awards

Canada

The initiatives undertaken by the management team of Canaccord Wealth Management have made important progress in improving the consistency of the business' performance over the last several years. During fiscal 2012, Canaccord Wealth Management generated its second consecutive year of profitable operations, increased its percentage of fee-based revenue, and further enhanced its training programs to develop and foster the talent that exists in our Canadian business.

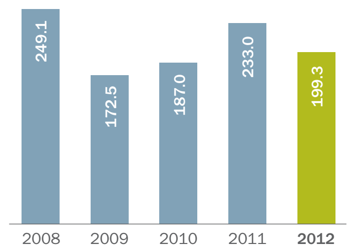
Canaccord's Canadian wealth management business generated $199.3 million of revenue and $3.7 million of operating net income[(1)] during fiscal 2012 – down from $12.1 million last year, when markets were significantly stronger; however, it was a solid performance considering the market volatility and precarious global economic environment that existed during much of the year.

Efforts to increase our Canadian discretionary asset base are continuing to gain traction. Fee-based revenue as a percentage of total revenue increased to 18.5% for the year – evidence that our training, support, and product enhancements are providing considerable value for our clients, as they entrust Canaccord with more of their wealth management needs. In fact, Canaccord was noted as having the fastest growing fee-based asset base of all Canadian investment dealers during calendar 2011[(2)], which is reflected in our performance numbers. Assets held in Canaccord's *Private Investment Manager Program* more than doubled from the year before, and total fee-based assets have increased 96% in the last two years.

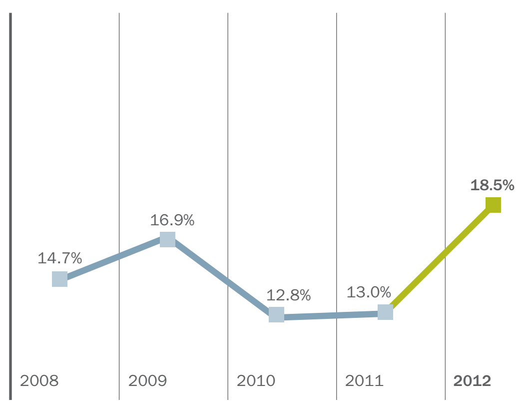
Canaccord continues to cultivate a service offering and support network that caters to both the traditional transactional and comprehensive wealth management approaches of our Investment Advisors – allowing our business to cater to a wider range of clients and investor needs. Related to this approach, and to further assist in the recruitment of new professionals to our business, Canaccord has re-engineered its *New Advisor Training Program*, and will welcome its first set of selected professionals to this new program in the first quarter of fiscal 2013.

We are also continuing to make strategic investments in the operations, IT infrastructure and digital strategy of our Canadian wealth management business. Client statements were enhanced to provide clients with a better understanding of account information, new tools have been developed to support our financial planning and retirement planning services, and efforts to provide more client information and services online are well underway.

CANACCORD WEALTH MANAGEMENT REVENUE – CANADA
(C$ millions, fiscal years)



FEE-BASED REVENUE AS A % OF TOTAL CWM REVENUE – CANADA
(Fiscal years)



280 Investment Advisory teams

$3.7 million of net income before taxes during fiscal 2012, excluding significant items

35 wealth management offices across Canada

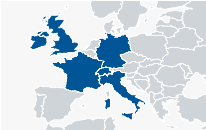
(1) Net income before taxes, excluding significant items.
(2) Source: *Investor Economics*

The Canaccord Growth Story

Over the last several decades, Canaccord has been transformed from a small Canadian boutique investment dealer to a global independent, full-service investment bank. Through acquisitions that added strength to our core markets, or expanded our operations into new, strategically important geographies, Canaccord now operates in 12 countries and over 60 cities worldwide. Today, the Company is better positioned than ever before to service our growing, global client base.

Recent Acquisitions

Canaccord has successfully acquired and integrated five companies in the last six years.



MARCH 2012: ACQUISITION OF COLLINS STEWART HAWKPOINT PLC

(UK, Europe, US and Singapore)

Canaccord's largest acquisition was of Collins Stewart Hawkpoint plc, an independent financial services firm headquartered in the UK. The acquisition significantly grew the scale of Canaccord's operations in the UK and the US, and expanded our business into Europe and Singapore. The addition of a highly regarded European advisory practice, and a strong UK and European wealth management business, added significant capabilities to Canaccord's global platform.

NOVEMBER 2011: ACQUISITION OF A 50% INTEREST IN BGF EQUITIES

(Australia and Hong Kong)

Our investment in BGF, a growing Australian boutique investment dealer, positions Canaccord well to leverage our expertise in the Mining, Energy and Industrial sectors of Australia's robust resource economy. It also expanded our global footprint into Hong Kong and provided important licences to operate on the Australian and Hong Kong stock exchanges.

JANUARY 2011: ACQUISITION OF THE BALLOCH GROUP

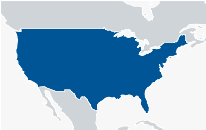
(China)

Canaccord's acquisition of The Balloch Group, a boutique investment bank in China, represented a milestone in Canaccord's evolution by expanding our global platform into Asia. Our operations in this region continue to provide important regional expertise and client relationships to Canaccord's M&A and advisory practice.

APRIL 2010: ACQUISITION OF GENUITY CAPITAL MARKETS

(Canada)

Well known in the Canadian capital markets space as a leading, independent advisory firm, Genuity Capital Markets added significant strength to Canaccord's investment banking division, particularly to our M&A, advisory and restructuring practice. This business combination created a powerful full-service investment bank and significantly enhanced the strength of Canaccord's operations in Canada.



JANUARY 2006: ACQUISITION OF ADAMS HARKNESS

(United States)

The acquisition of this Boston-based investment dealer expanded Canaccord's capital markets operations into the United States and grew Canaccord's sector coverage, with key expertise in the Technology, Life Sciences and Consumer sectors.

SEVEN KEY VALUES drive Canaccord employees and management in delivering results to our shareholders, clients and the communities we operate in. Pursuing and living up to these values is a responsibility we take great pride in.

VALUE 1 WE PUT OUR CLIENTS FIRST.

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

VALUE 2 A GOOD REPUTATION IS OUR MOST-VALUED CURRENCY.

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

VALUE 3 IDEAS ARE THE ENGINE OF OUR BUSINESS.

Our ability to generate original, quality ideas – for clients and for ourselves – positions us ahead of the competition globally.

VALUE 4 WE ARE AN ENTREPRENEURIAL, HARD-WORKING CULTURE.

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

VALUE 5 WE STRIVE FOR CLIENT INTIMACY.

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

VALUE 6 WE ARE DEDICATED TO CREATING EXEMPLARY SHAREHOLDER VALUE.

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

VALUE 7 WE ARE COMMITTED TO EXCELLENCE IN OUR FOCUS AREAS.

We are a focused investment firm, offering our corporate, institutional and private clients specialized expertise in key sectors of the global economy.

Financial Review

CAUTION REGARDING FORWARD-LOOKING STATEMENTS:

This document may contain "forward-looking statements" (as defined under applicable securities laws). These statements relate to future events or future performance and reflect management's expectations, beliefs, plans, estimates, intentions and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts, including business and economic conditions and Canaccord's growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue", "target", "intend", "could" or the negative of these terms or other comparable terminology. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and a number of factors could cause actual events or results to differ materially from the results discussed in the forward-looking statements. In evaluating these statements, readers should specifically consider various factors that may cause actual results to differ materially from any forward-looking statement. These factors include, but are not limited to, market and general economic conditions, the nature of the financial services industry and the risks and uncertainties discussed from time to time in the Company's interim condensed and annual consolidated financial statements and its annual report and the annual information form (AIF) filed on www.sedar.com as well as the factors discussed in the section entitled "Risk Management" in this MD&A, which includes market, liquidity, credit, operational, legal and regulatory risks. Material factors or assumptions that were used by the Company to develop the forward-looking information contained in this document include, but are not limited to, those set out in the Fiscal 2013 Outlook section in the annual MD&A and those discussed from time to time in the Company's interim condensed and annual consolidated financial statements and its annual report and the AIF filed on www.sedar.com. The preceding list is not exhaustive of all possible risk factors that may influence actual results. Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive.

Although the forward-looking information contained in this document is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. The forward-looking statements contained in this document are made as of the date of this document and should not be relied upon as representing the Company's views as of any date subsequent to the date of this document. Certain statements included in this document may be considered "financial outlook" for purposes of applicable Canadian securities laws, and such financial outlook may not be appropriate for purposes other than this document. Except as may be required by applicable law, the Company does not undertake, and specifically disclaims, any obligation to update or revise any forward-looking information, whether as a result of new information, further developments or otherwise.

Management's Discussion and Analysis

Fiscal year 2012 ended March 31, 2012 – this document is dated May 23, 2012.

The following discussion of Canaccord Financial Inc.'s financial condition and results of operations is provided to enable a reader to assess material changes in the financial condition and results of operations for the year ended March 31, 2012 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 Financial Inc. and "Canaccord" refers to the Company and its direct and indirect subsidiaries. "Canaccord Genuity" refers to the capital markets segment of the Company. 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, 2012, beginning on page 69 of this report. Canaccord's financial information is expressed in Canadian dollars unless otherwise specified. The Company adopted International Financial Reporting Standards (IFRS) beginning fiscal 2012, and consequently, the financial information presented in this document, including comparative information, is prepared in compliance with IFRS unless specifically noted. The Company's consolidated financial statements for the year ended March 31, 2012 are prepared in accordance with IFRS.

Presentation of Financial Information and Non-IFRS Measures

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

As required by the Canadian Accounting Standards Board (AcSB), the Company adopted IFRS effective April 1, 2011. The consolidated financial statements for the year ended March 31, 2012 have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB). Previously, the Company prepared its consolidated annual financial statements in accordance with Canadian generally accepted accounting principles (CGAAP).

The Company followed the provisions of IFRS 1, "*First-Time Adoption of IFRS*" (IFRS 1), in preparing its March 31, 2012 Audited Consolidated Financial Statements. The March 31, 2012 Audited Consolidated Financial Statements contain comparative information as of April 1, 2010 (our date of transition to IFRS) and March 31, 2011. An explanation of the transition to IFRS is presented in Note 4 of the Audited Consolidated Financial Statements for the year ended March 31, 2012 and includes an explanation of initial elections upon first-time adoption of IFRS, changes to accounting policies and a reconciliation of amounts previously reported under CGAAP to amounts reported under IFRS for comparative financial information.

ADOPTION OF IFRS

Please refer to Note 5 of the March 31, 2012 Audited Consolidated Financial Statements for a detailed description of the significant accounting policies adopted by the Company upon adoption of IFRS. Also included in the Transition to International Financial Reporting Standards section of our MD&A for the quarter ended June 30, 2011 is a discussion intended to provide a high level overview of the impact of adopting IFRS. Such discussion is not intended to be exhaustive of all identified differences between CGAAP and IFRS.

NON-IFRS MEASURES

Certain non-IFRS measures are utilized by Canaccord as measures of financial performance. Non-IFRS measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Non-IFRS measures presented include assets under administration, assets under management, book value per diluted common share, return on common equity and figures that exclude significant items.

Canaccord's capital is represented by common shareholders' equity and, therefore, management uses return on common equity (ROE) as a performance measure. Also used by the Company as a performance measure is book value per diluted common share, which is calculated as total common shareholders' equity divided by the number of diluted common shares outstanding.

Assets under administration (AUA) and assets under management (AUM) are non-IFRS measures of client assets that are common to the wealth management business. AUA – Canada or AUM – UK and Europe is the market value of client assets managed and administered by Canaccord from 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. AUM – Canada includes all assets managed on a discretionary basis under programs that are generally described as or known as the *Complete Canaccord Investment Counselling Program* and the *Complete Canaccord Managed Account Program*. Services provided include the selection of investments and the provision of investment advice. Canaccord's method of calculating AUA – Canada, AUM – Canada or AUM – UK and Europe may differ from the methods used by other companies and therefore may not be comparable to other companies. Management uses these measures to assess operational performance of the Canaccord Wealth Management business segment, which now includes Collins Stewart Wealth Management. AUM – Canada is also administered by Canaccord and is included in AUA – Canada.

Financial statement items that exclude significant items are non-IFRS measures. Significant items for these purposes are defined as including restructuring costs and acquisition-related expense items, which include costs recognized in relation to both prospective and completed acquisitions. See the Selected Financial Information Excluding Significant Items table on page 32.

Management believes that these non-IFRS measures will allow for a better evaluation of the operating performance of Canaccord's business and facilitate meaningful comparison of results in the current period to those in prior periods and future periods. Figures that exclude significant items provide useful information by excluding certain items that may not be indicative of Canaccord's core operating results. A limitation of utilizing these figures that exclude significant items is that the IFRS accounting for these items does in fact reflect the underlying financial results of Canaccord's business; thus, these effects should not be ignored in evaluating and analyzing Canaccord's financial results. Therefore, management believes that Canaccord's IFRS measures of financial performance and the respective non-IFRS measures should be considered together.

Business Overview

Through its principal subsidiaries, Canaccord Financial Inc. is a leading independent, full-service financial services firm, with operations in two principal segments of the securities industry: global capital markets and wealth management. Since its establishment in 1950, Canaccord has been driven by an unwavering commitment to building lasting client relationships. We achieve this by generating value for our individual, institutional and corporate clients through comprehensive investment solutions, brokerage services and investment banking services. Canaccord has over 60 offices in 12 countries worldwide, including over 40 wealth management offices located in Canada, the UK and Europe. Canaccord Genuity, the Company's international capital markets division, has operations in Canada, the United States, the United Kingdom, France, Germany, Ireland, Italy, China, Hong Kong, Singapore, Australia and Barbados.

ABOUT CANACCORD'S OPERATIONS

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

Canaccord Genuity

Canaccord Genuity offers corporations and institutional investors around the world an integrated platform for equity research, sales and trading, and investment banking services that is built on extensive operations in Canada, the UK, Europe, the US, China, Singapore, Australia and Barbados. The Canaccord Genuity business segment includes operations from Canaccord Genuity branded businesses, but also from Canaccord Genuity Hawkpoint, Canaccord BGF and Canaccord Genuity Asia.

Canaccord Wealth Management

Canaccord's wealth management operations provide comprehensive wealth management solutions and brokerage services to individual investors, private clients, charities and intermediaries, through a full suite of services tailored to the needs of clients in each of the markets the division operates in. Canaccord's growing wealth management division now has Investment Advisors and professionals in Canada, the UK, Geneva and offshore locations (the Channel Islands and Isle of Man). The Canaccord Wealth Management business segment includes operations from Canaccord Wealth Management branded businesses and Collins Stewart Wealth Management operations (which will be renamed Canaccord Wealth Management during fiscal 2013).

Corporate and Other

Canaccord's administrative segment, described as Corporate and Other, includes revenues and expenses associated with providing correspondent brokerage services, bank and other interest, foreign exchange gains and losses, and activities not specifically allocable to either the Canaccord Genuity or Canaccord Wealth Management divisions. Also included in this segment are Canaccord's operations and support services, which are responsible for front- and back-office information technology systems, compliance and risk management, operations, finance, and all administrative functions.

BUSINESS ACTIVITY

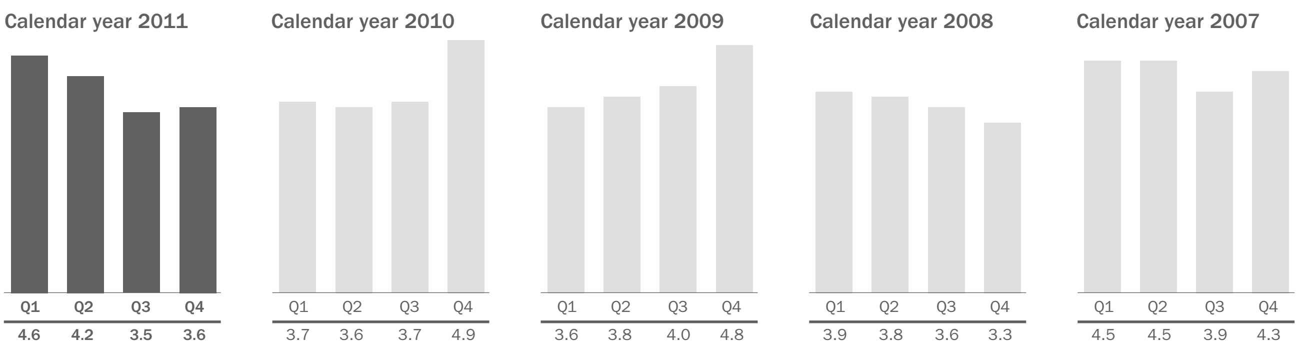
Our business is subject to the overall condition of the worldwide debt and equity markets, including seasonal fluctuations. Historically, North American capital markets are slower during the first half of Canaccord's fiscal year, when Canaccord typically generates less than 50% of its annual revenue. Fiscal 2012 was in line with past seasonality, with 54% of the annual revenue generated in the second half of the year.

The timing of revenue recognition can also materially affect Canaccord's quarterly results. Revenue from underwriting transactions is recorded only when the transaction has closed, and as a result, quarterly results can also be affected by the timing of our capital markets business.

The charts below illustrate the seasonal variance in revenue in the Canadian broker dealer industry over the past five years.

CANADIAN BROKER DEALER TOTAL INDUSTRY REVENUE

(C$ billions, calendar quarters)



Source: Investment Industry Association of Canada. IIAC Securities Industry Quarterly Statistics. March 30, 2012.

Canaccord aims to reduce its exposure to variances in the equity markets and local economies by diversifying not only its industry sector coverage but also its international scope. Historically, the Company's diversification across major financial centres has allowed it to benefit from strong equity markets.

Market Data

TOTAL FINANCING VALUE BY EXCHANGE

	Q1/12	Q2/12	Q3/12	Q4/12	Fiscal 2012	Fiscal 2011	Fiscal 2012/ 2011 Change
TSX and TSX Venture (C$ billions)	15.1	10.4	11.2	17.9	**54.6**	57.4	(4.9)%
AIM (£ billions)	1.1	0.7	0.8	1.0	**3.6**	7.5	(52.0)%
NASDAQ (US$ billions)	15.2	5.0	9.8	14.2	**44.2**	46.0	(3.9)%

Source: TSX Statistics, LSE AIM Statistics, Equidesk

FINANCING VALUE FOR RELEVANT AIM INDUSTRY SECTORS

(£ millions, except for % amounts)	Q1/12	Q2/12	Q3/12	Q4/12	Fiscal 2012	Fiscal 2011	Fiscal 2012/ 2011 Change
Oil and Gas	335.9	262.2	283.2	184.9	**1,066.2**	2,248.5	(52.6)%
Mining	280.5	132.1	154.0	262.2	**828.8**	2,165.9	(61.7)%
Health Care	60.5	7.4	96.8	8.6	**173.3**	125.3	38.3%
Media	14.6	4.6	38.2	85.0	**142.4**	58.1	145.1%
Technology	13.7	53.1	121.3	80.0	**268.1**	222.6	20.4%

Source: LSE AIM Statistics

FINANCING VALUE FOR RELEVANT TSX AND TSX VENTURE INDUSTRY SECTORS

($ millions, except for percentage amounts)	Q1/12	Q2/12	Q3/12	Q4/12	Fiscal 2012	Fiscal 2011	Fiscal 2012/ 2011 Change
Oil and Gas	4,223.9	1,091.3	3,409.9	8,074.9	**16,800.0**	13,508.7	24.4%
Mining	1,427.8	1,378.1	1,197.9	1,676.9	**5,680.7**	11,088.2	(48.8)%
Biotech	61.2	105.9	25.3	106.7	**299.1**	298.9	0.07%
Media	4.0	—	—	25.5	**29.5**	262.8	(88.8)%
Real Estate	1,385.4	1,360.0	1,549.9	1,402.2	**5,697.5**	4,538.1	25.6%
Technology	78.3	230.0	4.0	34.4	**346.7**	967.1	(64.2)%

Source: FP Infomart

Market Data

Total financing values on the TSX, TSX Venture and the NASDAQ experienced mild declines compared to the previous year, while total financing values on AIM experienced a 52% decrease due to the challenging market environment in that geography.

On AIM, financing values for the Health Care, Media and Technology sectors rose compared to the previous year, while the Oil and Gas and Mining sectors experienced declines. On the TSX and TSX Venture, most of Canaccord's focus sectors experienced a decline compared to the previous year; however, the Oil and Gas sector experienced a 24% increase.

IMPACT OF CHANGES IN CAPITAL MARKETS ACTIVITY

As a brokerage firm, Canaccord derives its revenue primarily from sales commissions, underwriting and advisory fees, and trading activity. As a result, the Company's business is materially affected by conditions in the financial marketplace and the economic environment, primarily in North America and Europe. Canaccord's long term international business development initiatives over the past several years have laid a solid foundation for revenue diversification.

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

During fiscal 2012, Canaccord's capital markets activities were focused on the Company's sectors: Mining and Metals, Energy, Technology, Health Care and Life Sciences, Agriculture and Fertilizers, Media and Telecommunications, Financials, Consumer and Retail, Real Estate and Hospitality, Infrastructure, Transportation and Industrial Products, Paper and Forestry Products, CleanTech and Sustainability, Support Services, Aerospace and Defense, Leisure, and Private Equity. Coverage of these sectors included investment banking, and institutional equity activities, such as sales, trading and research.

Key Developments During Fiscal 2012

CORPORATE

- On April 15, 2011, Canaccord Financial Inc. shareholders approved amendments to the Company's corporate articles, allowing for the issuance of preferred shares
- On June 6, 2011, Canaccord Financial Inc. announced the offering of Cumulative 5-Year Rate Reset Preferred Shares, Series A (Series A Preferred Shares) priced at $25.00 each to raise capital for general corporate purposes
  - On June 23, 2011, the Series A Preferred Share offering closed with the listing of 4,000,000 Series A Preferred Shares, trading on the TSX under the symbol CF.PR.A
  - On July 7, 2011, the syndicate of investment dealers exercised an over-allotment option, and the Company issued an additional 540,000 Series A Preferred Shares
  - In total, the issuance of 4,540,000 Series A Preferred Shares raised $113.5 million in gross proceeds
- On June 9, 2011, Canaccord Financial Inc. announced the filing of a Normal Course Issuer Bid (NCIB), to allow for the purchase of up to 2,000,000 common shares for cancellation over a one-year period ending June 12, 2012
  - During fiscal 2012, Canaccord Financial Inc. repurchased and cancelled 700,500 of its common shares under the terms of its NCIB
  - As at May 23, 2012, 1,299,500 shares remain available for repurchase under the NCIB

- On July 31, 2011, Canaccord announced that it had entered into a definitive agreement to acquire a 50% equity interest in BGF Capital Group Pty Ltd (BGF), commonly referred to as BGF Equities
- On November 1, 2011, Canaccord Financial Inc. closed its acquisition of a 50% interest in BGF Equities. The aggregate consideration paid by Canaccord for the 50% interest in BGF totalled AUD$40.2 million [C$42.2 million]. Subsequent to the closing, BGF was rebranded as Canaccord BGF. The 50% interest was acquired through the purchase of shares from certain existing shareholders and the purchase of treasury shares as follows:
  - AUD$14.7 million for the purchase of existing BGF shares, primarily from passive non-executive shareholders
  - AUD$5.5 million in Canaccord common shares issued to key executives of BGF
  - AUD$20.0 million for the subscription of treasury shares in BGF
- On December 15, 2011, Canaccord Financial Inc. announced that it had made a formal offer to acquire 100% of the equity of Collins Stewart Hawkpoint plc (CSHP) for a price of £0.96 per CSHP-LN common share
- On February 9, 2012, Canaccord and the Export-Import Bank of China announced their intent to establish a US$1 billion Natural Resource Fund
  - The fund is intended to raise approximately US$1 billion from investors in China and abroad and will be structured and operated at arm's length from its co-owners, with an independent management team responsible for maximizing returns for its limited partners
  - A first closing may take place as early as the first half of the 2012 calendar year
- On March 21, 2012, Canaccord completed its acquisition of CSHP
- On March 22, 2012, staffing redundancies related to the acquisition of CSHP were announced to staff in the UK and the US
- On March 22, 2012, Canaccord Financial Inc. announced the offering of 4,000,000 Series C Rate Reset Preferred Shares (Series C Preferred Shares) priced at $25.00 each to raise capital to reduce the outstanding borrowings under the $150 million senior secured credit facility entered into by the Company to fund a portion of the cash consideration for the acquisition of CSHP
  - Subsequent to the fiscal year end, on April 10, 2012, the Series C Preferred Share offering closed and the Series C Preferred Shares began trading on the TSX under the symbol CF.PR.C
  - In total, the Series C Rate Reset Preferred Share issuance raised $100.0 million in gross proceeds
- On March 26, 2012, all CSHP businesses were integrated into Canaccord's operations
- On March 28, 2012, a restructuring of Canaccord Genuity's trading operations in Canada was implemented

CANACCORD GENUITY

Through the acquisition of CSHP, Canaccord expanded its capital markets operations in the UK, Europe, the US and Singapore. Contributions from these operations since March 22, 2012 are included in the operating figures below.

- Canaccord Genuity led 106 transactions globally, each over $1.5 million, to raise total proceeds of $2.7 billion during fiscal 2012. Of this:
  - Canada led 82 transactions, which raised $1.5 billion
  - The UK led 10 transactions, which raised $630 million
  - The US led 14 transactions, which raised $590 million

- During fiscal 2012, Canaccord Genuity participated in a total of 323 transactions globally, each over $1.5 million, to raise gross proceeds of $6.8 billion. Of this:
  - Canada participated in 274 transactions, which raised $2.4 billion
  - The UK participated in 11 transactions, which raised $723 million
  - The US participated in 38 transactions, which raised $3.7 billion

- During fiscal 2012, Canaccord Genuity led or co-led the following equity transactions:
  - US$550.0 million for Manabi Holdings S.A. (non-exchange listed)
  - Four transactions raising a total of C$381.7 million for Artis Real Estate Investment Trust on the TSX
  - £250.0 million for HICL Infrastructure Company Ltd. on the LSE
  - C$230.0 million offering for Wi-LAN Inc. on the TSX
  - US$230.0 million for Neo Material Technologies Inc. on the TSX
  - Three transactions raising a total of C$129.3 million for Pure Industrial Real Estate Trust on the TSX Venture
  - C$125.0 million for Griffiths Energy International Inc. (non-exchange listed)
  - Two transactions raising a total of C$120.1 million for Pinecrest Energy Inc. on the TSX Venture
  - C$113.5 million for Canaccord Financial Inc. on the TSX
  - US$100.6 million for Aveo Pharmaceuticals on the NASDAQ
  - C$103.1 million offering for EcoSynthetix Inc. on the TSX
  - Two transactions raising a total of C$85.4 million for New Zealand Energy Corp. on the TSX Venture
  - US$74.0 million for Dexcom Inc. on the NASDAQ
  - C$65.1 million offering for Nevada Copper Corp. on the TSX

- During fiscal 2012, Canaccord Genuity led or co-led five fixed income transactions in Canada that raised $327.5 million for clients

- Canaccord Genuity generated record Advisory revenue of $107.3 million during fiscal 2012, 27.0% higher than the previous record generated last year

- During fiscal 2012, Canaccord Genuity advised on 30 transactions, including the following:
  - Daylight Energy on its acquisition by Sinopec International Petroleum Exploration and Production Corporation
  - Second Lien Noteholders of Opti Canada Inc. with respect to restructuring of debt and sale of the company
  - Viterra Inc. on its pending acquisition by Glencore International plc
  - Hathor Exploration Ltd. on its acquisition by Rio Tinto plc
  - Kruger Products LP on its US$211 million debt private placement
  - Canadian Satellite Radio Holdings Inc. on its merger with Sirius Canada Inc.
  - Canmarc Real Estate Investment Trust on its acquisition by Cominar Real Estate Investment Trust
  - ChemGenex Pharmaceuticals Limited on its acquisition by Cephalon, Inc.
  - Alteris Renewables Inc. on its acquisition by Real Goods Solar
  - Gennum Corp. on its acquisition by Semtech Corp.

Wealth Management (Global)

Through the acquisition of CSHP, Canaccord gained a UK and European wealth management business (Collins Stewart Wealth Management). This operating unit will be reported as part of the Canaccord Wealth Management division going forward. Contributions from these operations since March 22, 2012 are included in the operating figures below.

- Globally, Canaccord Wealth Management generated $201.3 million in revenue and, excluding significant items, recorded net income of $4.1 million before taxes during fiscal 2012
- The total of assets under administration in Canada and assets under management in the UK and Europe were $27.9 billion at March 31, 2012
- Canaccord Wealth Management had 41 offices worldwide as of March 31, 2012

Wealth Management (Canada and US)

- Canaccord Wealth Management generated $199.3 million in revenue and on an operating basis, excluding significant items, recorded net income of $3.7 million before taxes during fiscal 2012
- Assets under administration were $14.8 billion as of March 31, 2012, down 13% from $17.0 billion at the end of fiscal 2011
- Assets under management were $677 million, up 24% from $546 million at the end of fiscal 2011
- As at March 31, 2012, Canaccord Wealth Management had 280 Advisory Teams(1), an increase of nine Advisory Teams from March 31, 2011 and an increase of two from December 31, 2011
- During fiscal 2012, Canaccord opened five new Canaccord Wealth Management branches on the Independent Wealth Management (IWM) platform, and closed three IWM locations
  - Two corporate branches were converted to the IWM platform during fiscal 2012
- At March 31, 2012 Canaccord Wealth Management had 35 offices located across Canada, including 23 IWM locations

Wealth Management (UK and Europe)

- In the seven business days following the close of Canaccord's acquisition of CSHP, Collins Stewart Wealth Management generated $2.0 million in revenue and, excluding significant items, recorded net income of $0.3 million before taxes, which was attributable to Canaccord's fiscal 2012 results
- Assets under management were $13.1 billion (£8.2 billion) as of March 31, 2012

(1) Advisory Teams are normally comprised of one or more Investment Advisors (IAs) and their assistants and associates, who together manage a shared set of client accounts. Advisory Teams that are led by, or only include, an IA who has been licensed for less than three years are not included in our Advisory Team count, as it typically takes a new IA approximately three years to build an average-sized book of business.

SUBSEQUENT EVENTS

- On April 10, 2012, $97 million of the net proceeds from Canaccord's Series C Preferred Share offering was used to repay a portion of the $150 million short term credit facility the Company secured for bridge financing related to the acquisition of CSHP
- The balance of the short term credit facility was repaid in full on May 22, 2012

Market Environment During Fiscal 2012

Fiscal 2012 was characterized by heightened economic instability as the European sovereign debt crisis renewed fears of another global economic recession. Despite a technical debt default in Greece, European policymakers injected as much liquidity as needed to avert another Lehman-type banking crisis and additional country debt defaults in peripheral Europe. The US Federal Reserve also contributed to global liquidity through stimulus programs and by committing to keep interest rates low until 2014. The net result was a notable recovery in global equities in the later half of fiscal 2012.

Fiscal 2012 began with a fragile macroeconomic environment. Despite several sovereign debt downgrades and surging government bond yields through Europe, Chinese and European policymakers raised interest rates in spring 2011, which fueled concerns that their economies were overheating. However, when a Greek debt default became imminent in early summer, contagion fears quickly spread through peripheral countries and capital markets seized up. Global economic growth began to lose momentum and fears of a US double-dip recession emerged. As a result, equity markets suffered their first 20%+ correction since 2008 and US 10-year Treasury bond yields dropped below 2% for the first time since March 1946. In Canada, the correction in junior and small-cap equities was discouraging, with the S&P/TSX Venture index dropping 40% peak-to-trough.

The collapse in various equity markets forced global policymakers to take action. In early September 2011, leading central banks flooded the financial system with US dollars, intending to boost market confidence. Later that same month, the US Federal Reserve implemented a program aimed at keeping borrowing costs as low as possible to stimulate the rapidly weakening US economy. A tangible solution to Europe's sovereign debt problem came only in October when European leaders increased sovereign commitments to the European Financial Stability Facility, a bailout fund for troubled countries. As a result, market participants started to reverse their risk aversion, driving risk assets sharply higher. Despite a setback in November, due to political gridlocks on bailout plan proposals in Greece and Italy, capital markets received a round of fiscal stimulus in December, when the European Central Bank went ahead with its Long Term Refinancing Operation, which provided troubled European banks and sovereigns with access to unlimited financing options.

From October 2011 to March 2012, the S&P 500 rose 27% and the S&P/TSX a more moderate 11%, reflecting concerns about an economic slowdown in China. While capital markets activity grew in the last half of the fiscal year, trading volumes and equity financings remained much below 2011 levels. Despite large cash holdings by corporations and inexpensive equity valuations, merger and acquisition activity was subdued for most of the fiscal year. However, investor confidence improved as global monetary authorities calmed economic concerns through very accommodative monetary policies.

Fiscal 2013 Outlook

Looking ahead, abnormally low interest rates worldwide could support a modest acceleration of the global economy and maintain a favourable environment for capital markets activities. However, periods of heightened market volatility are likely to persist as investors begin to evaluate the impact of tighter fiscal policies and austerity programs implemented in developed countries. Another source of instability is the political climate in Europe where skepticism on the eurozone is growing. Financial markets will be looking for the newly elected government in France to reinstate the importance of the France-Germany relationship. Greece is another non-trivial risk but the market already had its "Greek panic" in 2011 and it understands the limited economic influence on the wider eurozone. Overall, we are hopeful that political commitment to the euro area integration will remain. Sporadic economic setbacks could occur if political gridlocks on US budget negotiations for calendar 2013 subtract more than 2% of GDP. However, the US Federal Reserve has mentioned several times that it is ready to intervene should the economy stall further. Most central banks in developing economies have abandoned tight monetary policies and, in some cases, implemented reflationary policies. As such, central banks should provide downside protection to economic growth and capital markets, which would likely encourage healthier capital markets activity compared to fiscal 2012.

With corporate spending at near all-time lows as a percentage of GDP and corporate profits, businesses should increase their capital investments as confidence in the global economy returns. However, in the US, more clarity on corporate taxation by the elected government could be needed before businesses start spending their accumulated capital. That said, regardless of any shorter term cyclical fluctuations, the pace and duration of Chinese industrialization should continue to have a profound impact on the global economy. In recent years this has been most evident through infrastructure investments and the demand dynamics of commodities markets. While demand for industrial commodities could moderate as China shifts to a more consumer-based economy, demand for consumer-sensitive commodities such as energy and agricultural products will continue to increase as a result of shifting demographics in China.

With global corporate margins at all-time highs and a growing number of companies operating in mature industries, merger and acquisition activity should reaccelerate in fiscal 2013. This is especially true in the Canadian resource sector owing to depressed equity valuation multiples. In addition, with many foreign countries and companies looking to secure the supply of specific commodities through participation in public companies, advisory activity should remain healthy. Overall, assuming global policy makers strike a fine balance between pro-growth policies and austerity, we remain cautiously optimistic that the global economic outlook for fiscal 2013 will remain favourable for capital markets activities.

Overview of Preceding Years – Fiscal 2011 vs. 2010

Total revenue for the year ended March 31, 2011 (fiscal 2011) was $803.6 million, an increase of $226.1 million or 39.1% compared to the previous year. This increase was primarily due to improved economic and market conditions, and heightened demand for corporate recapitalization during fiscal 2011. Most major indices also improved during fiscal 2011 with the TSX up 17%, the TSX Venture up 46%, the NASDAQ up 16% and the LSE up 5%.

Canaccord recorded net income of $99.7 million during fiscal 2011, which included $17.9 million of charges related to the acquisition of Genuity Capital Markets and The Balloch Group Limited. Excluding acquisition-related items, net income for fiscal 2011 was $114.1 million. Canaccord's performance during fiscal 2011 was a significant improvement over fiscal 2010, when the Company recorded a net income of $38.5 million, or $42.0 million excluding significant items.

Financial Overview

SELECTED FINANCIAL INFORMATION[1][2][3]

(C$ thousands, except per share and % amounts, and number of employees)	For the years ended March 31 2012 IFRS	2011 IFRS	2010 CGAAP	2012/2011 Change	
Canaccord Financial Inc. (CFI)					
Revenue					
Commission	$ 252,877	$ 294,650	$ 235,606	$ (41,773)	(14.2)%
Investment banking	175,225	327,499	215,237	(152,274)	(46.5)%
Advisory fees	107,370	84,914	39,200	22,456	26.4%
Principal trading	10,647	43,644	45,982	(32,997)	(75.6)%
Interest	31,799	24,040	12,965	7,759	32.3%
Other	26,946	28,884	28,547	(1,938)	(6.7)%
Total revenue	604,864	803,631	577,537	(198,767)	(24.7)%
Expenses					
Incentive compensation	304,908	389,046	299,084	(84,138)	(21.6)%
Salaries and benefits	63,924	64,420	59,415	(496)	(0.8)%
Other overhead expenses[4]	200,842	194,953	162,397	5,889	3.0%
Acquisition-related costs	16,056	12,740	5,000	3,316	26.0%
Restructuring costs[5]	35,253	—	—	35,253	n.m.
Total expenses	620,983	661,159	525,896	(40,176)	(6.1)%
Income (loss) before income taxes	(16,119)	142,472	51,641	(158,591)	(111.3)%
Net income (loss)	$ (21,346)	$ 99,743	$ 38,497	$ (121,089)	(121.4)%
Net income (loss) attributable to CFI shareholders	$ (20,307)	$ 99,743	$ 38,497	$ (120,050)	(120.4)%
Non-controlling interests	$ (1,039)	$ —	$ —	$ (1,039)	n.m.
Earnings (loss) per common share (EPS) – basic	$ (0.33)	$ 1.37	$ 0.79	$ (1.70)	(124.1)%
Earnings (loss) per common share (EPS) – diluted	$ (0.33)	$ 1.22	$ 0.69	$ (1.55)	(127.0)%
Return on common equity	(3.1)%	14.2%	9.8%	(17.3) p.p.	
Dividends per share	$ 0.40	$ 0.275	$ 0.15	$ 0.125	45.5%
Book value per diluted common share[6]	$ 8.26	$ 8.79	$ 6.96	$ (0.53)	(6.0)%
Excluding significant items[7]					
Total expenses	$ 564,182	$ 643,293	$ 520,896	$ (79,111)	(12.3)%
Income before income taxes	$ 40,682	$ 160,338	$ 56,641	$ (119,656)	(74.6)%
Net income	$ 25,193	$ 114,126	$ 42,043	$ (88,933)	(77.9)%
Net income attributable to CFI shareholders	$ 25,591	$ 114,126	$ 42,043	$ (88,535)	(77.6)%
EPS – basic	$ 0.28	$ 1.56	$ 0.86	$ (1.28)	(82.1)%
EPS – diluted	$ 0.25	$ 1.40	$ 0.76	$ (1.15)	(82.1)%
Balance sheet data					
Total assets	$ 5,762,723	$ 5,097,500	$ 3,123,848	$ 665,223	13.0%
Total liabilities	4,753,144	4,340,608	2,722,103	412,536	9.5%
Non-controlling interests	17,454	—	—	17,454	n.m.
Total shareholders' equity	992,125	756,892	401,745	235,233	31.1%
Number of employees	2,428	1,684	1,549	744	44.2%

(1) The Company adopted IFRS beginning April 1, 2011. Consequently, data for the year ended March 31, 2012 and the comparative period ended March 31, 2011 is in compliance with IFRS except as noted in Note 2. Figures for the year ended March 31, 2010 are in accordance with CGAAP except as noted in Note 2. See the Transition to International Financial Reporting Standards section on page 23.
(2) Data is in accordance with IFRS/CGAAP except for ROE, book value per diluted common share, figures excluding significant items and number of employees.
(3) Data includes the results of Genuity since the closing date of April 23, 2010. Results of Canaccord Genuity Asia since the closing date of January 17, 2011 and the results for Canaccord BGF since the closing date of November 1, 2011 are also included. The operating results of Canaccord BGF have been fully consolidated and a 50% non-controlling interest has been recognized. Results of former CSHP entities since March 22, 2012 are also included.
(4) Consists of trading costs, premises and equipment, communication and technology, interest, general and administrative, amortization of tangible and intangible assets, and development costs.
(5) Consists of staff restructuring costs and reorganization expenses related to the acquisition of CSHP, as well as restructuring costs related to the reorganization of certain Canadian trading and other operations.
(6) Book value per diluted common share is calculated as total common shareholders' equity divided by the number of diluted common shares outstanding.
(7) Net income and earnings per common share excluding significant items reflect tax-effected adjustments related to such items. See the Selected Financial Information Excluding Significant Items table on the next page.
p.p.: percentage points
n.m.: not meaningful

SELECTED FINANCIAL INFORMATION EXCLUDING SIGNIFICANT ITEMS[1]

	For the years ended March 31				
(C$ thousands, except per share and % amounts)	2012	2011	2010	2012/2011 Change	
Total revenue per IFRS/CGAAP[2]	$ 604,864	$ 803,631	$ 577,537	$ (198,767)	(24.7)%
Total expenses per IFRS/CGAAP[2]	620,983	661,159	525,896	(40,176)	(6.1)%
Significant items recorded in Canaccord Genuity					
Acquisition-related costs – CSHP	(9,023)	—	—	(9,023)	n.m.
Acquisition-related costs – BGF	(1,443)	—	—	(1,443)	n.m.
Acquisition-related costs – The Balloch Group Limited (TBG)	—	(1,750)	—	1,750	100.0%
Acquisition-related costs – Genuity Capital Markets (Genuity)	—	(10,990)	(5,000)	10,990	100.0%
Amortization of intangible assets	(5,492)	(5,126)		(366)	(7.1)%
Restructuring costs	(29,078)	—	—	(29,078)	n.m.
Significant items recorded in Canaccord Wealth Management					
Acquisition-related costs – CSHP	(4,077)	—	—	(4,077)	n.m.
Restructuring costs	(900)	—	—	(900)	n.m.
Significant items recorded in Corporate and Other					
Acquisition-related costs – prospective acquisitions not pursued	(1,513)	—	—	(1,513)	n.m.
Restructuring costs	(5,275)	—	—	(5,275)	n.m.
Total significant items	(56,801)	(17,866)	(5,000)	(38,935)	(217.9)%
Total expenses excluding significant items	564,182	643,293	520,896	(79,111)	(12.3)%
Net income before tax – adjusted	40,682	160,338	56,641	(119,656)	(74.6)%
Income taxes – adjusted	15,489	46,212	14,598	(30,723)	(66.5)%
Net income – adjusted	$ 25,193	$ 114,126	$ 42,043	$ (88,933)	(77.9)%
EPS – basic, adjusted	$ 0.28	$ 1.56	$ 0.86	$ (1.28)	(82.1)%
EPS – diluted, adjusted	$ 0.25	$ 1.40	$ 0.76	$ (1.15)	(82.1)%

(1) Figures excluding significant items are non-IFRS/CGAAP measures. See Non-IFRS Measures on page 23.
(2) The Company adopted IFRS beginning April 1, 2011. Consequently, data for the year ended March 31, 2012 and the comparative period ended March 31, 2011 is in compliance with IFRS. Figures for the year ended March 31, 2010 are in accordance with CGAAP. See the Transition to International Financial Reporting Standards section on page 23.
n.m.: not meaningful

REVENUE

On a consolidated basis, revenue is generated through six activities: commissions and fees associated with agency trading and private client wealth management activity, investment banking, advisory fees, principal trading, interest and other.

Revenue for fiscal 2012 was $604.9 million, a decrease of 24.7% or $198.8 million from fiscal 2011. Overall, the decline in revenue for the year ended March 31, 2012 was mainly due to the global economic uncertainties and challenging market conditions that persisted throughout the fiscal year.

Commission revenue is principally generated from private client trading activity and institutional sales and trading. Revenue generated from commissions dropped by $41.8 million or 14.2% from fiscal 2011 to $252.9 million in fiscal 2012. Our Canaccord Wealth Management segment contributed $141.8 million while our Canaccord Genuity segment contributed $111.1 million.

Investment banking revenue was $175.2 million in fiscal 2012, down $152.3 million or 46.5% from fiscal 2011. Revenue generated from investment banking activities decreased due to a subdued pace of financing activity in equity markets in Canada, the UK and Europe, and the US.

The strength of our Mergers & Acquisitions (M&A) team resulted in the Company achieving record advisory revenue of $107.4 million, an increase of $22.5 million from fiscal 2011, despite the challenging market environment.

Deteriorating investor confidence and a continuing sovereign debt crisis in Europe led to a $33.0 million decrease in principal trading revenue to $10.6 million in fiscal 2012. Principal trading revenue in our UK and Europe and Canadian operations were particularly affected by the instability in the economic environment, as indicated by the $17.9 million and $14.9 million decreases in principal trading revenue in these regions, respectively.

Interest revenue is derived from interest realized from financial instruments and fixed income securities held by Canaccord, interest earned on cash balances held at the bank and interest paid by clients on margin accounts. As a result of changes in interest rates and additional interest revenue earned from activities in the Fixed Income group, interest revenue increased by $7.8 million or 32.3% from fiscal 2011 to $31.8 million for fiscal 2012.

Other revenue of $26.9 million was $1.9 million or 6.7% lower than in the prior year, largely as a result of reduced foreign exchange gains due to the fluctuation of the Canadian dollar.

EXPENSES

Expenses as a percentage of revenue(1)

	For the years ended March 31		
	2012	2011	2012/2011 Change
Incentive compensation	**50.4%**	48.4%	2.0 p.p.
Salaries and benefits	**10.6%**	8.0%	2.6 p.p.
Other overhead expenses(2)	**33.2%**	24.4%	8.8 p.p.
Acquisition-related costs(3)	**2.7%**	1.5%	1.2 p.p.
Restructuring costs(3)(4)	**5.8%**	—	5.8 p.p.
Total	**102.7%**	82.3%	20.4 p.p.

(1) Data includes the results of Genuity since the closing date of April 23, 2010. Results of Canaccord Genuity Asia since the closing date of January 17, 2011 and results of Canaccord BGF since the closing date of November 1, 2011 are also included. The operating results of Canaccord BGF have been consolidated and a 50% non-controlling interest has been recognized. Results of former CSHP entities since March 22, 2012 are also included.
(2) Consists of trading costs, premises and equipment, communication and technology, interest, general and administrative, amortization of tangible and intangible assets and development costs.
(3) Refer to the Selected Financial Information Excluding Significant Items table on page 32.
(4) Consists of staff restructuring costs and reorganization expenses related to the acquisition of CSHP, as well as restructuring costs related to the reorganization of certain Canadian trading and other operations.
p.p.: percentage points

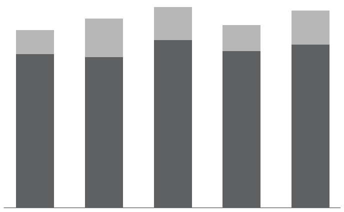
Expenses for fiscal 2012 were $621.0 million, a decrease of 6.1% or $40.2 million compared to last year; however, total expenses as a percentage of revenue increased by 20.4 percentage points compared to the prior year. The main reason for the increase in expenses as a percentage of revenue is the Company's recognition of $56.8 million in significant items incurred to support its reorganization and global expansion strategy. The significant items recognized include $35.3 million of staff restructuring costs and reorganization expenses related to the acquisition of CSHP, and restructuring costs related to the reorganization of certain Canadian trading and operations; $16.1 million of acquisition-related costs related to both completed acquisitions and prospective acquisitions not pursued; and $5.5 million related to the amortization of intangible assets acquired through various business combinations. Excluding significant items, total expenses were $564.2 million, a decrease of $79.1 million or 12.3% from fiscal 2011.

Compensation expenses

Incentive compensation expense was $304.9 million, down $84.1 million or 21.6%, which was consistent with the decrease in incentive-based revenue. Incentive compensation expense as a percentage of total revenue was 50.4%, an increase of 1.9 percentage points, mainly as a result of higher long-term incentive plan (LTIP) expense related to the amortization of grants that were awarded in prior periods. Salaries and benefits expense was $63.9 million, a decrease of 0.8% from the prior year. Salaries and benefits expense as a percentage of revenue was 10.6% in fiscal 2012 compared to 8.0% in fiscal 2011.

The total compensation (incentive compensation plus salaries and benefits) expense as a percentage of consolidated revenue was 61.0%, up 4.6 percentage points compared to 56.4% in fiscal 2011. As discussed above, this was mainly due to a higher LTIP expense recognized in the current fiscal year.

TOTAL COMPENSATION AS A % OF REVENUE



2008	2009	2010	2011	**2012**	
7.5%	11.9%	10.3%	8.0%	**10.6%**	Salaries and benefits
47.4%	46.5%	51.8%	48.4%	**50.4%**	Incentive compensation
54.9%	58.4%	62.1%	56.4%	**61.0%**	Total

Other overhead expenses

(C$ thousands, except % amounts)	For the years ended March 31 **2012**	2011	2012/2011 Change
Trading costs	$ **30,313**	$ 31,507	(3.8)%
Premises and equipment	**27,546**	27,158	1.4%
Communication and technology	**28,343**	25,466	11.3%
Interest	**9,816**	7,811	25.7%
General and administrative	**69,523**	67,882	2.4%
Amortization(1)	**14,108**	12,742	10.7%
Development costs	**21,193**	22,387	(5.3)%
Total other overhead expenses	$ **200,842**	$ 194,953	3.0%

(1) Includes $5.5 million and $5.1 million of amortization of intangible assets for the years ended March 31, 2012 and March 31, 2011, respectively. See the Selected Financial Information Excluding Significant Items table on page 32.

Other overhead expenses were $5.9 million or 3.0% higher in fiscal 2012, which as a percentage of revenue represented an increase of 8.9 percentage points compared to fiscal 2011.

The overall increase in other overhead expenses was driven by the $2.9 million increase in communication and technology expense, the $2.0 million increase in interest expense, the $1.6 million increase in general and administrative expense, and the $1.4 million increase in amortization expense.

Communication and technology expense was $2.9 million higher than the prior fiscal year because of investments made to improve our technology platform. In addition, certain costs that had been previously included as trading costs were reclassified as communications and technology expense during fiscal 2012. The amount reclassified for fiscal 2012 was approximately $0.6 million. Similar costs in the prior year were not reclassified as the amount was not considered significant.

An increase in interest expense of $2.0 million or 25.7% was a direct result of activities in the Fixed Income group.

Additional general and administrative expense was incurred mainly as a result of the incremental promotion and travel expense incurred in connection with the newly acquired subsidiaries in Australia, China, and the UK and Europe. There was also an increase in professional fees incurred related to client settlements during the year. Office expense decreased compared to the prior year, which partially offset the above increases.

Amortization expense increased by $1.4 million as a result of the amortization of intangible assets related to the acquisition of a 50% interest in BGF in fiscal 2012.

The above increases in overhead expenses were partially offset by the $1.2 million decrease in trading costs and a $1.2 million decrease in development costs. The decrease in trading costs was due to reduced trading volumes, as well as the reclassification of certain costs to communication and technology expense, as discussed above. Development costs were lower compared to fiscal 2011, mainly due to reduced hiring incentives in our Canaccord Wealth Management and Canaccord Genuity UK and Europe operations, although these reductions were partially offset by a higher retention expense recognized in our Other Foreign Locations segment.

Including significant items, non-compensation expense as a percentage of revenue was 41.7% in fiscal 2012, an increase of 15.8 percentage points year over year. Excluding significant items, non-compensation expense as a percentage of revenue increased by 8.7 percentage points compared to the prior year to 32.3% in fiscal 2012.

NET INCOME (LOSS)

Net loss for fiscal 2012 was $21.3 million compared to net income of $99.7 million for fiscal 2011. Diluted loss per share was $0.33 in fiscal 2012 compared to diluted earnings per share of $1.22 in the prior year. Excluding significant items, net income for fiscal 2012 was $25.2 million versus a net income of $114.1 million in fiscal 2011, and diluted earnings per share was $0.25 compared to diluted earnings per share of $1.40 in fiscal 2011.

Income taxes were $5.2 million for fiscal 2012, reflecting an effective tax rate of (32.4)% compared to a 30.0% effective tax rate in the prior year. The change in the effective tax rate was mainly due to temporary differences not recognized by subsidiaries outside of Canada, non-deductible acquisition-related costs and other permanent items. A further discussion of our taxes is provided in the Critical Accounting Estimates section of the MD&A on page 58.

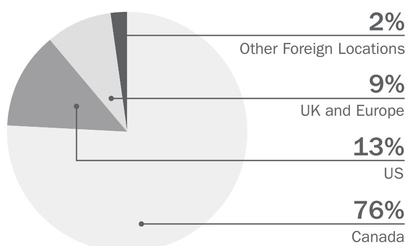
Results by Geographic Segment

This section is an analysis of Canaccord's results by geographic segment. Canaccord's business operations are grouped into four geographic segments: Canada, the United Kingdom (UK) and Europe, the United States (US), and Other Foreign Locations. Revenue in Canada is derived from the Canaccord Genuity, Canaccord Wealth Management, and Corporate and Other segments. Revenue from the UK and Europe was mainly derived from the Canaccord Genuity segment during fiscal 2012; however, beginning on March 22, 2012, subsequent to the acquisition of CSHP, our UK and Europe operations also include revenue earned from wealth management activity. Revenue in the US is mainly derived from the Canaccord Genuity segment, with approximately 4.3% of its revenue originating from operations in the Canaccord Wealth Management segment during fiscal 2012. Revenue from Other Foreign Locations is entirely made up of Canaccord Genuity activity.

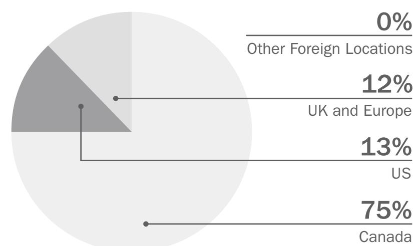
GEOGRAPHIC DISTRIBUTION OF REVENUE

(For the years ended March 31)

2012



2011



For the years ended March 31[1]

					2012					2011
(C$ thousands, except number of employees and % amounts)	Canada	UK and Europe[2]	US	Other Foreign Locations[3]	Total	Canada	UK and Europe[2]	US	Other Foreign Locations[3]	Total
Revenue	$ 458,131	$ 53,180	$ 83,061	$ 10,492	$ 604,864	$ 598,556	$ 92,677	$ 111,170	$ 1,228	$ 803,631
Expenses	418,692	94,382	90,594	17,315	620,983	486,651	78,548	94,415	1,545	661,159
Income (loss) before income taxes	$ 39,439	$ (41,202)	$ (7,533)	$ (6,823)	$ (16,119)	$ 111,905	$ 14,129	$ 16,755	$ (317)	$ 142,472
Excluding significant items[4]										
Total expenses	395,689	65,959	86,991	15,543	564,182	468,785	78,548	94,415	1,545	643,293
Income (loss) before income taxes	$ 62,442	$ (12,779)	$ (3,930)	$ (5,051)	$ 40,682	$ 129,771	$ 14,129	$ 16,755	$ (317)	$ 160,338
Number of employees	1,309	737	302	80	2,428	1,325	143	175	41	1,684

(1) Data is in accordance with IFRS except for figures excluding significant items and number of employees.
(2) Canaccord's UK and Europe operations earned most of their revenue from capital markets activities during fiscal 2012. Results of former CSHP entities since March 22, 2012 are also included.
(3) Revenue derived from capital markets activities outside of Canada, the UK and Europe, and the US is reported as Other Foreign Locations, which includes operations for Canaccord International Ltd., Canaccord Genuity Asia, Canaccord BGF, and Canaccord Genuity Singapore. Data in Other Foreign Locations includes results of Canaccord Genuity Asia since the acquisition date of January 17, 2011, results of Canaccord BGF since the closing date of November 1, 2011, and results of Canaccord Genuity Singapore since March 22, 2012.
(4) Refer to the Selected Financial Information Excluding Significant Items table on page 32.

The turbulent market conditions and decrease in investor confidence resulted in the decrease in revenue across our major geographic regions. Revenue in Canada was $458.1 million, a decrease of $140.4 million or 23.5%. In the UK and Europe, revenue was $53.2 million, which was a decrease of $41.5 million or 44.8%, and revenue in the US was $83.1 million, down $28.1 million or 25.3% from the prior year. However, in spite of such market conditions, we have further expanded into Asia and Australia, and as a result, revenue in our Other Foreign Locations increased by $9.3 million to $10.5 million in fiscal 2012.

Expenses in the Canadian operations

Expenses for fiscal 2012 in Canada were down $68.0 million or 14.0%. A decrease in incentive compensation expense of $64.4 million or 22.9%, consistent with the decrease in incentive-based revenue, was the main contributor to the overall reduction in expenses. Salaries and benefits expense was down $2.4 million due to charges incurred in the prior year related to staff reductions in our Canaccord Wealth Management group. Total compensation expense as a percentage of revenue was 58.6% in fiscal 2012, an increase of 2.6 percentage points from fiscal 2011, mainly attributable to higher LTIP expense related to the amortization of grants awarded in prior periods.

Excluding significant items, non-compensation expense was $127.3 million in fiscal 2012 compared to $133.6 million in fiscal 2011, a decrease of $6.3 million. The main contributor to this drop in expense was a $3.5 million decrease in development costs, a $3.4 million decrease in general and administrative expense, a $1.3 million decrease in premises and equipment expense, and a $1.9 million decrease in trading costs.

Development costs decreased $3.5 million as a result of reduced hiring incentives in our Canaccord Wealth Management segment and lower amortization expense related to common share purchase loans granted in prior periods in our Canaccord Genuity segment. Lower client settlement expense in fiscal 2012 partially led to the decrease in general and administrative expense compared to the prior year. Premises and equipment expense also decreased due to a drop in repairs and maintenance, and furniture and equipment lease expense.

Trading costs were 8.0% or $1.9 million lower than the prior year, consistent with the decrease in trading volume, and also due to the reclassification of certain expenses previously included as trading costs to communication and technology expense. This reclassification also contributed to the $1.6 million increase in communication and technology expense.

The overall decrease in expenses was offset by a $1.9 million increase in interest expense due to increased activity in our Fixed Income group during the current fiscal year.

In fiscal 2012, significant items in the amount of $23.0 million were recorded in our Canadian operations. Significant items included $13.6 million for restructuring expenses as well as $9.4 million for acquisition-related expense items. Excluding significant items, total expenses in Canada were $395.7 million compared to $468.8 million during the previous year. Total non-compensation expenses excluding significant items as a percentage of revenue increased from 22.3% in fiscal 2011 to 27.8% in fiscal 2012.

Expenses in the UK and Europe operations

Expenses in the UK and Europe were $94.4 million, $15.8 million or 20.2% higher than the prior year. Incentive compensation expense decreased by $13.5 million as a result of lower revenue. Total compensation expenses as a percentage of revenue increased from 57.2% to 75.4% for fiscal 2012 due to the significant drop in revenue.

Consistent with the Company's policy of reserving against unsecured balances, a reserve expense of $0.9 million for unsecured balances was recorded during fiscal 2012, which partially explained the $1.8 million increase in general and administrative expense. Reduced hiring incentives in the UK and Europe operations resulted in the $2.9 million decrease in development costs in fiscal 2012 compared to the prior year.

Restructuring costs of $18.5 million and acquisition-related costs of $10.0 million were recorded in fiscal 2012 in relation to the acquisition of CSHP. Excluding these significant items, total expenses in the UK and Europe decreased by $12.6 million or 16.0%, to $66.0 million.

Expenses in the US operations

Expenses in the US for the year were $90.6 million, down $3.8 million. Incentive compensation expense was $11.6 million or 19.5% lower due to the decrease in incentive-based revenue. Total compensation expense as a percentage of revenue grew by 5.2 percentage points to 63.3% for fiscal 2012.

Excluding significant items, non-compensation expense was $34.4 million in fiscal 2012, an increase of $4.6 million from the prior year. The main contributors were a $1.5 million increase in general and administrative expense and a $1.5 million increase in development costs. General and administrative expense was $1.5 million higher than the prior year, partially due to an increase in promotion and travel expense. Additional hiring incentives expense recorded in fiscal 2012 resulted in a $1.5 million increase in development costs compared to the prior year.

Significant items incurred included restructuring costs of $3.2 million and acquisition-related costs of $0.4 million. Restructuring costs were related to the acquisition of CSHP and the reorganization of the existing US operations.

Expenses in the Other Foreign Locations operations

Expenses in Other Foreign Locations for the year were $17.3 million, up $15.8 million, mainly due to the expansion of our operations into China, Australia and Singapore over the past fiscal year. The largest expenses include incentive compensation expense of $5.4 million, amortization expense of $2.0 million and development costs of $3.8 million. The $5.4 million increase in incentive compensation expense was related to the $9.3 million increase in revenue. The amortization of intangible assets acquired relating to the acquisition of BGF was $1.8 million. Our China operations also recognized $2.3 million of share-based payment expense relating to its retention share plan, which was included in development costs.

Quarterly Financial Information[(1)(2)]

The following table provides selected quarterly financial information for the eight most recently completed financial quarters ended March 31, 2012. This information is unaudited, but reflects all adjustments of a recurring nature that are, in the opinion of management, necessary to present a fair statement of the results of operations for the periods. Quarter-to-quarter comparisons of financial results are not necessarily meaningful and should not be relied upon as an indication of future performance.

(C$ thousands, except per share amounts)	Q4	Q3	Q2	Fiscal 2012 Q1	Q4	Q3	Q2	Fiscal 2011 Q1
Revenue								
Commission	$ 74,170	$ 57,380	$ 60,299	$ 61,028	$ 81,959	$ 87,433	$ 63,002	$ 62,256
Investment banking	53,553	32,015	29,799	59,858	103,646	116,716	51,236	55,901
Advisory fees	24,634	38,541	21,664	22,531	25,702	25,276	13,215	20,721
Principal trading	6,769	3,304	(1,379)	1,953	17,431	10,658	9,597	5,958
Interest	8,205	8,147	7,590	7,857	7,707	7,753	5,436	3,144
Other	10,361	8,502	1,527	6,556	11,150	6,998	6,799	3,937
Total revenue	177,692	147,889	119,500	159,783	247,595	254,834	149,285	151,917
Total expenses	207,731	142,822	126,396	144,034	189,279	192,918	134,676	144,286
Net income (loss) before taxes	(30,039)	5,067	(6,896)	15,749	58,316	61,916	14,609	7,631
Net income (loss)	$ (31,794)	$ 2,531	$ (5,278)	$ 13,195	$ 41,323	$ 42,997	$ 10,251	$ 5,172
Earnings (loss) per share – basic	$ (0.42)	$ 0.02	$ (0.09)	$ 0.17	$ 0.55	$ 0.57	$ 0.14	$ 0.08
Earnings (loss) per share – diluted	$ (0.42)	$ 0.01	$ (0.09)	$ 0.16	$ 0.49	$ 0.51	$ 0.12	$ 0.07
Excluding significant items[(3)]								
Net income (loss)	$ 2,089	$ 10,644	$ (1,665)	$ 14,125	$ 42,253	$ 45,604	$ 12,078	$ 14,191
Earnings (loss) per share – basic	$ 0.02	$ 0.12	$ (0.05)	$ 0.19	$ 0.56	$ 0.61	$ 0.16	$ 0.21
Earnings (loss) per share – diluted	$ 0.02	$ 0.11	$ (0.05)	$ 0.17	$ 0.50	$ 0.55	$ 0.15	$ 0.19

(1) Data is in accordance with IFRS except for figures excluding significant items.
(2) Data includes the results of Genuity since the closing date of April 23, 2010. Results of Canaccord Genuity Asia since the closing date of January 17, 2011 and the results of Canaccord BGF since the closing date of November 1, 2011 are also included. The operating results of Canaccord BGF have been fully consolidated and a 50% non-controlling interest has been recognized. Results of former CSHP entities since March 22, 2012 are also included.
(3) Figures excluding significant items are non-IFRS measures. See the Quarterly Financial Information Excluding Significant Items table on the next page.

QUARTERLY FINANCIAL INFORMATION EXCLUDING SIGNIFICANT ITEMS(1)(2)

(C$ thousands, except per share amounts)	Q4	Q3	Q2	Fiscal 2012 Q1	Q4	Q3	Q2	Fiscal 2011 Q1
Total revenue per IFRS	$ 177,692	$ 147,889	$ 119,500	$ 159,783	$ 247,595	$ 254,834	$ 149,285	$ 151,917
Total expenses per IFRS	207,731	142,822	126,396	144,034	189,279	192,918	134,676	144,286
Significant items recorded in Canaccord Genuity								
Acquisition-related costs – CSHP	(6,323)	(2,700)	—	—	—	—	—	—
Acquisition-related costs – BGF	—	—	(1,443)	—	—	—	—	—
Acquisition-related costs – TBG	—	—	—	—	—	(1,750)	—	—
Acquisition-related costs – Genuity	—	—	—	—	—	—	—	(10,990)
Amortization of intangible assets	(1,865)	(1,767)	(930)	(930)	(930)	(930)	(1,827)	(1,439)
Restructuring costs	(27,786)	(1,292)	—	—	—	—	—	—
Significant items recorded in Canaccord Wealth Management								
Acquisition-related costs – CSHP	(4,077)	—	—	—	—	—	—	—
Restructuring costs	(900)	—	—	—	—	—	—	—
Significant items recorded in Corporate and Other								
Acquisition-related costs – prospective acquisitions not pursued	—	—	(1,513)	—	—	—	—	—
Restructuring costs	(275)	(5,000)	—	—	—	—	—	—
Total significant items	(41,226)	(10,759)	(3,886)	(930)	(930)	(2,680)	(1,827)	(12,429)
Total expenses excluding significant items	166,505	132,063	122,510	143,104	188,349	190,238	132,849	131,857
Net income (loss) before tax – adjusted	11,187	15,826	(3,010)	16,679	59,246	64,596	16,436	20,060
Income taxes (recovery) – adjusted	9,098	5,182	(1,345)	2,554	16,993	18,992	4,358	5,869
Net income (loss) – adjusted	$ 2,089	$ 10,644	$ (1,665)	$ 14,125	$ 42,253	$ 45,604	$ 12,078	$ 14,191
EPS – basic – adjusted	$ 0.02	$ 0.12	$ (0.05)	$ 0.19	$ 0.56	$ 0.61	$ 0.16	$ 0.21
EPS – diluted – adjusted	$ 0.02	$ 0.11	$ (0.05)	$ 0.17	$ 0.50	$ 0.55	$ 0.15	$ 0.19

(1) Figures excluding significant items are non-IFRS measures.
(2) Data includes the results of Genuity since the closing date of April 23, 2010. Results of Canaccord Genuity Asia since the closing date of January 17, 2011 and results of Canaccord BGF since the closing date of November 1, 2011 are also included. The operating results of Canaccord BGF have been consolidated and a 50% non-controlling interest has been recognized. Results of former CSHP entities since March 22, 2012 are also included.

Quarterly trends and risks

Canaccord's business is cyclical and can experience considerable variations in revenue and income from quarter to quarter and year to year due to factors beyond Canaccord's control and, accordingly, revenue and net income are expected to fluctuate as they have historically. Our business is subject to the overall condition of the worldwide debt and equity markets, including the seasonal variance in these markets. In general, North American capital markets are slower in the first half of our fiscal year, during which we typically generate 40% to 50% of our annual revenue. During the second half of our fiscal year, when market activity picks up, the Company typically generates more than half of the year's revenue.

The timing of revenue recognition can also materially affect Canaccord's quarterly results. Revenue from underwriting transactions is recorded only when the transaction has closed and, as a result, quarterly results can also be affected by the timing of our capital markets business.

Despite the strong market environment during the latter half of fiscal 2011, the capital markets once again experienced heightened volatility and a sharp swing to risk aversion in client portfolios during the first quarter of fiscal 2012. This was reflected by a 35.5% decrease in revenue from Q4/11 to Q1/12. Q1/12 revenue was up slightly by 5.2% compared to the first quarter of fiscal 2011.

The second fiscal quarter is typically Canaccord's least active, and Q2/12 proved to be a difficult period for the economic environment as uncertainties escalated due to the US fiscal situation and unresolved European sovereign debt crisis. Q2/12 followed this pattern, with revenue down approximately 25.2% compared to Q1/12.

The third quarter was characterized by a moderate recovery in risk assets as global equities responded to the easing financial stress in Europe as the European Central Bank implemented its long term refinancing operation, stronger-than-expected US economic data, and rising expectations of a soft landing in China. This resulted in revenue of $147.9 million in Q3/12, which was 23.8% higher compared to Q2/12 but 42% lower than our record quarter in Q3/11 due to uncertainties in the market conditions.

The strongest quarter of fiscal 2012 for Canaccord was the fourth quarter as the capital markets environment gained momentum from the positive economic statistics. Canaccord recorded $177.7 million in revenue – an increase of 20.2% from the prior quarter but a decrease of 28.2% compared to Q4/11. The decrease from Q4/11 was mostly due to a drop in investment banking revenue of $50.1 million and principal trading revenue of $10.7 million.

Fourth quarter 2012 performance

Revenue for the fourth quarter was $177.7 million, a drop of $69.9 million or 28.2% compared to the same period in the previous year, due to decreases in investment banking, principal trading and commission revenue. Investment banking revenue was $50.1 million lower compared to Q4/11, and there was a $7.8 million decline in commission revenue. Principal trading revenue was down 61.2% from Q4/11 to $6.8 million in Q4/12. Both of our operating segments, Canaccord Genuity and Canaccord Wealth Management, experienced decreases in revenue compared to Q4/11 of $50.7 million and $18.2 million, respectively. Although revenue decreased significantly compared to the solid performance in Q4/11, the challenging market conditions in fiscal 2012 have made it difficult to achieve the same revenue levels as the same periods in the prior year. However, the Company has seen improvements as its revenue increased during the latter part of the fiscal year.

Expenses were $207.7 million, up $18.5 million or 9.7% from Q4/11. This increase was largely attributable to the $29.0 million of restructuring costs and $10.4 million of acquisition-related costs recognized during Q4/12. Total expenses excluding significant items were $166.5 million, a decrease of $21.8 million or 11.6% from Q4/11.

Incentive compensation expense was $23.7 million lower compared to Q4/11, which was consistent with the decline in incentive-based revenue. Total compensation expense as a percentage of revenue was up 8.4 percentage points to 63.7% in Q4/12, attributable to higher LTIP expense in the current quarter as well as higher salaries and benefits expense from our expanded operations across the geographies. Trading costs also decreased $2.4 million as a result of lower trading volume and the reclassification of certain costs to communication and technology expense.

The decrease in incentive compensation expense and trading costs was offset by a $2.2 million increase in communication and technology expense, a $1.7 million increase in general and administrative expense and a $1.4 million increase in amortization expense.

Amortization expense was up $1.4 million or 46.7% as the Company began amortizing the intangible assets acquired in connection to its purchase of a 50% interest in BGF commencing in Q3/12. Communication and technology expense increased by $2.2 million due to additional expenditures incurred to expand our global information technology infrastructure, as well as the reclassification discussed above. General and administrative expense increased by $1.7 million due to higher promotion and travel expense offset by lower office expense.

Net loss for the fourth quarter of fiscal 2012 was $31.8 million, compared to net income of $41.3 million in Q4/11. Diluted loss per share in the current quarter was $0.42, compared to a diluted EPS of $0.49 in Q4/11. Book value per diluted common share decreased by 6.0%, down from $8.79 in Q4/11 to $8.26 in Q4/12, mainly due to an increase in the number of diluted common shares as a result of the shares issued in connection with the acquisition of CSHP.

There were $41.2 million and $0.9 million of significant items included in the fourth quarter of 2012 and 2011, respectively. Excluding significant items, net income for Q4/12 was $2.1 million, compared to net income of $42.3 million in Q4/11, and diluted EPS was $0.02, compared to diluted EPS of $0.50 in Q4/11.

Business Segment Results(1)(2)

	For the years ended March 31							
				2012				2011
(C$ thousands, except number of employees)	Canaccord Genuity	Canaccord Wealth Management	Corporate and Other	Total	Canaccord Genuity	Canaccord Wealth Management	Corporate and Other	Total
Revenue								
Canada	$ 232,306	$ 195,728	$ 30,097	$ 458,131	$ 338,520	$ 228,098	$ 31,938	$ 598,556
UK and Europe	51,193	1,987	—	53,180	92,677	—	—	92,677
US	79,486	3,575	—	83,061	106,219	4,951	—	111,170
Other Foreign Locations	10,492	—	—	10,492	1,228	—	—	1,228
Total revenue	373,477	201,290	30,097	604,864	538,644	233,049	31,938	803,631
Expenses	375,144	166,465	79,374	620,983	391,082	184,313	85,764	661,159
Income (loss) before income taxes	$ (1,667)	$ 34,825	$ (49,277)	$ (16,119)	$ 147,562	$ 48,736	$ (53,826)	$ 142,472
Excluding significant items(3)								
Expenses	330,108	161,488	72,586	564,182	373,216	184,313	85,764	643,293
Income (loss) before income taxes	$ 43,369	$ 39,802	$ (42,489)	$ 40,682	$ 165,428	$ 48,736	$ (53,826)	$ 160,338
Number of employees	1,090	960	378	2,428	627	684	373	1,684

(1) Data is in accordance with IFRS except for figures excluding significant items and number of employees. Detailed financial results for the business segments are shown in Note 20 of the Audited Consolidated Financial Statements on page 113.
(2) Canaccord Genuity data includes the results of Genuity since the closing date of April 23, 2010. Results of Canaccord Genuity Asia since the closing date of January 17, 2011 and results of Canaccord BGF since the closing date of November 1, 2011 are also included. The operating results of Canaccord BGF have been consolidated and a 50% non-controlling interest has been recognized. Results of former CSHP entities since March 22, 2012 are also included.
(3) See the Selected Financial Information Excluding Significant Items table on page 32.

Canaccord's operations are divided into three segments: Canaccord Genuity and Canaccord Wealth Management are the main operating segments while Corporate and Other is mainly an administrative segment.

Canaccord Genuity provides investment banking, research, and sales and trading services to corporate, institutional and government clients as well as conducting principal trading activities in Canada, the US, the UK and Europe, and Other Foreign Locations. Canaccord Genuity's revenue is generated from commissions and fees earned in connection with investment banking transactions and institutional sales and trading activity, as well as trading gains and losses from Canaccord's principal and international trading operations. For fiscal 2012, total revenue was $373.5 million, down $165.2 million or 30.7% from the record year we had in 2011. Fiscal 2012 expenses for Canaccord Genuity were $375.1 million, a decrease of $15.9 million or 4.1% from fiscal 2011. Excluding significant items, expenses were $330.1 million, 11.6% or $43.1 million lower than in fiscal 2011.

Canaccord Wealth Management provides brokerage services and investment advice to private clients, primarily in Canada and, to a lesser degree, the US. As a result of the acquisition of CSHP, our Canaccord Wealth Management operations also expanded into the UK and Europe commencing March 22, 2012. Canaccord Wealth Management's revenue is generated through traditional commission-based brokerage services; the sale of fee-based products and services; client-related interest; and fees and commissions earned by Advisory Teams for investment banking and venture capital transactions by private clients. In fiscal 2012, total revenue was $201.3 million, down 13.6% from the previous year. Total expenses for Canaccord Wealth Management for fiscal 2012 were $166.5 million, down 9.7% compared to fiscal 2011.

The Corporate and Other segment includes correspondent brokerage services, interest, and foreign exchange revenue and expenses not specifically allocable to the Canaccord Genuity and Canaccord Wealth Management divisions. Also included in this segment are Canaccord's operations and support services departments, which are responsible for front- and back-office information technology systems, compliance and risk management, operations, finance and other administrative functions. For fiscal 2012, revenue for the Corporate and Other segment was $30.1 million, a decrease of 5.8%. Expenses also decreased by 7.5% to $79.4 million for the current year compared to fiscal 2011.

CANACCORD GENUITY

Overview

Canaccord Genuity's revenue is generated from commissions and fees earned in connection with investment banking transactions and institutional sales and trading activity, as well as trading gains and losses from Canaccord's principal and international trading operations. Accordingly, this revenue is directly affected by the level of corporate and institutional activity and general economic, market and business conditions in Canada, the UK and Europe, the US and internationally.

Revenue for this segment is generated from four geographic segments: Canada, the UK and Europe, the US and Other Foreign Locations. Canaccord Genuity has 24 locations worldwide, including 20 locations outside of Canada. Canaccord Genuity's business expansion in the UK through the acquisition of CSHP has firmly positioned the Company as a leading independent investment bank in that market. As at March 31, 2012, Canaccord Genuity had the second greatest number of corporate broking clients in the UK of all investment banks[1]. In addition, Canaccord Genuity gained a highly-regarded UK and Europe-based Advisory practice, which now operates under the name Canaccord Genuity Hawkpoint and has offices in London, Paris and Frankfurt. During fiscal 2012, Canaccord also grew its global operations, with new offices in Singapore (through the CSHP acquisition), Hong Kong, Melbourne and Sydney (through Canaccord's 50% interest in Canaccord BGF).

Capital markets activity decreased significantly in fiscal 2012 compared to fiscal 2011, due largely to challenging macroeconomic conditions and volatile financial markets. Despite this market environment, Canaccord Genuity participated in 362 transactions globally for clients, which raised gross proceeds of $7.6 billion. Of these, Canaccord Genuity led or co-led 107 transactions globally, raising total proceeds of $3.2 billion.

Canaccord Genuity sector diversification remains an integral component of the Company's strategy. Resource-related revenue was 50% of Canaccord Genuity's total investment banking revenue in fiscal 2012, versus 72% in fiscal 2011. For comparison purposes, resource-related transactions comprised 30% of Canaccord Genuity's total investment banking transactions in fiscal 2012, versus 47% in fiscal 2011. Canaccord's sector diversification was enhanced by the acquisition of CSHP, providing additional strength in non-resource sectors.

During fiscal 2012, Canaccord Genuity expanded its research coverage and investment banking activity to include more companies in the following sectors:

- Metals & Mining
- Energy
- Agriculture
- Technology
- CleanTech & Sustainability
- Transportation & Industrials
- Financials
- Healthcare & Life Sciences
- Real Estate & Hospitality
- Consumer & Retail
- Support Services
- Media & Communications
- Paper & Forestry Products
- Infrastructure
- Investment Trusts
- Aerospace & Defense
- Leisure
- Private Equity

(1) Source: Hemscott

Industry profile

Canaccord Genuity is active in stocks listed or quoted on ten exchanges internationally – the TSX, TSX Venture, LSE, AIM, NASDAQ, NYSE, AMEX, ASX, SGX and SGX Catalist. Our expertise in these markets allows us to lower costs of capital, broaden shareholder bases and provide best execution and liquidity for our clients. For fiscal 2012, financing values were down on the TSX and TSX Venture, the NASDAQ and on the AIM compared to the prior year.

Consolidation continues to be an industry theme, with significant mergers and acquisitions activity taking place within the financial services sector. Larger independent and global investment banks have placed an emphasis on international operations and expansion into new markets, as these companies have found opportunities to expand at reasonable prices as a result of the continued market dislocation and the stress it has created on smaller boutique firms. Many boutique or specialized investment banks have taken the opposite (defensive) strategy, choosing to refocus efforts on core activities, closing or selling operations that were peripheral to their main service offering and market focus.

Outlook

Canaccord Genuity remains very well positioned in many of the Company's key markets. Through the acquisition of CSHP, Canaccord Genuity gained important operational scale in the UK and the US, and added offices in Singapore and mainland Europe. In the year ahead, management's emphasis will be on ensuring the continued success of Canaccord Genuity's expanded business, and on leveraging the Company's bolstered cross-border capabilities and client relationships from our new geographic reach. During fiscal 2013, the Company may pursue opportunities to add small teams to specific sector verticals or key service offerings to further strengthen our operations in areas we believe we can capture additional market share in.

We believe exceptional opportunities to grow our advisory revenue exist through our expanded advisory capabilities. The Company remains extremely well capitalized, and once relative stability returns to the global economy – and the Eurozone in particular – we expect a resurgence in M&A and corporate development activity will occur.

Should global capital raising activity remain subdued, we expect larger bulge-bracket firms will continue to focus more attention on the mid-market space, increasing industry-wide competition for mid-market firms during the market downturn. We believe Canaccord Genuity's global platform and ability to list companies on 10 stock exchanges in six countries will provide a competitive advantage for the business compared to many of the domestically focused firms we compete with.

The continued shift towards electronic trading, and increased trading on alternative platforms, is expected to shift some trading market share away from main stock exchanges. Canaccord Genuity is active in offering trading services on many of the alternative exchanges, and recently bolstered its sales and trading capabilities through the acquisition of CSHP with the addition of the International Equities Group – an experienced team providing institutions and intermediaries with trading services in international equities and ADRs.

Canaccord does not expect any of the regulatory reforms proposed by US and UK regulators will have a material impact on its capital markets operations, as most of the proposed reforms are targeted at trading activities Canaccord does not participate in. The Company will continue to vigilantly monitor shifts in the capital markets regulatory environment.

Canaccord Genuity remains committed to operating as efficiently as possible in order to sustain its global platform during periods of slower capital markets activity. A culture of cost containment continues to be reinforced throughout the Company, and strategies to lower operating costs over the long term continue to be explored.

The management team believes the investments Canaccord has made over the last two years to increase the Company's global presence and broaden its service offering have positioned the business very well for the eventual market recovery.

FINANCIAL PERFORMANCE[1][2]

For the years ended March 31

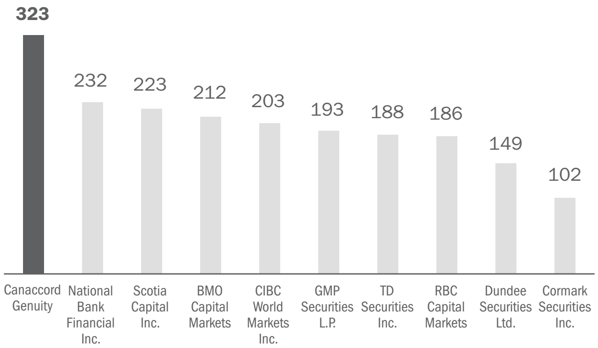
(C$ thousands, except number of employees)	2012 Canada	2012 UK and Europe	2012 US	2012 Other Foreign Locations	2012 Total	2011 Canada	2011 UK and Europe	2011 US	2011 Other Foreign Locations	2011 Total
Revenue	$ 232,306	$ 51,193	$ 79,486	$ 10,492	$ 373,477	$ 338,520	$ 92,677	$ 106,219	$ 1,228	$ 538,644
Expenses										
Incentive compensation	109,180	33,481	46,319	5,425	194,405	145,955	47,917	57,339	109	251,320
Salaries and benefits	5,465	5,471	4,572	2,308	17,816	5,760	5,048	4,921	653	16,382
Other overhead expenses	54,567	25,358	33,872	9,582	123,379	54,699	25,583	29,575	783	110,640
Acquisition-related costs	4,143	5,886	437	—	10,466	12,740	—	—	—	12,740
Restructuring costs	7,452	18,460	3,166	—	29,078	—	—	—	—	—
Total expenses	180,807	88,656	88,366	17,315	375,144	219,154	78,548	91,835	1,545	391,082
Income (loss) before income taxes[3]	$ 51,499	$ (37,463)	$ (8,880)	$ (6,823)	$ (1,667)	$ 119,366	$ 14,129	$ 14,384	$ (317)	$ 147,562
Excluding significant items[4]										
Total expenses	165,492	64,310	84,763	15,543	330,108	201,288	78,548	91,835	1,545	373,216
Income (loss) before income taxes (recovery)	$ 66,814	$ (13,117)	$ (5,277)	$ (5,051)	$ 43,369	$ 137,232	$ 14,129	$ 14,384	$ (317)	$ 165,428
Number of employees	247	461	302	80	1,090	268	143	175	41	627

(1) Data is considered to be IFRS except for figures excluding significant items and number of employees.
(2) Data in Canada includes the results of Genuity since the closing date of April 23, 2010. Results of TBG since the closing date of January 17, 2011 are included in Other Foreign Locations. The operating results of Canaccord BGF have been consolidated and a 50% non-controlling interest has been recognized. Results of former CSHP entities since March 22, 2012 are also included.
(3) See the Intersegment Allocated Costs section on page 52.
(4) Refer to the Selected Financial Information Excluding Significant Items table on page 32.

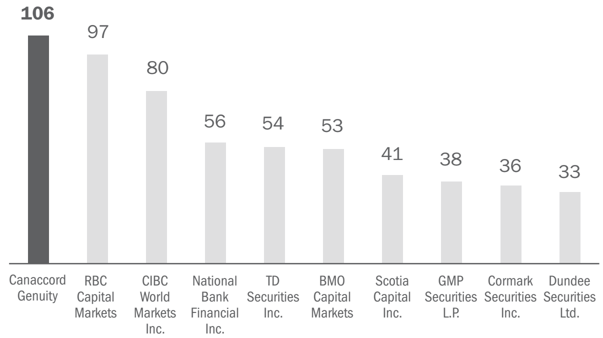
REVENUE

The capital markets environment was negatively impacted by the uncertainties in the global economy during fiscal 2012. This led to an overall decrease in revenue in our Canaccord Genuity segment. For fiscal year 2012, revenue was $373.5 million, which was 30.7% or $165.2 million lower than our record year in fiscal 2011.

PARTICIPATION IN NUMBER OF TRANSACTIONS – EQUITY OFFERINGS OF $1.5 MILLION AND GREATER DURING FISCAL 2012[1]



NUMBER OF LED TRANSACTIONS – EQUITY OFFERINGS OF $1.5 MILLION AND GREATER DURING FISCAL 2012[1]



(1) Canaccord transactions include transactions executed by its US, UK and Europe, and Other Foreign Locations operations.
Source: FP Infomart as of March 31, 2012 and Company Information

Capital markets activities dropped significantly in our Canadian operations during fiscal 2012, mainly as a result of the subdued pace of equity underwriting due to volatility in the market environment, leading to a decrease in revenue of 31.4%. Revenue from our UK and Europe and our US operations dropped by 44.8% and 25.2%, respectively, due to the heightened economic uncertainties, especially in regards to sovereign debt, in their geographic regions. Revenue from our Other Foreign Locations represented 2.8% or $10.5 million of total Canaccord Genuity revenue, up 2.6 percentage points compared to 0.2% or $1.2 million in fiscal 2011 as a result of the Company's expansion into Asia and Australia.

Investment banking activity

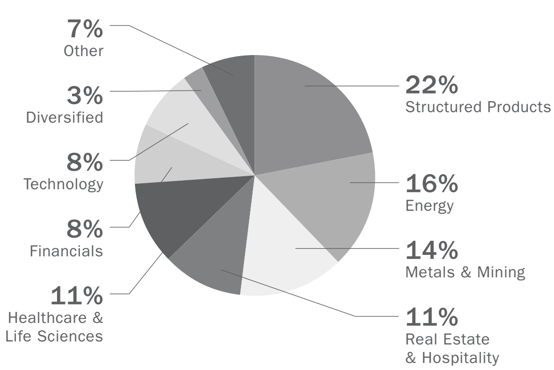
During fiscal 2012, Canaccord participated in raising $6.8 billion in 323 equity offerings of $1.5 million and greater, excluding venture capital. Canaccord Genuity's sector mix in fiscal 2012 showed increasing diversity, with over 50% of the transactions occurring in the Structured Products, Technology, Life Sciences, Financials, Real Estate, Diversified and other sectors. The Metals & Mining and Energy sectors, traditionally Canaccord's strength, made up nearly 30% of the investment banking transactions the Company participated in, and brought in nearly 50% of investment banking revenue.

Throughout fiscal 2012, Canaccord significantly expanded its Investment Banking group by growing our operations in the UK and US, and adding new operations in Europe, Hong Kong, Australia and Singapore. Canaccord Genuity's Investment Banking group now has capital raising operations in 19 cities worldwide and has grown its sector focus to include the Aerospace & Defense, Leisure and Private Equity sectors.

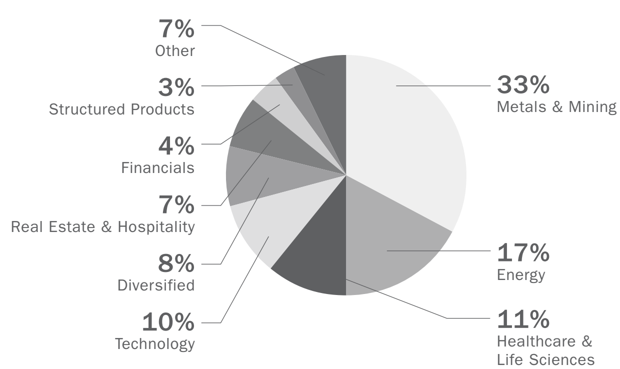
CANACCORD GENUITY – OVERALL

(Note: Other includes Infrastructure, Consumer & Retail, CleanTech & Sustainability, Media & Communications, Investment Trusts, Support Services, Agriculture and Transportation & Industrials sectors)

Investment banking transactions by sector



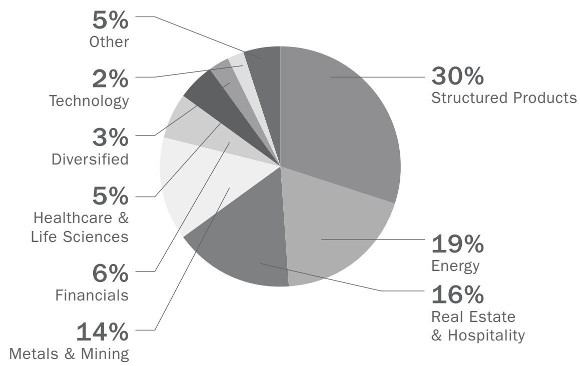
Investment banking revenue by sector



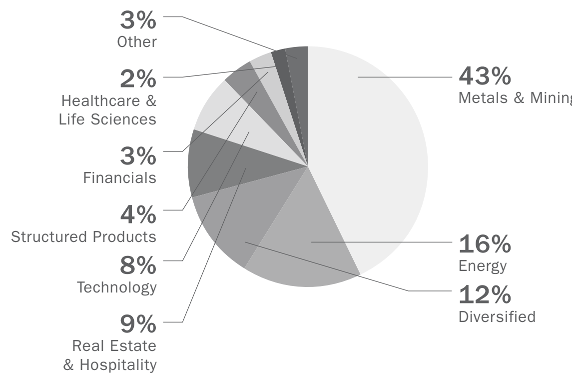
CANACCORD GENUITY – CANADA

(Note: Other includes Media & Communications, Support Services, Consumer & Retail, Agriculture, Transportation & Industrials, Investment Trusts, Infrastructure and CleanTech & Sustainability sectors)

Investment banking transactions by sector



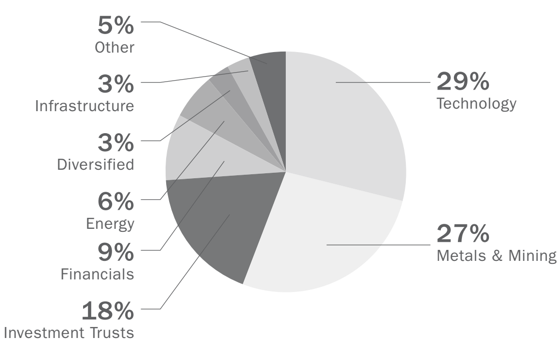
Investment banking revenue by sector



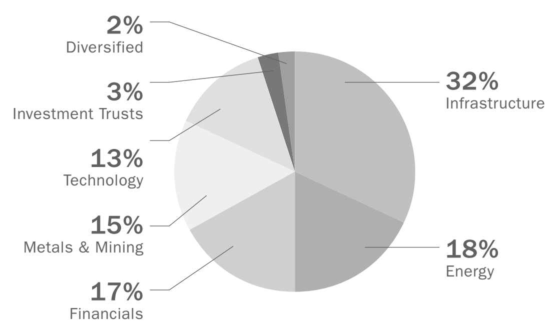
CANACCORD GENUITY – UK AND EUROPE

(Note: Other includes Support Services and Healthcare & Life Sciences sectors)

Investment banking transactions by sector

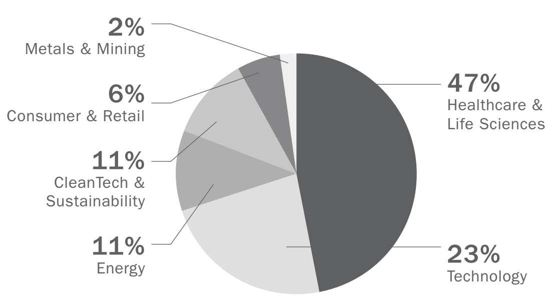


Investment banking revenue by sector

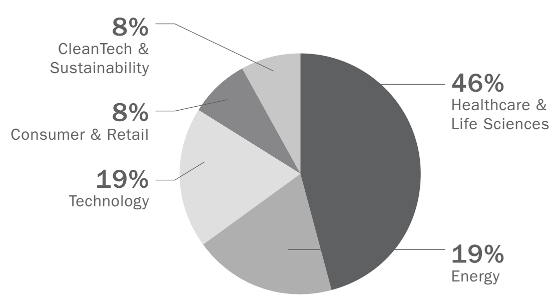


CANACCORD GENUITY – US

Investment banking transactions by sector



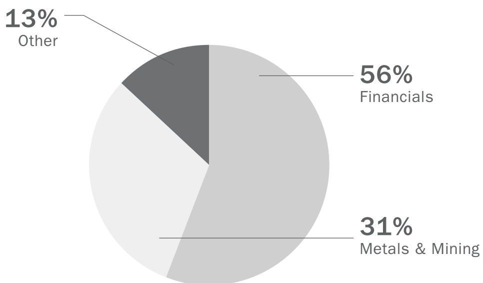
Investment banking revenue by sector



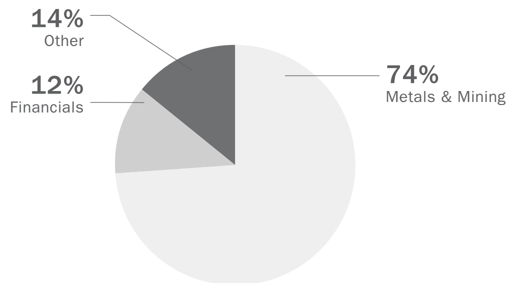
CANACCORD GENUITY – OTHER FOREIGN LOCATIONS

(Note: Other includes Healthcare & Life Sciences, Energy, Consumer & Retail, and Diversified sectors)

Investment banking transactions by sector



Investment banking revenue by sector



EQUITY OFFERINGS OF $1.5 MILLION AND GREATER PARTICIPATED IN BY CANACCORD

	For the years ended March 31			
(C$ billions, except number of transactions)	**2012**		2011	
Market	**Number of transactions**	**Aggregate transaction value**	Number of transactions	Aggregate transaction value
Canada	**274**	**$ 2.4**	352	$ 3.4
UK and Europe	**11**	**0.7**	13	1.7
US	**38**	**3.7**	61	6.0
Total	**323**	**$ 6.8**	426	$ 11.1

Sources: Financial Post Data Group and Company sources

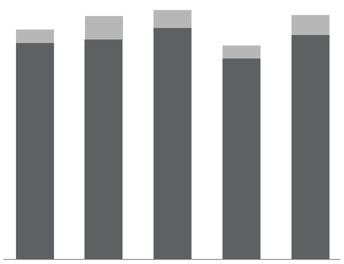
EXPENSES

Expenses for fiscal 2012 were $375.1 million, a decrease of 4.1% year over year. The Canaccord Genuity segment recognized $45.0 million of significant items including restructuring costs and acquisition-related expense items in relation to its acquisition of CSHP and a 50% interest in BGF. In the prior year, Canaccord Genuity recognized $17.9 million of significant items related to the purchase of Genuity and TBG and the amortization of intangible assets. Excluding significant items, fiscal 2012 total expenses were $330.1 million, a decrease of 11.6% or $43.1 million compared to fiscal 2011.

Incentive compensation and salaries and benefits

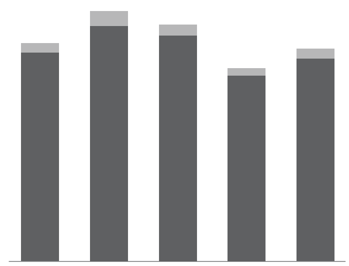
Incentive compensation expense for fiscal 2012 decreased by $56.9 million or 22.6% compared to fiscal 2011 as a result of the decline in incentive-based revenue. The incentive compensation expense as a percentage of revenue was 52.1%, up 5.4 percentage points from fiscal 2011 due to higher LTIP expense in the current year related to the amortization of grants awarded in prior periods. Salaries and benefits expense for fiscal 2012 was up $1.4 million or 8.8% compared to fiscal 2011 due to our global expansion into Asia and Australia. Total compensation expense as a percentage of revenue was 7.1 percentage points higher at 56.8%.

TOTAL COMPENSATION AS A % OF CANACCORD GENUITY REVENUE – OVERALL



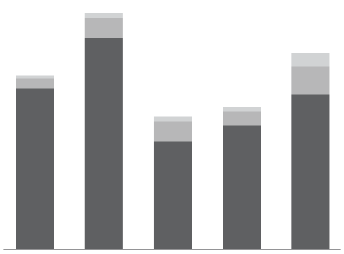
	2008	2009	2010	2011	**2012**
Salaries and benefits	3.2%	5.4%	4.2%	3.0%	**4.7%**
Incentive compensation	50.2%	51.1%	53.7%	46.7%	**52.1%**
Total	53.4%	56.5%	57.9%	49.7%	**56.8%**

TOTAL COMPENSATION AS A % OF CANACCORD GENUITY REVENUE – CANADA



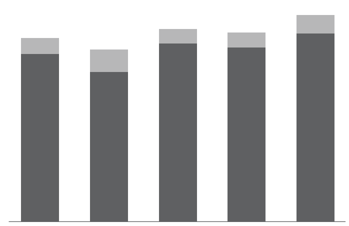
	2008	2009	2010	2011	**2012**
Salaries and benefits	2.3%	3.4%	2.5%	1.7%	**2.4%**
Incentive compensation	48.4%	54.6%	52.4%	43.1%	**47.0%**
Total	50.7%	58.0%	54.9%	44.8%	**49.4%**

TOTAL COMPENSATION AS A % OF CANACCORD GENUITY REVENUE – UK AND EUROPE



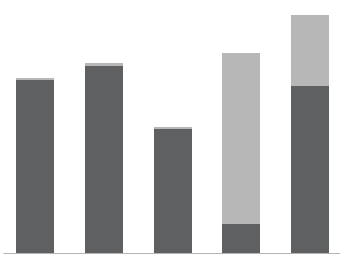
	2008	2009	2010	2011	**2012**
National Health Insurance Tax	1.3%	2.1%	1.9%	1.8%	**5.3%**
Salaries and benefits	3.9%	7.6%	7.8%	5.4%	**10.7%**
Incentive compensation	62.2%	81.9%	41.7%	47.9%	**60.0%**
Total	67.4%	91.6%	51.4%	55.1%	**76.0%**

TOTAL COMPENSATION AS A % OF CANACCORD GENUITY REVENUE – US



	2008	2009	2010	2011	**2012**
Salaries and benefits	5.0%	6.9%	4.5%	4.6%	**5.8%**
Incentive compensation	51.9%	46.3%	55.1%	54.0%	**58.2%**
Total	56.9%	53.2%	59.6%	58.6%	**64.0%**

TOTAL COMPENSATION AS A % OF CANACCORD GENUITY REVENUE – OTHER FOREIGN LOCATIONS



	2008	2009	2010	2011	**2012**
Salaries and benefits	0.5%	0.8%	0.6%	53.2%	**22.0%**
Incentive compensation	53.7%	58.0%	38.5%	8.9%	**51.7%**
Total	54.2%	58.8%	39.1%	62.1%	**73.7%**

Other overhead expenses

Other overhead expenses excluding significant items were $117.9 million, an increase of $12.4 million. The largest fluctuation in other overhead expenses was a $4.6 million increase in general and administrative expense. The remainder of the change in other overhead expenses is mostly due to the following: a $2.3 million increase in premises and equipment expense, a $2.0 million increase in communication and technology expense, and a $2.0 million increase in interest expense.

General and administrative expense increased by $4.6 million or 13.1% in fiscal 2012. This was partially attributable to the $1.8 million increase in our Other Foreign Locations segment as we expanded our operations into Asia and Australia, as well as an increase in general and administrative expense incurred in our newly acquired CSHP entities. Reserve expense for unsecured balances has also increased by $0.9 million in our UK and Europe operations. Finally, our Canaccord Genuity US operations had $0.7 million of higher promotion and travel expense.

To support the growth in our Canaccord Genuity segment, additional office space was required, which was achieved through an allocation of existing floor space from the Corporate and Other segment and through the acquisition of new floor space in our Canadian and US operations. This resulted in the $2.3 million increase in premises and equipment expense. Communication and technology expense increased by $2.0 million from the prior year as a result of the reclassification of certain expenses previously included as trading costs, as well as increased expenditures to expand our global platform. Increased activity of the Fixed Income group led to interest expense of $8.0 million in fiscal 2012, an increase of $2.0 million over the prior year, which was offset by the increase in interest revenue.

Significant items include restructuring costs, acquisition-related costs, and amortization of intangible assets related to the acquisitions of Genuity and a 50% interest in BGF. In fiscal 2012, the Company incurred $29.1 million of restructuring costs related to the acquisition of CSHP and reorganization of the trading and other operations in Canada. Acquisition-related costs of $10.5 million were also recorded in relation to the acquisition of CSHP and a 50% interest in BGF. In addition, the Company recognized $5.5 million of amortization of intangible assets.

INCOME BEFORE INCOME TAXES AND INTERSEGMENT ALLOCATED COSTS

Loss before income taxes and intersegment allocated costs in fiscal 2012 was $1.7 million compared to income before income taxes and intersegment allocated costs of $147.6 million in fiscal 2011. Excluding significant items, income before income taxes and intersegment allocated costs was $43.4 million compared to $165.4 million in fiscal 2011. The challenging market conditions experienced in fiscal 2012 coupled with significant restructuring costs and acquisition-related expense items resulted in a net loss in fiscal 2012.

CANACCORD WEALTH MANAGEMENT

Overview

Canaccord's wealth management division provides a broad range of financial services and investment products to individual investors (private clients), institutions and intermediaries, and charities. Revenue from Wealth Management is generated through traditional commission-based brokerage services; the sale of fee-based products and services; client-related interest; and fees and commissions earned by IAs for investment banking and venture capital transactions. Canaccord now has wealth management operations in Canada, the UK and Europe.

Over the past two years, the Company has implemented several initiatives as part of a five-year strategic plan to better align the investment solutions and services offered by its Canadian Wealth Management business with the changing needs and preferences of Canadian investors. These initiatives have included the launch of ETF Portfolios, the advancement of IA training programs and the enhancement of many of our retail investment solutions. The Company is committed to attracting and investing in highly experienced IAs who are dedicated to providing comprehensive financial solutions to Canadian investors. The Company is also making an investment in training new Advisors through the *New Advisor Training Program*.

In Canada, Canaccord Wealth Management has had success in expanding its operations through the IWM. IWM allows IAs to work under the Canaccord Wealth Management brand with full access to Canaccord's back-office and compliance support, products and services, while working as independent agents of the Company. This business model provides IAs with more freedom to run their daily business, and, in doing so, transfers the daily expenses, risks and management of operating a branch to the IWM Advisory Team. During fiscal 2012, the Company added five new branches under the IWM model, closed three IWM locations and converted two corporate branches to the IWM platform. Canaccord Wealth Management now has 36 branches across Canada, including 23 operating on the IWM platform.

Through the acquisition of CSHP, Canaccord gained a UK and Europe wealth management business (Collins Stewart Wealth Management, also known as CSWM), which has five offices located in the UK, the Channel Islands, the Isle of Man and Switzerland. It is expected that Collins Stewart Wealth Management will be rebranded Canaccord Wealth Management during fiscal 2013. Revenue generated by Collins Stewart Wealth Management is largely produced through fee-based accounts and portfolio management activities. The business has a higher proportion of fee-based revenue than Canaccord's Canadian wealth management business, and caters to both onshore (in the UK) and offshore client accounts. Collins Stewart Wealth Management provides its clients with investing options from both third party and proprietary financial products, including 12 funds managed by Collins Stewart Portfolio Managers.

Industry profile

Ongoing macroeconomic concerns impacted the confidence of retail investors during Canaccord's fiscal year. The market rally of early 2011 was met with a sharp drop in market volumes and performance during the summer of 2012. Subdued retail activity persisted for the remainder of calendar 2011 and the beginning of 2012.

In Canada, the recruiting environment for high quality Investment Advisors continues to be very competitive – with some market participants making historically high offers to recruit Advisors in order to gain scale or expand their distribution channels for proprietary fund products. Margins for Canadian Wealth Management firms continue to be compressed as market volumes remain low compared to previous years. As a result, consolidation was a theme during 2011, with two Wealth Management competitors being acquired by other market participants.

The growth of fee-based accounts continues throughout the industry, as clients choose to benefit from all-inclusive accounts and companies focus on generating more consistent revenue streams. In Canada, industry fee-based revenues surpassed $3.3 billion during calendar 2011, a 14% increase compared to the previous year's record high.

In the UK, it is expected that increasing regulatory burden will cause many smaller, sub-scale wealth management firms to merge or be acquired by larger companies. A wave of consolidation is expected over the next few years, as the largely fragmented UK wealth management industry consolidates in order to operate successfully amid new compliance requirements.

Outlook

Canaccord's wealth management division grew considerably through the acquisition of CSHP, with the addition of a strong, consistently profitable UK-based wealth management business (CSWM). With over 50% of its revenue derived from recurring, fee-based activities, the revenue streams generated through Canaccord's UK and European wealth management business should help to improve the stability of the division's overall performance.

Management's priorities for Canaccord's wealth management division will be focused on further integrating the platforms of its Canadian and UK wealth management businesses to capture cost and revenue synergies; investing in the IT infrastructure of the division to support the anticipated growth of client assets and client accounts; and strengthening the performance of its Canadian business.

Canaccord expects opportunities to grow the asset and client base of CSWM will emerge over the next several years, as increasing regulatory requirements in the UK wealth management industry impose uneconomical demands on smaller industry participants. An overall consolidation of the UK wealth management industry is expected, with fewer and larger wealth management firms ultimately competing to provide services in this market.

In Canada, Canaccord's focus will remain on operating a high quality, profitable wealth management platform, rather than on aggressively growing the scale of the business. We expect the recruiting environment will remain very challenging in our domestic market, and as a result we are refocusing our efforts on developing high quality Advisors internally through the launch of our enhanced *New Advisor Training Program*. This program is aimed at developing new Investment Advisors who have demonstrated a strong desire to join the wealth management industry and have complementary skill sets but come from other professions.

As technology plays an increasingly important role in this sector, we are also actively reviewing and expanding Canaccord's digital strategy to better engage our wealth management clients. Investments and initiatives to provide more information to investors online, and to advance the ways our Advisors interact with their clients, are currently underway.

In addition to Canaccord's wealth management operations in Canada, the UK and Europe, the Company is also developing plans to meaningfully grow the specialized wealth management business of Canaccord BGF, which operates in Australia and Hong Kong. Expansion is expected to occur through targeted recruiting, and through the build-out of wealth management services and products in this market.

FINANCIAL PERFORMANCE[1][2]

(C$ thousands, except AUA, AUM – Canada and UK and Europe, which are in C$ millions, number of employees, Advisory Teams, investment professionals and fund managers, and % amounts)	For the years ended March 31			
	2012	2011	2012/2011 Change	
Revenue	$ 201,290	$ 233,049	$ (31,759)	(13.6)%
Expenses				
Incentive compensation	101,364	116,264	(14,900)	(12.8)%
Salaries and benefits	15,437	17,865	(2,428)	(13.6)%
Other overhead expenses	44,687	50,184	(5,497)	(11.0)%
Restructuring costs	900	—	900	n.m.
Acquisition-related costs	4,077	—	4,077	n.m.
Total expenses	166,465	184,313	(17,848)	(9.7)%
Income before income taxes[3]	$ 34,825	$ 48,736	$ (13,911)	(28.5)%
AUM – Canada (discretionary)[4]	677	546	131	24.0%
AUA – Canada[5]	14,828	16,985	(2,157)	(12.7)%
AUM – UK and Europe[6]	13,087	—	13,087	n.m.
Total	27,915	16,985	10,930	64.4%
Number of Advisory Teams – Canada	280	271	9	3.3%
Number of investment professionals and fund managers – UK and Europe	106	—	106	n.m.
Number of employees	960	684	276	40.4%
Excluding significant items				
Total expenses	161,488	184,313	(22,825)	(12.4)%
Income (loss) before income taxes	39,802	48,736	(8,934)	(18.3)%

(1) Data is in accordance with IFRS except for figures excluding significant items, AUA, AUM, number of Advisory Teams, number of investment professionals and fund managers, and number of employees.
(2) Includes Canaccord Wealth Management operations in Canada and in the UK and Europe. Operating results from former Collins Stewart Wealth Management since March 22, 2012 are also included.
(3) See the Intersegment Allocated Costs section on page 52.
(4) AUM in Canada are assets managed on a discretionary basis under our programs generally described as or known as the *Complete Canaccord Investment Counselling Program* and the *Complete Canaccord Managed Account Program*.
(5) AUA in Canada is the market value of client assets administered by Canaccord, for which Canaccord earns commissions or fees.
(6) AUM in the UK and Europe is the market value of client assets managed and administered by Canaccord, for which Canaccord earns commissions or fees. This measure includes both discretionary and non-discretionary accounts.
n.m.: not meaningful

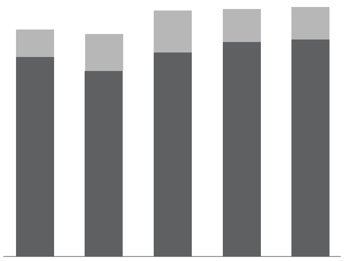
Fiscal 2012 revenue from Canaccord Wealth Management was $201.3 million, a decrease of 13.6% or $31.8 million from fiscal 2011. This drop was attributable to decreases in commission revenue of $18.8 million and investment banking revenue of $16.1 million, offset by an increase in interest revenue of $2.4 million and other revenue of $2.3 million.

AUA in Canada decreased by 12.7% to $14.8 billion at March 31, 2012, primarily due to poor market performance. AUM in Canada increased by 24.0% compared to fiscal 2011 due to an increase in the number of managed accounts. There were 280 Advisory Teams in Canada, up by nine from a year ago.

Through the acquisition of CSHP, Canaccord Wealth Management expanded its wealth management business segment into the UK and Europe. AUM in the UK and Europe as of March 31, 2012 was $13.1 billion.

Expenses for fiscal 2012 were $166.5 million, a decrease of 9.7% or $17.8 million from fiscal 2011. Total compensation expense decreased due to a drop in incentive compensation expense of $14.9 million as a result of lower revenue, as well as a decrease in salaries and benefits expense of $2.4 million due to charges related to staff reductions recognized in the prior year.

TOTAL COMPENSATION AS A % OF CANACCORD WEALTH MANAGEMENT REVENUE



	2008	2009	2010	2011	**2012**
Salaries and benefits	6.3%	8.6%	9.8%	7.6%	**7.6%**
Incentive compensation	46.4%	43.1%	47.4%	49.9%	**50.4%**
Total	52.7%	51.7%	57.2%	57.5%	**58.0%**

Excluding significant items, non-compensation expense was $44.7 million, down $5.5 million compared to $50.2 million in the prior year. This was mainly due to a decrease of $3.3 million in general and administrative expense because of lower provisions for client settlements. Development costs also decreased by $1.0 million due to lower hiring incentives incurred. Significant items incurred during fiscal 2012 included acquisition-related costs of $4.1 million related to the purchase of CSHP and restructuring costs of $0.9 million recognized related to restructuring of the Canadian Canaccord Wealth Management group.

Income before income taxes and intersegment allocated costs for Canaccord Wealth Management during fiscal 2012 and 2011 was $34.8 million and $48.7 million, respectively. Lower revenue in this segment combined with acquisition-related and restructuring costs was the primary contributor to the decrease in income before income taxes and intersegment allocated costs during fiscal 2012.

CORPORATE AND OTHER SEGMENT

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

Also included in this segment are Canaccord's operations and support services departments, which are responsible for front- and back-office information technology systems, compliance and risk management, operations, finance, and other administrative functions. Canaccord has approximately 378 employees in the Corporate and Other segment. The majority of Canaccord's corporate support functions are based in Vancouver and Toronto, Canada.

The operations group is responsible for all activity in connection with processing securities transactions, including trade execution, settlement of securities transactions and custody of client securities. The finance department is responsible for internal financial accounting and controls, and external financial and regulatory reporting, while the compliance department is responsible for client credit and account monitoring in relation to certain legal and financial regulatory requirements. Canaccord's risk management and compliance activities include procedures to identify, control, measure and monitor Canaccord's risk exposure at all times.

FINANCIAL PERFORMANCE[1]

(C$ thousands, except number of employees and % amounts)		For the years ended March 31 2012		2011		2012/2011 Change	
Revenue	$	30,097	$	31,938	$	(1,841)	(5.8)%
Expenses							
Incentive compensation		9,139		21,462		(12,323)	(57.4)%
Salaries and benefits		30,671		30,173		498	1.7%
Other overhead expenses		32,776		34,129		(1,353)	(4.0)%
Restructuring costs		5,275		—		5,275	n.m.
Acquisition-related costs		1,513		—		1,513	n.m.
Total expenses		79,374		85,764		(6,390)	(7.5)%
Loss before income taxes[2]	$	(49,277)	$	(53,826)	$	4,549	8.5%
Number of employees		378		373		5	1.3%
Excluding significant items							
Total expenses		72,586		85,764		(13,178)	(15.4)%
Loss before income taxes	$	(42,489)	$	(53,826)	$	11,337	21.1%

(1) Data is in accordance with IFRS except for figures excluding significant items and number of employees.
(2) See the Intersegment Allocated Costs section below.
n.m.: not meaningful

Revenue for fiscal 2012 was $30.1 million, a decrease of $1.8 million or 5.8% from fiscal 2011. The change was mainly due to a $4.6 million decrease in other revenue offset by a $3.1 million increase in interest revenue. Other revenue decreased as a result of a reduction in foreign exchange gains related to the fluctuations in the Canadian dollar, and interest revenue increased due to higher interest rates and higher balances held in interest-earning accounts.

Fiscal 2012 expenses were $79.4 million, a decrease of $6.4 million or 7.5%. The $12.3 million decrease in incentive compensation expense resulted from the lower profitability of the consolidated group of companies. Premises and equipment decreased by $1.4 million or 20.1% due to cost containment efforts in this segment, and the reallocation of certain expenses to the Canaccord Genuity segment. During the year ended March 31, 2012, the Company incurred restructuring charges of $5.3 million related to staff reductions in this segment as well as $1.5 million of acquisition-related costs in relation to prospective acquisitions not pursued.

Loss before income taxes and intersegment allocated costs was $49.3 million for fiscal 2012 compared to $53.8 million for the prior year.

OPERATIONAL HIGHLIGHTS

The strength of Canaccord's back-office team was evident during the integrations of CSHP and Canaccord BGF during fiscal 2012. The transition of these two operations onto the Canaccord platform enabled the Company to focus on creating value for clients and shareholders through the acquisitions. All of the integration was managed internally, and its success was due entirely to the skills and commitment of Canaccord's back-office and support team.

Canaccord's Pinnacle Correspondent Services is also reported within the Corporate and Other segment. This division enables us to leverage our infrastructure investments and technology capabilities. Through its proprietary web portal, Pinnacle provides access to state-of-the-art front- and back-office services to its correspondent clients. Canaccord has made a substantial long term commitment to this line of business, and continues to view it as an important component of our business-to-business service offerings.

INTERSEGMENT ALLOCATED COSTS

Included in the Corporate and Other segment are certain trade processing, support services, research and other expenses that have been incurred to support the activities within the Canaccord Genuity and Canaccord Wealth Management segments. Excluding executive incentive compensation and certain administrative support, foreign exchange gains and losses, and net interest, management has determined that allocable costs from Corporate and Other to Canaccord Wealth Management were $35.7 million for the year ended March 31, 2012, and to Canaccord Genuity were $11.9 million.

Financial Condition

Below are selected balance sheet items for the past five years:[1]

(C$ thousands)	2012 IFRS	2011 IFRS	2010 CGAAP	2009 CGAAP	2008 CGAAP
	Balance sheet summary as at March 31				
Assets					
Cash and cash equivalents	$ 814,238	$ 954,068	$ 731,852	$ 701,173	$ 435,649
Securities owned	1,171,988	947,185	362,755	133,691	92,796
Accounts receivable	3,081,640	2,828,812	1,972,924	1,061,161	1,422,917
Income taxes recoverable	8,301	—	—	23,771	11,083
Deferred tax assets	3,959	1,503	13,190	15,680	28,207
Investments	9,493	5,934	5,000	5,000	5,000
Investment in asset-backed commercial paper (ABCP)	—	—	—	35,312	29,860
Equipment and leasehold improvements	51,084	40,818	38,127	46,311	40,686
Goodwill and other intangible assets	622,020	319,180	—	—	32,520
Total assets	$ 5,762,723	$ 5,097,500	$ 3,123,848	$ 2,022,099	$ 2,098,718
Liabilities and shareholders' equity					
Bank indebtedness	$ 75,141	$ 13,580	$ 29,435	$ 75,600	$ 15,038
Short term credit facility	150,000	—	—	—	—
Securities sold short	914,649	722,613	364,137	79,426	13,757
Accounts payable and accrued liabilities	3,590,266	3,557,275	2,308,146	1,469,369	1,687,479
Income taxes payable	—	23,977	5,385	—	—
Deferred tax liabilities	8,088	8,163	—	—	—
Subordinated debt	15,000	15,000	15,000	25,000	25,000
Shareholders' equity	992,125	756,892	401,745	372,704	357,444
Non-controlling interests	17,454	—	—	—	—
Total liabilities and shareholders' equity	$ 5,762,723	$ 5,097,500	$ 3,123,848	$ 2,022,099	$ 2,098,718

(1) The Company adopted IFRS beginning April 1, 2011. Consequently, data for the year ended March 31, 2012 and the comparative period ended March 31, 2011 is in compliance with IFRS. Figures for periods prior to March 31, 2011 are in accordance with CGAAP.

ASSETS

Cash and cash equivalents were $814.2 million on March 31, 2012 compared to $954.1 million on March 31, 2011. Refer to the Liquidity and Capital Resources section for more details.

Securities owned were $1.2 billion compared to $947.2 million on March 31, 2011, mainly attributable to an increase in both corporate and government debt, and equities and convertible debentures.

Accounts receivable were $3.1 billion on March 31, 2012, compared to $2.8 billion on March 31, 2011, as a result of an increase in receivables from brokers and investment dealers. Goodwill was $472.5 million and intangible assets were $149.5 million, representing the goodwill and intangible assets acquired from the acquisition of Genuity, TBG, 50% interest in BGF, and CSHP.

Other assets in aggregate were $72.8 million at March 31, 2012 compared to $48.3 million at March 31, 2011. The increase was mainly due to an increase in deferred tax asset, equipment and leasehold improvements, income taxes recoverable, and investments. Equipment and leasehold improvements increased mainly as a result of our acquisition of CSHP. Deferred tax asset increased due to balances acquired from CSHP and BGF.

LIABILITIES AND SHAREHOLDERS' EQUITY

Bank overdrafts and call loan facilities utilized by Canaccord may vary significantly on a day-to-day basis and depend on securities trading activity. On March 31, 2012 Canaccord had available credit facilities with banks in Canada, and the UK and Europe in the aggregate amount of $650.4 million [March 31, 2011 – $434.6 million]. These credit facilities, consisting of call loans, letters of credit and daylight overdraft facilities, are collateralized by either unpaid client securities and/or securities owned by the Company. On March 31, 2012 there was bank indebtedness of $75.1 million, compared to $13.6 million on March 31, 2011.

In addition to the credit facilities discussed above, the Company entered into a $150.0 million senior secured credit agreement to finance a portion of the cash consideration for its acquisition of CSHP. The balance outstanding at March 31, 2012 was $150.0 million.

Accounts payable and provisions were $3.6 billion, showing little change from March 31, 2011.

Securities sold short were $914.6 million, an increase of $192.0 million compared to $722.6 million at March 31, 2011. This increase was a result of an increase in corporate and government debt, and equities and convertible debentures.

Deferred tax liabilities of $8.1 million remained relatively consistent compared to fiscal 2011.

Other liabilities were $15.0 million at March 31, 2012 and $39.0 million at March 31, 2011. The decrease was mainly due to the decrease in income taxes payable.

Off-Balance Sheet Arrangements

A subsidiary of the Company has entered into secured irrevocable standby letters of credit from a financial institution totalling $1.9 million (US$1.9 million) [March 31, 2011 – $2.2 million (US$2.3 million)] as rent guarantees for its leased premises in Boston and New York.

The following table summarizes Canaccord's long term contractual obligations on March 31, 2012.

		Contractual obligations payments due by period			
(C$ thousands)	Total	Fiscal 2013	Fiscal 2014–Fiscal 2015	Fiscal 2016–Fiscal 2017	Thereafter
Premises and equipment operating leases	$ 263,226	$ 33,300	$ 65,956	$ 53,714	$ 110,256

Liquidity and Capital Resources

Canaccord has a capital structure comprised of preferred shares, common shares, contributed surplus, retained earnings and accumulated other comprehensive losses, which is further complemented by subordinated debt.

On March 31, 2012 cash and cash equivalents were $814.2 million, a decrease of $139.8 million from $954.1 million as of March 31, 2011. During the fiscal year ended March 31, 2012, financing activities provided cash in the amount of $232.0 million, which was primarily due to the drawdown of the $150 million short term credit facility and $110.8 million of net proceeds from the Series A Preferred Shares issuance, offset by payment of dividends on the preferred and common shares. Investing activities used cash in the amount of $196.7 million, primarily related to the acquisitions of CSHP and 50% interest in BGF. Operating activities used cash in the amount of $177.3 million, which was due to net loss recognized during the year and changes in working capital. An increase in cash of $2.1 million was attributable to the effect of foreign exchange on cash balances.

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

Outstanding Common Share Data

	Outstanding common shares as of March 31	
	2012	2011
Issued shares outstanding excluding unvested shares[1]	**94,025,877**	75,403,640
Issued shares outstanding[2]	**101,688,721**	82,809,623
Issued shares outstanding – diluted[3]	**106,883,242**	85,655,328
Average shares outstanding – basic	**76,715,248**	72,989,655
Average shares outstanding – diluted[4]	**84,682,497**	81,716,618

(1) Excludes 3,209,336 outstanding unvested shares related to share purchase loans for recruitment and 4,453,508 unvested shares purchased by the employee benefit trust for the LTIP.
(2) Includes 3,209,336 unvested shares related to share purchase loans for recruitment and 4,453,508 unvested shares purchased by the employee benefit trust for the LTIP.
(3) Includes 5,194,521 of share issuance commitments.
(4) This is the diluted share number used to calculate diluted EPS.

The Company has filed an NCIB to allow for the purchase of up to 2,000,000 of its common shares through the facilities of the TSX from June 13, 2011 to June 12, 2012. The purchase of common shares under the NCIB will enable the Company to acquire shares for cancellation. The shares that may be repurchased represent 2.0% of the Company's outstanding common shares as at March 31, 2012. There were 700,500 shares repurchased through the NCIB between June 13, 2011 and March 31, 2012 that were subsequently cancelled.

As of May 23, 2012, the Company has 101,722,220 common shares issued and outstanding.

ISSUANCE AND CANCELLATION OF COMMON SHARE CAPITAL

	Fiscal 2012
Total common shares issued and outstanding as of March 31, 2011	**82,809,623**
Shares issued in relation to the acquisition of 50% interest in BGF	623,796
Shares issued in relation to the acquisition of CSHP	18,273,812
Shares issued in connection with share-based payment plans	841,113
Shares cancelled under the NCIB	(700,500)
Shares cancelled in connection with share-based payment plans	(100,075)
Shares cancelled related to forfeited escrowed shares	(59,048)
Total common shares issued and outstanding as of March 31, 2012	**101,688,721**

Preferred Shares

SERIES A PREFERRED SHARES

On June 23, 2011, the Company issued 4,000,000 Cumulative 5-Year Rate Reset First Preferred Shares, Series A (Series A Preferred Shares) at a purchase price of $25.00 per share, for gross proceeds of $100 million. On July 7, 2011, the Company closed the over-allotment option and issued an additional 540,000 Series A Preferred Shares at $25.00 per share for gross proceeds of $13.5 million.

The aggregate net amount recognized after deducting issue costs, net of deferred taxes of $1.0 million, was $110.8 million. Quarterly cumulative cash dividends, if declared, will be paid at an annual rate of 5.5% for the initial five-year period ending on September 30, 2016. Thereafter, the dividend rate will be reset every five years at a rate equal to the five-year Government of Canada bond yield plus 3.21%.

Holders of Series A Preferred Shares have the right, at their option, to convert any or all of their shares into an equal number of Cumulative Floating Rate First Preferred Shares, Series B (Series B Preferred Shares), subject to certain conditions, on September 30, 2016 and on September 30 every five years thereafter. Holders of the Series B Preferred Shares will be entitled to receive floating rate, cumulative, preferential dividends payable quarterly, if declared, at a rate equal to the three-month Government of Canada Treasury Bill yield plus 3.21%.

The Company has the option to redeem the Series A Preferred Shares on September 30, 2016 and on September 30 every five years thereafter, in whole or in part, at $25.00 per share together with all declared and unpaid dividends. The Series B Preferred Shares are redeemable at the Company's option on September 30, 2021 and on September 30 every five years thereafter, in whole or in part, at $25.00 per share together with all declared and unpaid dividends.

SERIES C PREFERRED SHARES

On March 22, 2012, the Company announced that it has agreed to issue 4,000,000 Cumulative 5-Year Rate Reset First Preferred Shares, Series C (Series C Preferred Shares) at a purchase price of $25.00 per share, for gross proceeds of $100 million. Quarterly cumulative cash dividends, if declared, will be paid at an annual rate of 5.75% for the initial five-year period ending on September 30, 2016. Thereafter, the dividend rate will be reset every five years at a rate equal to the five-year Government of Canada bond yield plus 4.03%.

Holders of Series C Preferred Shares have the right, at their option, to convert any or all of their shares into an equal number of Cumulative Floating Rate First Preferred Shares, Series D (Series D Preferred Shares), subject to certain conditions, on June 30, 2017 and on June 30 every five years thereafter. Holders of the Series C Preferred Shares will be entitled to receive floating rate, cumulative, preferential dividends payable quarterly, if declared, at a rate equal to the three-month Government of Canada Treasury Bill yield plus 4.03%.

The Company has the option to redeem the Series C Preferred Shares on June 30, 2017 and on June 30 every five years thereafter, in whole or in part, at $25.00 per share together with all declared and unpaid dividends. The Series D Preferred Shares are redeemable at the Company's option on June 30, 2021 and on June 30 every five years thereafter, in whole or in part, at $25.00 per share together with all declared and unpaid dividends.

The offering closed subsequent to fiscal year end on April 10, 2012. The net amount recognized after deducting issue costs, net of deferred taxes of $1.0 million, was $97.3 million.

Outstanding Preferred Share Data

ISSUANCE OF PREFERRED SHARE CAPITAL

	Fiscal 2012
Total Series A preferred shares issued and outstanding as of March 31, 2011	—
Series A Preferred Shares issued	4,000,000
Over-allotment of Series A Preferred Shares issued	540,000
Total preferred shares issued and outstanding as of March 31, 2012	**4,540,000**

Share-Based Payment Plans

SHARE OPTIONS

The Company grants share options to purchase common shares of the Company to independent directors and senior management. The independent directors and senior management have been granted options to purchase up to an aggregate of 2,482,675 common shares of the Company. The stock options vest over a four- to five-year period and expire seven years after the grant date. The weighted average exercise price of the share options is $9.83 per common share.

LONG-TERM INCENTIVE PLAN

Under the LTIP, eligible participants are awarded restricted share units (RSUs), which generally vest over three years. For employees in Canada, an employee benefit trust (the Trust) has been established, and either (a) the Company will fund the Trust with cash, which will be used by the trustee to purchase on the open market common shares of the Company that will be held in trust by the trustee until the RSUs vest or (b) the Company will issue common shares from treasury to participants following vesting of the RSUs. For employees in the US and the UK, the Company will allot common shares at the time of each RSU award, and these shares will be issued from treasury at the time they vest for each participant.

DEFERRED SHARE UNITS

Beginning April 1, 2011, the Company adopted a deferred share unit (DSU) plan for its independent directors. The independent directors can elect to have fees payable to them paid in the form of DSUs or in cash. Directors must elect annually as to how they wish their directors' fees to be paid and can specify the allocation of their directors' fees between DSUs and cash. When a director leaves the Board of Directors, outstanding DSUs are paid out in cash, with the amount equal to the number of DSUs granted multiplied by the closing share price as of the end of the fiscal quarter immediately following such terminations. Under the plan, the directors are not entitled to receive any common shares in the Company, and under no circumstances will DSUs confer on any participant any of the rights or privileges of a holder of common shares.

COMMON SHARE PURCHASE LOANS

The Company provides forgivable common share purchase loans to employees in order to purchase common shares. These loans are forgiven over a vesting period. No interest is charged related to the share purchase loans. The common share purchase loans include the employee stock incentive plan, the bonus compensation plan, and the partnership program.

RETENTION PLAN

In connection with the acquisition of TBG, the Company established a retention plan that provides for the issuance of up to approximately 1,187,800 common shares of the Company to key employees of Canaccord Genuity Asia over a five-year graded vesting period based on future Asia-linked revenue. In addition, the applicable number of retention shares is included in diluted common shares outstanding.

REPLACEMENT PLANS

As a result of the acquisition of CSHP, the Company introduced the Replacement Annual Bonus Equity Deferral (ABED) plan, which replaced the ABED plans that existed at CSHP as of the acquisition date. Eligible employees who participated in the CSHP ABED plan were granted awards under the Replacement ABED plan. In addition, the Company introduced the Replacement Long-term Incentive Plan (LTIP), which replaced the existing LTIPs at CSHP as of the acquisition date for eligible employees.

CORAZON CAPITAL GROUP LIMITED SHARE PLAN

In connection with the acquisition of CSHP, the Company assumed the outstanding obligation under the Corazon Capital Group Limited Share Plan (the Corazon Share Plan). The Corazon Share Plan was entered into by CSHP in relation to its acquisition of Corazon Capital Group Limited, an independent, Guernsey-based investment management firm. The obligation will be paid in the form of 170,562 number of Canaccord common shares, which will vest in March 2013, and cash consideration of $2.2 million (£1.4 million).

OTHER RETENTION AND INCENTIVE PLANS

During the course of the fiscal year, the Company may have had other retention and incentive plans, including the employee stock purchase plan, with individual employees, for which the amount incurred was not significant in aggregate.

International Financial Centre

Canaccord is a member of the AdvantageBC International Business Centre Society (formerly known as the International Financial Centre British Columbia Society) and the Montréal International Financial Centre, both of which provide certain tax and financial benefits pursuant to the *International Business Activity Act* of British Columbia and the *Act Respecting International Financial Centres* of Québec. Accordingly, Canaccord's overall income tax rate is less than the rate that would otherwise be applicable.

Foreign Exchange

Canaccord manages its foreign exchange risk by periodically hedging pending settlements in foreign currencies. Realized and unrealized gains and losses related to these transactions are recognized in income during the period. On March 31, 2012, forward contracts outstanding to sell US dollars had a notional amount of US$13.3 million, an increase of US$8.3 million from a year ago. Forward contracts outstanding to buy US dollars had a notional amount of US$9.3 million, a decrease of US$15.8 million compared to a year ago. Canaccord's operations in the US, the UK and Europe, Australia, Hong Kong and China are conducted in the local currency; 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 the local currency.

Related Party Transactions

The Company's related parties include the following persons and/or entities: (a) entities that are controlled or significantly influenced by the Company, and (b) key management personnel, who are comprised of the directors of the Company, as well as executives involved in strategic decision-making for the Company.

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

The Company offers various share-based payment plans to its key management personnel, including common share purchase loans, a long-term incentive plan and share options. Directors have also been granted share options and have the right to acquire DSUs. Please see Note 19 of the Audited Consolidated Financial Statements for the year ended March 31, 2012 for further information on the compensation of and transactions with key management personnel. Note 19 of the March 31, 2012 Consolidated Financial Statements also includes the accounts receivable and accounts payable and accrued liabilities balance with key management personnel.

Critical Accounting Policies and Estimates

The following is a summary of Canaccord's critical accounting estimates. Canaccord's accounting policies are in accordance with IFRS and are described in Note 5 to the Audited Consolidated Financial Statements for the year ended March 31, 2012.

The preparation of the March 31, 2012 consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Therefore, actual results may differ from those estimates and assumptions. The significant estimates include share-based payments, income taxes, tax losses available for carryforward, impairment of goodwill, indefinite life intangible assets and other long-lived assets, allowance for credit losses, fair value of financial instruments, and provisions. Significant accounting policies used and policies requiring management's judgment and estimates are disclosed in Notes 2 and 5 of the Audited Consolidated Financial Statements for the year ended March 31, 2012.

BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the fair value of assets given, liabilities incurred or assumed, and equity instruments issued by the Company, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Company elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the fair value of the acquiree's identifiable net assets. The proportionate share method was selected for the acquisition of the 50% interest in Canaccord BGF. Acquisition costs are expensed as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3, "*Business Combinations*" (IFRS 3), are recognized at their fair value at the acquisition date except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5, "*Non-current Assets Held for Sale and Discontinued Operations*", which are recognized and measured at fair value less cost to sell.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date at the best estimate of such amount. Subsequent changes in the fair value of the contingent consideration that are deemed to be a liability will be recognized in the statements of operations.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the consideration transferred over the fair value of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the consolidated statements of operations.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in each of the business combinations is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the corresponding combinations, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

GOODWILL

Goodwill represents the excess of the purchase price paid for the acquisition of subsidiaries over the fair value of the identifiable tangible and intangible assets acquired. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses.

INTANGIBLE ASSETS

Identifiable intangible assets acquired separately are measured on initial recognition at cost. The cost of identifiable intangible assets acquired in a business combination is equal to their fair value as at the date of acquisition.

Following initial recognition, identifiable intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of identifiable intangible assets are assessed to be either finite or indefinite. Identifiable intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the identifiable intangible asset may be impaired. The amortization period and the amortization method for an identifiable intangible asset are reviewed at least annually, at each financial year end. Identifiable intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually.

IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business acquisition is allocated to each of the Company's cash-generating units that are expected to benefit from the acquisition. Goodwill is assessed for impairment annually or more frequently if events or circumstances suggest that there may be impairment. A write-down is recognized if the recoverable amount of the cash-generating unit, determined as the greater of the estimated fair value less costs to sell or value-in-use, is less than the carrying value. Any impairment of goodwill is expensed in the period in which the impairment is identified. Impairment losses relating to goodwill are not reversed if there is a subsequent recovery in value of the cash-generating unit.

Intangible assets with indefinite lives are not amortized but are assessed for impairment annually or more frequently if events or changes in circumstances indicate that there may be impairment. Indefinite life intangible assets are tested for impairment by comparing the recoverable amounts of the cash-generating units to which they have been allocated to the carrying values of that cash-generating unit. An impairment loss is recognized when the carrying amount of the cash-generating unit exceeds its recoverable amount. In estimating the recoverable amount of the cash-generating unit, the Company uses a value-in-use approach based on the projected discounted cash flows to be derived from these assets.

At each reporting date, intangible assets are assessed for indicators of impairment. If indicators are present, these assets are subject to an impairment review. Any loss resulting from impairment of intangible assets is expensed in the period the impairment is identified. Impairment losses may be reversed in the future, but not exceeding the carrying amount that would have been determined if there was no impairment loss.

REVENUE RECOGNITION

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The Company assesses its revenue arrangements in order to determine if it is acting as principal or agent.

Commission revenue consists of revenue generated through commission-based brokerage services, recognized on a trade date basis, and the sale of fee-based products and services, recognized on an accrual basis. Realized and unrealized gains and losses on securities purchased for client-related transactions are reported as net facilitation losses and recorded as a reduction of commission revenues.

Investment banking revenue consists of underwriting fees and commissions earned on corporate finance activities. Revenue from underwritings and other corporate finance activities is recorded when the underlying transaction is substantially completed under the engagement terms and the related revenue is reasonably determinable.

Advisory fees consist of management and advisory fees that are recognized on an accrual basis. Also included in advisory fees is revenue from mergers and acquisitions activities, which is recognized when the underlying transaction is substantially completed under the engagement terms and the related revenue is reasonably determinable.

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

Interest revenue consists of interest earned on client margin accounts, interest earned on the Company's cash and cash equivalents balances, interest earned on cash delivered in support of securities borrowing activity, and dividends earned on securities owned. Interest revenue is recognized on an effective interest rate basis. Dividend income is recognized when the right to receive payment is established.

Other revenue includes foreign exchange gains or losses, revenue earned from our correspondent brokerage services and administrative fees revenues.

INCOME TAXES

Current income tax

Income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred taxes are accounted for using the liability method. This method requires that deferred taxes reflect the expected deferred tax effect of temporary differences at the reporting date between the carrying amounts of assets and liabilities for financial statement purposes and their tax bases.

Deferred tax liabilities are recognized for all taxable temporary differences, except for taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax credits and unused tax losses can be utilized. The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is charged or credited in the statements of operations except where it relates to items that may be credited directly to equity, in which case the deferred tax is recognized directly against equity.

SHARE-BASED PAYMENTS

Employees (including senior executives and directors) of the Company receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions). Independent directors also receive DSUs as part of their remuneration, which can only be settled in cash (cash-settled transactions). The dilutive effect of outstanding options and share-based payments is reflected as additional share dilution in the computation of diluted earnings per common share.

Equity-settled transactions

For equity-settled transactions, the Company measures the fair value of share-based awards as of the grant date and recognizes the cost as an expense over the applicable vesting period with a corresponding increase in contributed surplus. The cost is recognized on a graded basis.

The Company estimates the number of equity instruments that will ultimately vest when calculating the amortization expense. No expense is recognized for awards that do not ultimately vest.

When share-based awards vest, contributed surplus is reduced by the applicable amount and share capital is increased by the same amount.

Cash-settled transactions

Cash-settled transactions are measured initially at fair value at the grant date. The fair values of DSUs are expensed upon grant, as there are no vesting conditions. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognized through the statements of operations.

PROVISIONS

Provisions are recognized when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the statements of operations net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Future Changes in Accounting Policies and Estimates

FINANCIAL INSTRUMENTS

In November 2009, the IASB issued IFRS 9, "*Financial Instruments*" (IFRS 9). The IASB intends that IFRS 9 will ultimately replace IAS 39, "*Financial Instruments: Recognition and Measurement*" (IAS 39), in its entirety. However, the IASB has divided its project to replace IAS 39 into three main phases. As the IASB completes each phase, it will delete the relevant portions of IAS 39 and create additions to IFRS 9 that replace the requirements in IAS 39. The three main phases of the IASB's project to replace IAS 39 are:

(a) Phase 1: Classification and measurement of financial assets and financial liabilities
(b) Phase 2: Impairment methodology
(c) Phase 3: Hedge accounting

In November 2009, the IASB issued IFRS 9, which introduced a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets.

In October 2010, the IASB issued additions to IFRS 9 that provide guidance on the classification and measurement of financial liabilities. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9.

Following the IASB's decision in December 2011 to defer the effective date, the standard is effective for annual periods beginning on or after January 1, 2015 with early adoption permitted. The Company has not yet determined the impact of IFRS 9 on its consolidated financial statements. The IASB is continuing its deliberations with respect to the second and third phases of this financial instruments project.

PRESENTATION OF FINANCIAL STATEMENTS

IAS 1, "*Presentation of Financial Statements*" (IAS 1), was amended by the IASB in June 2011. Items in other comprehensive income will be required to be presented in two categories: items that might be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012.

OTHER STANDARDS

The IASB issued the following standards in May 2011. These standards are effective for the annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company has not assessed the impact that these new and amended standards will have on its consolidated financial statements.

IFRS 10 – "*Consolidated Financial Statements*" (IFRS 10)

IFRS 10 replaces IAS 27, "*Consolidated and Separate Financial Statements*" (IAS 27) and SIC-12, "*Consolidation – Special Purpose Entities*". This standard introduces a single consolidation model for all entities based on control, which is defined as whether an investor has (1) power over the investee, (2) exposure, or rights, to variable returns from its involvement with the investee, and (3) the ability to use its power over the investee to affect the amount of returns.

IFRS 11 – "*Joint Arrangements*" (IFRS 11)

IFRS 11 replaces IAS 31, "*Interests in Joint Ventures*" and SIC-13 "*Jointly Controlled Entities*". Under this standard, joint arrangements will be differentiated between joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. For a joint operation, the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets and will be accounted for using the equity method.

IFRS 12 – "*Disclosure of Interests in Other Entities*" (IFRS 12)

IFRS 12 establishes disclosure requirements for interest in other entities, such as joint arrangements, associates, special purpose vehicles and off-balance sheet vehicles.

IFRS 13 – "*Fair Value Measurement*" (IFRS 13)

IFRS 13 is a comprehensive standard that defines fair value, sets out a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. This new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date.

IAS 27 – "*Consolidated and Separate Financial Statements*" and IAS 28 – "*Investments in Associates and Joint Ventures*" (IAS 28)

The IASB has also made amendments to existing standards, including IAS 27 and IAS 28. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13.

Business Combinations

[i] BGF Capital Group Pty Ltd

On July 31, 2011, the Company announced that it had signed a definitive agreement to acquire a 50% interest in BGF Capital Group Pty Ltd, a boutique investment bank based in Australia, with offices in Melbourne, Sydney and Hong Kong. The transaction was completed on November 1, 2011 for consideration consisting of 623,796 Canaccord common shares valued at $5.7 million [AUD$5.5 million] and cash of $36.5 million [AUD$34.7 million]. The shares issued were valued at $9.20 per common share based on the closing share price as of November 1, 2011, the closing date of the transaction, in accordance with IFRS 3, "*Business Combinations*". All of the Canaccord common shares issued as part of the purchase price were placed in escrow at closing and will be released ratably over five years. Subsequent to the closing of the transaction, BGF was rebranded as Canaccord BGF.

The purchase agreement grants the Company a call option to purchase the remaining 50% interest in BGF. The option is exercisable by the Company for a three-month period commencing on November 1, 2016 at a price to be determined at that time by reference to Canaccord BGF's profits. As the option price is expected to approximate fair market value at the time it is exercisable, the value of this call option is nominal.

In accordance with IAS 27, the Company has consolidated the operating results of Canaccord BGF and recognized a 50% non-controlling interest, which at the acquisition date represented the portion of Canaccord BGF net identifiable assets not controlled by the Company.

The Company has determined the purchase price allocation for this acquisition and has disclosed the allocation in its March 31, 2012 Audited Consolidated Financial Statements. Please see Note 11 of the Audited Consolidated Financial Statements for the year ended March 31, 2012 for further information.

[ii] Collins Stewart Hawkpoint plc

On December 15, 2011, the Company announced that it had made an offer to acquire 100% of CSHP, an independent investment bank based in the UK, with operations in Europe, the US and Singapore. This transaction closed on March 21, 2012. The total purchase consideration of $400.1 million (£254.2 million) was paid as a combination of cash and Canaccord common shares.

The cash consideration payable was funded through a combination of borrowing under a short term credit facility, pursuant to a $150 million senior secured credit agreement, and the Company's existing cash resources. Net proceeds from the issuance of Series C Preferred Shares, which closed on April 10, 2012, were used towards reducing the outstanding borrowings under this short term credit facility.

The fair value of CSHP's net tangible assets was $141.9 million, which included accounts receivable of $908 million. Identifiable intangible assets of $64.2 million were recognized and include brand names, customer relationships, sales backlog, and technology [See Note 12 of the Audited Consolidated Financial Statements for the year ended March 31, 2012]. The goodwill of $201.9 million represents the value of expected synergies arising from the acquisition. Goodwill is not deductible for tax purposes.

The above amounts are estimates, which were made by management at the time of the preparation of these consolidated financial statements based on available information. Amendments may be made to these amounts while values subject to estimates are finalized for a period of up to 12 months subsequent to the close of the acquisition.

The aggregate acquisition-related costs incurred by the Company in connection with the acquisition of CSHP are $13.1 million. These costs are mainly comprised of professional and consulting fees. In addition to the acquisition-related costs incurred during the year ended March 31, 2012 the Company also incurred restructuring expenses of $20.8 million in connection with the closing of the acquisition and other expenditures related to the integration of the operations of the common business units of the Company and CSHP.

The Company intends to put in place a £15 million retention plan for key CSHP staff. The Company intends to implement this retention plan by the award of up to 2,036,785 restricted share units under a "CSHP Inducement Plan", which would vest on the third, fourth and fifth anniversaries of the completion of the acquisition, and the award of the balance of the plan as restricted share units under the existing LTIP, which would vest on the first and second anniversaries of the completion of the acquisition.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

DISCLOSURE CONTROLS AND PROCEDURES

As of March 31, 2012, an evaluation was carried out, under the supervision of and with the participation of management, including the President & CEO and the Executive Vice President & CFO, of the effectiveness of our disclosure controls and procedures as defined under *National Instrument 52-109*. Based on that evaluation, the President & CEO and the Executive Vice President & CFO concluded that the design and operation of these disclosure controls and procedures were effective as of and during the fiscal year ended March 31, 2012, except in the scope limitation noted below, which exists as a result of the purchase of CSHP.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management, including the President & CEO and the Executive Vice President & CFO, has designed internal control over financial reporting as defined under *National Instrument 52-109* to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Based on that evaluation, the President & CEO and the Executive Vice President & CFO concluded that the Company's internal control over financial reporting was designed and operating effectively as of and during the year ended March 31, 2012 and that there were no material weaknesses in our internal control over financial reporting, except in the scope limitation noted below, which exists as a result of the purchase of CSHP.

National Instrument 52-109 allows for a scope limitation on the design of disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures in respect of any business acquired not more than 365 days before the end of the relevant financial period.

Accordingly, the acquisition of CSHP, which closed on March 21, 2012, has been excluded from the assessment of the Company's disclosure controls and procedures, as the operations of the former CSHP entities were not yet integrated into the Company's internal controls, policies and procedures. Management is currently in the process of revising the Company's internal control structure to incorporate the newly acquired operations. The following table shows the summarized financial information for the excluded operations of the former CSHP entities:

Selected financial data

As at March 31, 2012 and for the period between March 22, 2012 and March 31, 2012
($ millions)

Total assets	$ 1,407.6
Total liabilities	840.8
Revenue	12.0
Net loss for the period	$ (7.4)

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in internal control over financial reporting that occurred during the year ended March 31, 2012 that have materially affected, or are reasonably likely to materially affect, Canaccord's internal control over financial reporting.

Risk Management

OVERVIEW

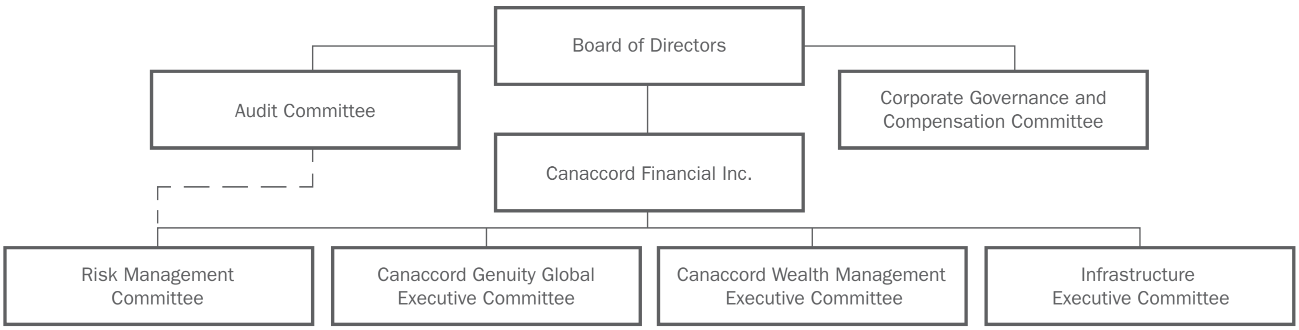
Uncertainty and risk are inherent in any financial markets activity. As an active participant in the Canadian and international capital markets, Canaccord is exposed to risks that could result in financial losses. Canaccord has identified its principal risks as: market risk, credit risk, operational risk and other risks. Accordingly, risk management and control of the balance between risk and return are critical elements in maintaining Canaccord's financial stability and profitability. Therefore, an effective risk management framework is integral to the success of Canaccord.

RISK MANAGEMENT STRUCTURE AND GOVERNANCE

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

As part of Canaccord's risk philosophy, the first line of responsibility for managing risk lies with branch managers, department heads and trading desk managers (within prescribed limits). The monitoring and control of Canaccord's risk exposure is conducted through a variety of separate, but complementary, financial, credit, operational, compliance and legal reporting systems.

Canaccord's governance structure includes the following elements:



The Board of Directors (the Board) has oversight of the company-wide risk management framework. These responsibilities are mandated to the Audit and Risk Management Committees.

The Audit Committee assists the Board in fulfilling its oversight responsibility by monitoring the effectiveness of internal controls and the control environment. It also receives and reviews various quarterly and annual updates, and reports on key risk metrics and the overall risk management program.

The Risk Management Committee assists the Board in fulfilling its responsibilities for monitoring risk exposures against the defined risk appetite and for general oversight of the risk management process. The Risk Management Committee is led by the CFO, and committee members include the CEO and senior management representation from the key revenue-producing businesses and functional areas of Canaccord. The Committee identifies, measures and monitors the principal risks facing the business through review and approval of Canaccord's risk appetite, policies, procedures, and limits/thresholds.

The segregation of duties and management oversight are important aspects of Canaccord's risk management process. Canaccord has a number of functions that are independent of the revenue-producing businesses that perform risk management activities, including the monitoring, evaluating and analyzing of risk. These functions include Enterprise Risk Management, Compliance, Operations, Internal Controls and Financial Analysis, Treasury, Finance and Legal.

MARKET RISK

Market risk is the risk that a change in market prices and/or any of the underlying 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, credit spread risk and liquidity risk in respect of its principal trading in fixed income securities. In addition to active supervision and review of trading activities by senior management, Canaccord mitigates its risk exposure through a variety of limits to control concentration, capital allocation and usage, as well as through trading policies and guidelines. Canaccord manages and monitors its risks in this area using both qualitative and quantitative measures, on a company-wide basis, and also by trading desk and by individual trader. Canaccord operates a firm-wide Value-at-Risk (VaR) risk measurement system for its equity and fixed income inventories. Management also reviews and monitors inventory levels and positions, trading results, aging and concentration levels. Consequently, 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. For a detailed description of Canaccord's VaR methodology, see the Market Risk section in Canaccord's fiscal 2012 Annual Information Form (AIF).

CREDIT RISK

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

Canaccord provides financing to clients by way of margin lending. In a margin-based transaction, Canaccord extends credit for a portion of the market value of a securities transaction in a client's account, up to certain limits. Margin loans are collateralized by securities in the client's account. In connection with this lending activity, Canaccord faces a risk of financial loss in the event that a client fails to meet a margin call if market prices for securities held as collateral decline and if Canaccord is unable to recover sufficient value from the collateral held. For margin lending purposes, Canaccord has established limits that are generally more restrictive than those required by applicable regulatory policies.

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. Canaccord has developed a number of controls within its automated trade order management system to ensure that trading by individual account and advisor is done in accordance with customized limits and risk parameters.

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

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.

OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, fraud, people and systems, or from external events such as the occurrence of disasters or security threats. Operational risk exists in all of Canaccord's activities, including processes, systems and controls used to manage other risks. Failure to manage operational risk can result in financial loss, reputational damage, regulatory fines and failure to manage market or credit risks.

Canaccord operates in different markets and relies on its employees and systems to process a high number of transactions. In order to mitigate this risk, Canaccord has developed a system of internal controls and checks and balances at appropriate levels, which includes overnight trade reconciliation, control procedures related to clearing and settlement, cash controls, physical security, independent review procedures, documentation standards, billing and collection procedures, and authorization and processing controls for transactions and accounts. In addition, Canaccord has implemented an operational risk program that helps Canaccord measure, manage, report and monitor operational risk issues (see RCSA below). Canaccord also has disaster recovery procedures in place, business continuity plans and built-in redundancies in the event of a systems or technological failure. In addition, Canaccord utilizes third party service agreements and security audits where appropriate.

Risk and Control Self-Assessment (RCSA)

The purpose of RCSAs is to:

- Identify and assess key risks inherent to the business
- Rate the effectiveness of the control environment associated with the key risks
- Mitigate the risks through the identification of action plans to improve the control environment where appropriate
- Provide management with a consistent approach to articulate and communicate the risk profiles of their areas of responsibility
- Meet regulatory requirements and industry standards

Canaccord has established a process to determine what the strategic objectives of each group/unit/department are and identify, assess and quantify operational risks that hinder the Company's ability to achieve those objectives. The RCSA results are specifically used to calculate the operational risk regulatory capital requirements for Canaccord in the UK and operational risk exposure in all geographies. The RCSAs are periodically updated and results are reported to the Risk Management and Audit Committees.

OTHER RISKS

Other risks encompass those risks that can have an adverse material affect on the business but do not belong to market, credit or operational risk categories.

Regulatory and legal risk

Regulatory risk results from non-compliance with regulatory requirements, which could lead to fines and/or sanctions. Canaccord has established procedures to ensure compliance with all applicable statutory and regulatory requirements in each jurisdiction. These procedures address issues such as regulatory capital requirements, disclosure requirements, internal controls over financial reporting, sales and trading practices, use of and safekeeping of client funds, credit granting, collection activity, anti-money laundering, insider trading, conflicts of interest and recordkeeping.

Legal risk results from potential criminal, civil or regulatory litigation against Canaccord that could materially affect Canaccord's business, operations or financial condition. Canaccord has in-house legal counsel, as well as access to external legal counsel, to assist the Company in addressing legal matters related to operations and to defend Canaccord in various legal actions.

Losses or costs associated with routine regulatory and legal matters are included in general and administrative expenses in Canaccord's Audited Consolidated Financial Statements.

Reputational risk

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

RISK FACTORS

For a detailed list of the risk factors that are relevant to Canaccord's business and the industry in which it operates, see the Risk Factors section in Canaccord's fiscal 2012 AIF. Risks include, but are not necessarily limited to, those listed in the AIF. Investors should carefully consider the information about risks, together with the other information in this document, before making investment decisions. It should be noted that this list is not exhaustive, but contains risks that Canaccord considers to be of particular relevance. Other risk factors may apply.

CONTROL RISK

As of March 31, 2012, senior officers and directors of Canaccord collectively owned approximately 24% of the issued and outstanding common shares of Canaccord Financial Inc. If a sufficient number of these shareholders act or vote together, they will have the power to exercise significant influence over all matters requiring shareholder approval, including the election of the Company's directors, amendments to its articles, amalgamations and plans of arrangement under Canadian law and mergers or sales of substantially all of its assets. This could prevent Canaccord from entering into transactions that could be beneficial to the Company or its other shareholders. Also, third parties could be discouraged from making a tender offer or takeover bid to acquire any or all of the outstanding common shares of the Company. In addition, as at March 31, 2012, the single largest shareholder that management was aware of was Franklin Templeton Investments Corp. by one or more of its mutual funds or other managed accounts. As of the last public filing Franklin Templeton Investment Corp. made regarding its CF share ownership (dated December 15, 2011), it held 5,464,873 common shares of Canaccord Financial Inc., which represents 5.37% of common shares outstanding on March 31, 2012. Any significant change in these shareholdings through sale or other disposition, or significant acquisitions by others of the common shares in the public market or by way of private transactions, could result in a change of control and changes in business focus or practices that could affect the profitability of Canaccord's business.

Restrictions on ownership and transfer of common shares

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

Dividend Policy

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

Dividend Declaration

On May 22, 2012, the Board of Directors approved a quarterly dividend of $0.10 per common share payable on June 15, 2012, with a record date of June 1, 2012. The Board of Directors also approved a cash dividend of $0.34375 per Series A Preferred Share payable on July 3, 2012, with a record date of June 15, 2012; as well as a cash dividend of $0.3190 per Series C Preferred Share payable on July 3, 2012 and with a record date of June 15, 2012.

Additional Information

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

Independent Auditors' Report

To the Shareholders of
Canaccord Financial Inc.

We have audited the accompanying consolidated financial statements of Canaccord Financial Inc., which comprise the consolidated statements of financial position as at March 31, 2012 and 2011, and April 1, 2010, and the consolidated statements of operations, comprehensive income (loss), changes in equity and cash flows for the years ended March 31, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Canaccord Financial Inc. as at March 31, 2012 and 2011, and April 1, 2010, and its financial performance and its cash flows for the years ended March 31, 2012 and 2011 in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Vancouver, Canada
May 22, 2012
Chartered Accountants

Consolidated Statements of Financial Position

As at (in thousands of Canadian dollars)	Notes	March 31, 2012	March 31, 2011	April 1, 2010
ASSETS				
Current				
Cash and cash equivalents		$ 814,238	$ 954,068	$ 731,852
Securities owned	6	1,171,988	947,185	362,755
Accounts receivable	8, 19	3,081,640	2,828,812	1,972,924
Income taxes receivable		8,301	—	—
Total current assets		5,076,167	4,730,065	3,067,531
Deferred tax assets	13	3,959	1,503	12,946
Investments	9	9,493	5,934	6,732
Equipment and leasehold improvements	10	51,084	40,818	38,127
Intangible assets	12	149,510	73,923	—
Goodwill	12	472,510	245,257	—
		$ 5,762,723	$ 5,097,500	$ 3,125,336
LIABILITIES AND EQUITY				
Current				
Bank indebtedness	7	$ 75,141	$ 13,580	$ 29,435
Short term credit facility	7	150,000	—	—
Securities sold short	6	914,649	722,613	364,137
Accounts payable and accrued liabilities	8, 19	3,550,600	3,551,124	2,303,155
Provisions	23	39,666	6,151	4,991
Income taxes payable		—	23,977	5,385
Subordinated debt	14	15,000	15,000	15,000
Total current liabilities		4,745,056	4,332,445	2,722,103
Deferred tax liabilities	13	8,088	8,163	—
		4,753,144	4,340,608	2,722,103
Equity				
Preferred shares	15	110,818	—	—
Common shares	16	623,739	467,050	185,691
Contributed surplus		68,336	52,167	58,103
Retained earnings		180,748	238,647	158,138
Accumulated other comprehensive income (loss)		8,484	(972)	1,301
Total shareholders' equity		992,125	756,892	403,233
Non-controlling interests		17,454	—	—
Total equity		1,009,579	756,892	403,233
		$ 5,762,723	$ 5,097,500	$ 3,125,336

See accompanying notes

On behalf of the Board:

PAUL D. REYNOLDS
Director

TERRENCE A. LYONS
Director

Consolidated Statements of Operations

For the years ended (in thousands of Canadian dollars, except per share amounts)	Notes	March 31, 2012	March 31, 2011
REVENUE			
Commission		$ 252,877	$ 294,650
Investment banking		175,225	327,499
Advisory fees		107,370	84,914
Principal trading		10,647	43,644
Interest		31,799	24,040
Other		26,946	28,884
		604,864	803,631
EXPENSES			
Incentive compensation		304,908	389,046
Salaries and benefits		63,924	64,420
Trading costs		30,313	31,507
Premises and equipment		27,546	27,158
Communication and technology		28,343	25,466
Interest		9,816	7,811
General and administrative		69,523	67,882
Amortization		14,108	12,742
Development costs		21,193	22,387
Acquisition-related costs	11	16,056	12,740
Restructuring costs	11, 23	35,253	—
		620,983	661,159
(Loss) income before income taxes		(16,119)	142,472
Income tax expense (recovery)	13		
Current		11,043	42,278
Future		(5,816)	451
		5,227	42,729
Net (loss) income for the year		$ (21,346)	$ 99,743
Net (loss) income attributable to:			
CFI shareholders		$ (20,307)	$ 99,743
Non-controlling interests		$ (1,039)	$ —
Weighted average number of common shares outstanding (thousands)			
Basic		76,715	72,990
Diluted		84,682	81,717
Net (loss) income per common share			
Basic	16iv	$ (0.33)	$ 1.37
Diluted	16iv	$ (0.33)	$ 1.22
Dividends per common share		$ 0.40	$ 0.275

See accompanying notes

Consolidated Statements of Comprehensive Income (Loss)

For the years ended (in thousands of Canadian dollars)		March 31, 2012		March 31, 2011
Net (loss) income for the year	$	(21,346)	$	99,743
Other comprehensive income (loss) (OCI)				
Net change in valuation of available for sale investments, net of tax		—		(602)
Net change in unrealized gains (losses) on translation of foreign operations		9,205		(1,671)
Comprehensive (loss) income for the year	$	(12,141)	$	97,470
Comprehensive (loss) income attributable to:				
CFI shareholders	$	(10,851)	$	97,470
Non-controlling interests	$	(1,290)	$	—

See accompanying notes

Consolidated Statements of Changes in Equity

As at and for the years ended (in thousands of Canadian dollars)	Notes	March 31, 2012	March 31, 2011
Preferred shares, opening		$ —	$ —
Series A Preferred Shares issued, net of share issuance costs	15	110,818	—
Preferred shares, closing		110,818	—
Common shares, opening		467,050	185,691
Shares issued in connection with the acquisition of Collins Stewart Hawkpoint plc (CSHP)	11	164,462	—
Shares issued in connection with the acquisition of 50% interest in BGF Capital Group Pty Ltd (BGF)	11	5,739	—
Shares issued in connection with the acquisition of Genuity Capital Markets (Genuity)		—	271,900
Shares issued in connection with share-based payments		7,081	7,969
Acquisition of common shares for long-term incentive plan (LTIP)		(35,857)	(17,979)
Release of vested common shares from employee benefit trust		18,263	20,752
Shares cancelled		(5,259)	(546)
Net unvested share purchase loans		2,866	(737)
Cancellation of shares in connection with the acquisition of Genuity		(606)	—
Common shares, closing		623,739	467,050
Contributed surplus, opening		52,167	58,103
Replacement stock plan awards related to the acquisition of CSHP		6,456	—
Share-based payments		10,876	(6,478)
Cancellation of shares in connection with the acquisition of Genuity		606	—
Excess on cancellation of common shares		(1,414)	(638)
Unvested share purchase loans		(355)	1,180
Contributed surplus, closing		68,336	52,167
Retained earnings, opening		238,647	158,138
Net (loss) income attributable to CFI shareholders		(20,307)	99,743
Common shares dividends	17	(32,778)	(19,234)
Preferred shares dividends	17	(4,814)	—
Retained earnings, closing		180,748	238,647
Accumulated other comprehensive income (loss), opening		(972)	1,301
Other comprehensive income (loss) attributable to CFI shareholders		9,456	(2,273)
Accumulated other comprehensive income (loss), closing		8,484	(972)
Total shareholders' equity		992,125	756,892
Non-controlling interests, opening		—	—
Non-controlling interests arising on acquisition of 50% interest in BGF	11	19,019	—
Foreign exchange on non-controlling interests		(275)	—
Comprehensive loss attributable to non-controlling interests		(1,290)	—
Non-controlling interests, closing		17,454	—
Total equity		$ 1,009,579	$ 756,892

See accompanying notes

Consolidated Statements of Cash Flows

For the years ended (in thousands of Canadian dollars)	Notes	March 31, 2012	March 31, 2011
OPERATING ACTIVITIES			
Net (loss) income for the year		$ (21,346)	$ 99,743
Items not affecting cash			
Amortization		14,108	12,742
Deferred income tax expense (recovery)		(5,816)	451
Share-based compensation expense	18	51,124	40,352
Changes in non-cash working capital			
Increase in securities owned		(62,053)	(579,283)
Decrease (increase) in accounts receivable		675,358	(844,557)
Decrease (increase) in income taxes receivable, net		(26,218)	18,104
Increase in securities sold short		93,787	358,425
(Decrease) increase in accounts payable, accrued liabilities, and provisions		(896,194)	1,217,745
Cash provided (used) by operating activities		(177,250)	323,722
FINANCING ACTIVITIES			
Drawdown of short term credit facility		150,000	—
Issuance of Series A Preferred Shares, net of share issuance costs		110,818	—
Acquisition of common shares for long-term incentive plan		(35,857)	(17,979)
Cash dividends paid on common shares		(31,980)	(17,943)
Cash dividends paid on preferred shares		(4,814)	—
Issuance of shares in connection with share-based payments		555	555
Increase (decrease) in net vesting of share purchase loans		(12,579)	443
Redemption of share capital		(5,673)	—
Bank indebtedness		61,561	(15,855)
Cash provided (used) by financing activities		232,031	(50,779)
INVESTING ACTIVITIES			
Purchase of equipment and leasehold improvements		(10,610)	(8,109)
Acquisition of CSHP, net of cash acquired	11	(176,289)	—
Acquisition of BGF, net of cash acquired	11	(9,848)	—
Acquisition of Genuity Capital Markets, net of cash acquired		—	(37,997)
Acquisition of The Balloch Group Limited, net of cash acquired		—	(2,472)
Cash used in investing activities		(196,747)	(48,578)
Effect of foreign exchange on cash balances		2,136	(2,149)
(Decrease) increase in cash position		(139,830)	222,216
Cash position, beginning of year		954,068	731,852
Cash position, end of year		$ 814,238	$ 954,068
Supplemental cash flow information			
Interest received		$ 28,805	$ 18,613
Interest paid		$ 9,280	$ 8,337
Income taxes paid		$ 51,036	$ 27,699

See accompanying notes

Notes to Consolidated Financial Statements

As at March 31, 2012, March 31, 2011, and April 1, 2010
And for the years ended March 31, 2012 and 2011
(in thousands of dollars, except per share amounts)

NOTE 1 Corporate Information

Through its principal subsidiaries, Canaccord Financial Inc. (the Company) is a leading independent, full-service investment dealer in Canada with capital markets operations in the United Kingdom (UK) and Europe, the United States of America (US), Australia, China, Singapore and Barbados. Upon acquisition of CSHP, the Company has also expanded its wealth management operations into the UK and Europe. The Company has operations in each of the two principal segments of the securities industry: capital markets and wealth management. Together, these operations offer a wide range of complementary investment products, brokerage services and investment banking services to the Company's private, institutional and corporate clients.

Canaccord Financial Inc. was incorporated on February 14, 1997 by the filing of a memorandum and articles with the Registrar of Companies for British Columbia under the *Company Act* (British Columbia) and continues in existence under the *Business Corporations Act* (British Columbia). The Company's head office is located at Suite 2200 – 609 Granville Street, Vancouver, British Columbia, V7Y 1H2. The Company's registered office is located at Suite 1000 – 840 Howe Street, Vancouver, British Columbia, V6Z 2M1.

The Company's common shares are publicly traded under the symbol CF on the TSX and the symbol CF. on AIM, a market operated by the London Stock Exchange. The Company's Series A Preferred Shares are listed on the TSX under the symbol CF.PR.A. The Company's Series C Preferred Shares, issued subsequent to year end, are listed on the TSX under the symbol CF.PR.C [Note 25].

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

NOTE 2 Basis of Preparation

STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The disclosures concerning the transition from Canadian generally accepted accounting principles (CGAAP) to IFRS are included in Note 4. Previously, the Company prepared its consolidated annual financial statements in accordance with CGAAP.

The consolidated financial statements have been prepared on an accrual basis and are based on the historical cost basis except for selected current and non-current assets and financial instruments, which have been measured at fair value as set out in the relevant accounting policies.

The consolidated financial statements are presented in Canadian dollars and all values are in thousands of dollars, except when otherwise indicated.

These audited consolidated financial statements were authorized for issuance by the Company's Board of Directors on May 22, 2012.

PRINCIPLES OF CONSOLIDATION

These consolidated financial statements include the financial statements of the Company, its subsidiaries and special purpose entities (SPEs) where the Company controls these entities. Subsidiaries are all entities over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights.

The Company applied IAS 27, "*Consolidated and Separate Financial Statements*" (IAS 27), for its acquisition of the 50% interest in BGF, as discussed below and in Note 11. In accordance with IAS 27, the operating results of a subsidiary should be consolidated if the Company acquires control. Control is presumed to exist when an entity owns greater than 50% of the voting shares. In cases where the parent does not own a majority of the voting rights, control still exists when there is power over more than half of the voting rights by virtue of an agreement with other investors, power to govern the financial and operating policies of the entity under a statute or an agreement, power to appoint or remove the majority of the members of the board of directors, or power to cast the majority of votes at meetings of the board of directors.

Although the Company does not own more than 50% of the voting shares of BGF, the Company completed an evaluation of its relationship with the other shareholders and the power it has over the financial and operating policies of BGF and determined it should consolidate under IAS 27. Therefore, the financial position, financial performance, and cash flows of BGF have been consolidated. The Company has also recognized a 50% non-controlling interest, which represents the portion of Canaccord BGF net identifiable assets not owned by the Company. At the date of acquisition, the non-controlling interest was determined using the proportionate method. Net income (loss) and each component of other comprehensive income (loss) are attributed to the non-controlling interest and to the owners of the parent.

The Company consolidates SPEs in accordance with the guidance provided by the Standing Interpretations Committee Interpretation 12, "*Consolidation – Special Purpose Entities*" (SIC-12). An SPE is consolidated when the substance of the relationship between the entity and the SPE indicates that the SPE is controlled by that entity.

The Company has established an employee benefit trust [Note 18] to fulfill obligations to employees arising from the Company's share-based payment plans. The employee benefit trust has been consolidated in accordance with SIC-12 since its activities are conducted on behalf of the Company, and the Company retains the majority of the benefits and risks of the employee benefit trust.

The results of subsidiaries acquired or disposed of during the year are included in the statements of operations from the effective date of the acquisition or up to the effective date of the disposal, as appropriate.

All intercompany transactions and balances have been eliminated. In cases where the accounting policies of the subsidiaries differ from the Company's accounting policies, the Company has made the appropriate adjustments to ensure conformity for purposes of the preparation of these consolidated financial statements. For the purposes of the consolidated financial statements, financial statements are prepared for all subsidiaries for the same reporting period as those of the parent.

USE OF ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements in conformity with IFRS 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 reporting date. Therefore, actual results may differ from those estimates and assumptions. The significant estimates include share-based payments, income taxes, impairment of goodwill, indefinite life intangible assets and other long-lived assets, allowance for credit losses, fair value of financial instruments, and provisions.

Share-based payments

The Company measures the cost of equity-settled and cash-settled transactions with employees and directors based on the fair value of the awards granted. The fair value is determined based on the observable share prices or by using an appropriate valuation model. The use of option pricing models to determine the fair value requires the input of highly subjective assumptions including the expected price volatility, expected life of the award and dividend yield. Changes in the subjective assumptions can materially affect the fair value estimates. The assumptions and models used for estimating the fair value of share-based payments are disclosed in Note 18.

Income taxes

Accruals for income tax liabilities require management to make estimates and judgments with respect to the ultimate outcome of tax filings and assessments. Actual results could vary from these estimates. The Company operates within different tax jurisdictions and is subject to individual assessments by these 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. Deferred taxes are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and the level of future taxable profit.

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws and the amount and timing of future taxable income. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as the Company's experience of previous tax audits.

Impairment of goodwill and indefinite life intangible assets

Goodwill and indefinite life intangible assets are tested for impairment at least annually, or whenever an event or change in circumstance may indicate potential impairment, to ensure that the recoverable amount of the cash-generating unit to which goodwill and indefinite life intangible assets are attributed is greater than or equal to their carrying values.

In determining the recoverable amount, which is the higher of fair value less costs to sell and value-in-use, management uses valuation models that consider such factors as projected earnings, price-to-earnings multiples and discount rates. Management must apply judgment in the selection of the approach to determining the recoverable amount and in making any necessary assumptions. These judgments may affect the recoverable amount and any resulting impairment write-down. The key assumptions used to determine recoverable amounts for the different cash-generating units are disclosed in Note 12.

Impairment of other long-lived assets

The Company assesses its long-lived assets at each reporting date to determine whether there is an indication that an asset may be impaired. If any indication exists, the Company estimates the asset's recoverable amount using management's best estimates and available information.

Allowance for credit losses

The Company records allowances for doubtful accounts associated with clients' receivables, loans, advances and other receivables. The Company establishes an allowance for credit losses based on management's estimate of probable unrecoverable amounts. Judgment is required as to the timing of establishing an allowance for credit losses and the amount of the required specific allowance, taking into consideration counterparty creditworthiness, current economic trends and past experience. Clients' receivable balances are generally collateralized by securities; therefore, any provision is generally measured after considering the market value of the collateral, if any.

Valuation of financial instruments

The Company measures its financial instruments at fair value or amortized cost. Fair value is determined on the basis of market prices from independent sources, if available. If there is no available market price, then the fair value is determined by using valuation models. The inputs to these models, such as expected volatility and liquidity discounts, are derived from observable market data where possible, but where observable data is not available, judgment is required to establish fair values.

There is inherent uncertainty and imprecision in estimating the factors that can affect fair value, and in estimating fair values generally, when observable data is not available. Changes in assumptions and inputs used in valuing financial instruments could affect the reported fair values.

Provisions

The Company records provisions related to pending or outstanding legal matters and regulatory investigations. Provisions in connection with legal matters are determined on the basis of management's judgment in consultation with legal counsel, considering such factors as the amount of the claim, the possibility of wrongdoing by an employee of the Company and precedents. Contingent litigation loss provisions are recorded by the Company when it is probable that the Company will incur a loss as a result of a past event and the amount of the loss can be reliably estimated. The Company also records provisions related to restructuring costs when the recognition criteria for provisions are fulfilled.

NOTE 3 Adoption of New and Revised Standards and Interpretations

FINANCIAL INSTRUMENTS

In November 2009, the IASB issued IFRS 9, "*Financial Instruments*" (IFRS 9). The IASB intends that IFRS 9 will ultimately replace IAS 39, "*Financial Instruments: Recognition and Measurement*" (IAS 39), in its entirety. However, the IASB has divided its project to replace IAS 39 into three main phases. As the IASB completes each phase, it will delete the relevant portions of IAS 39 and create additions to IFRS 9 that replace the requirements in IAS 39. The three main phases of the IASB's project to replace IAS 39 are:

(a) Phase 1: Classification and measurement of financial assets and financial liabilities
(b) Phase 2: Impairment methodology
(c) Phase 3: Hedge accounting

In November 2009, the IASB issued IFRS 9, which introduced a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets.

In October 2010, the IASB issued additions to IFRS 9 that provide guidance on the classification and measurement of financial liabilities. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9.

Following the IASB's decision in December 2011 to defer the effective date, the standard is effective for annual periods beginning on or after January 1, 2015 with early adoption permitted. The Company has not yet determined the impact of IFRS 9 on its consolidated financial statements. The IASB is continuing its deliberations with respect to the second and third phases of this financial instruments project.

PRESENTATION OF FINANCIAL STATEMENTS

IAS 1, "*Presentation of Financial Statements*" (IAS 1), was amended by the IASB in June 2011. Items in other comprehensive income will be required to be presented in two categories: items that might be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012. The Company has not yet determined the impact of the amendments on its consolidated financial statements.

OTHER STANDARDS

The IASB issued the following standards in May 2011. These standards are effective for the annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not assessed the impact that these new and amended standards will have on its consolidated financial statements.

IFRS 10 – "*Consolidated Financial Statements*" (IFRS 10)

IFRS 10 replaces IAS 27, "*Consolidated and Separate Financial Statements*" and SIC-12, "*Consolidation – Special Purpose Entities*". This standard introduces a single consolidation model for all entities based on control, which is defined as whether an investor has (1) power over the investee, (2) exposure, or rights, to variable returns from its involvement with the investee, and (3) the ability to use its power over the investee to affect the amount of returns.

IFRS 11 – "*Joint Arrangements*" (IFRS 11)

IFRS 11 replaces IAS 31, "*Interests in Joint Ventures*" and SIC-13, "*Jointly Controlled Entities*". Under this standard, joint arrangements will be differentiated between joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. For a joint operation, the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets and will be accounted for using the equity method.

IFRS 12 – "*Disclosure of Interests in Other Entities*" (IFRS 12)

IFRS 12 establishes disclosure requirements for interest in other entities, such as joint arrangements, associates, special purpose vehicles and off-balance sheet vehicles.

IFRS 13 – "*Fair Value Measurement*" (IFRS 13)

IFRS 13 is a comprehensive standard that defines fair value, sets out a single IFRS framework for measuring fair value, and requires disclosures about fair value measurements. This new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date.

IAS 27 – "*Consolidated and Separate Financial Statements*" and IAS 28 – "*Investments in Associates and Joint Ventures*" (IAS 28)

The IASB has also made amendments to existing standards, including IAS 27 and IAS 28. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13.

NOTE 4 First-time Adoption of IFRS

As required by the Canadian Accounting Standards Board (AcSB), the Company adopted IFRS effective April 1, 2011. The Company's transition date was April 1, 2010, and the Company has prepared its IFRS opening consolidated statement of financial position as at that date. These consolidated financial statements have been prepared in accordance with the accounting policies described in Note 5.

For all periods up to and including the year ended March 31, 2011, the Company's financial statements conformed to CGAAP. Consequently, the Company has prepared for the first time its annual consolidated financial statements in accordance with IFRS for the year ended March 31, 2012.

The Company followed the provisions of IFRS 1, "*First-time Adoption of IFRS*" (IFRS 1), in preparing its opening IFRS consolidated statement of financial position as of the transition date. There are certain differences between the accounting policies of CGAAP and IFRS related to the accounting for transactions or events before the date of transition to IFRS, resulting in adjustments that would impact the opening IFRS statement of financial position. As required by IFRS 1, these adjustments are recognized directly through retained earnings as of April 1, 2010. Generally, IFRS is to be applied retrospectively with some mandatory exceptions and other exemptions permitted by IFRS 1.

The accompanying note disclosure provides details on the principal adjustments made by the Company in restating its CGAAP statements of financial position as at April 1, 2010 and March 31, 2011 and its net income and comprehensive income for the year ended March 31, 2011.

EXEMPTIONS APPLIED

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain IFRS, effective for the year ended March 31, 2012. The Company has applied the following exemptions to its opening consolidated statement of financial position dated April 1, 2010:

- Business combinations – IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3, "*Business Combinations*" (IFRS 3), retrospectively to business combinations that occurred before the transition date. IFRS 3 was applied for the acquisition of Genuity Capital Markets (Genuity) and The Balloch Group Limited (TBG), which took place during the year ended March 31, 2011. Consequently, IFRS 3 has been applied for all business combinations subsequent to April 1, 2010. This exemption is elected for all acquisitions that occurred prior to April 1, 2010.
- Cumulative translation differences – IFRS 1 permits a first-time adopter to not comply with the requirements of IAS 21, "*The Effects of Changes in Foreign Exchange Rates*" (IAS 21), for cumulative translation differences that existed at the date of transition to IFRS. The Company has chosen to apply this election and has reset to zero the cumulative translation difference and adjusted retained earnings by the same amount at the date of the transition to IFRS.
- Share-based compensation – IFRS 2, "*Share-based payments*" (IFRS 2), has not been applied to share-based payments granted prior to November 7, 2002 or to share-based payments granted subsequent to November 7, 2002 that vested before April 1, 2010.
- Leases – IFRS 1 permits a first-time adopter the option to determine whether an arrangement existing at the date of transition to IFRS contains a lease on the basis of facts and circumstances existing at that date. The Company has elected to use the information at the transition date in determining whether an arrangement contains a lease. This election did not affect the accounting for any of the Company's leases.

ESTIMATES

The estimates at the transition date are consistent with those made previously in accordance with CGAAP, except where necessary to reflect any differences in accounting policies.

COMPANY RECONCILIATION OF FINANCIAL POSITION AS AT APRIL 1, 2010

	CGAAP	Share-based payments	Foreign exchange translation	Financial instruments	Provisions	Income taxes	IFRS
Notes		A	B	C	D	E	
ASSETS							
Current							
Cash and cash equivalents	$ 731,852	$ —	$ —	$ —	$ —	$ —	$ 731,852
Securities owned	362,755	—	—	—	—	—	362,755
Accounts receivable	1,972,924	—	—	—	—	—	1,972,924
Future income taxes	13,190	—	—	—	—	(13,190)	—
Total current assets	3,080,721	—	—	—	—	(13,190)	3,067,531
Deferred tax assets	—	—	—	—	—	12,946	12,946
Investment	5,000	—	—	1,732	—	—	6,732
Equipment and leasehold improvements	38,127	—	—	—	—	—	38,127
	$ 3,123,848	$ —	$ —	$ 1,732	$ —	$ (244)	$ 3,125,336
LIABILITIES AND SHAREHOLDERS' EQUITY							
Current							
Bank indebtedness	$ 29,435	$ —	$ —	$ —	$ —	$ —	$ 29,435
Securities sold short	364,137	—	—	—	—	—	364,137
Accounts payable and accrued liabilities	2,308,146	—	—	—	(4,991)	—	2,303,155
Provisions	—	—	—	—	4,991	—	4,991
Income taxes payable	5,385	—	—	—	—	—	5,385
Subordinated debt	15,000	—	—	—	—	—	15,000
Total current liabilities	2,722,103	—	—	—	—	—	2,722,103
Shareholders' equity							
Common shares	185,691	—	—	—	—	—	185,691
Contributed surplus	57,351	752	—	—	—	—	58,103
Retained earnings	194,007	(752)	(35,304)	—	—	187	158,138
Accumulated other comprehensive income (loss)	(35,304)	—	35,304	1,732	—	(431)	1,301
Total shareholders' equity	401,745	—	—	1,732	—	(244)	403,233
	$ 3,123,848	$ —	$ —	$ 1,732	$ —	$ (244)	$ 3,125,336

COMPANY RECONCILIATION OF FINANCIAL POSITION AS AT MARCH 31, 2011

	CGAAP	Share-based payments	Foreign exchange translation	Financial instruments	Provisions	Income taxes	IFRS
Notes		A	B	C	D	E	
ASSETS							
Current							
Cash and cash equivalents	$ 954,068	$ —	$ —	$ —	$ —	$ —	$ 954,068
Securities owned	947,185	—	—	—	—	—	947,185
Accounts receivable	2,828,812	—	—	—	—	—	2,828,812
Future income taxes	15,309	—	—	—	—	(15,309)	—
Total current assets	4,745,374	—	—	—	—	(15,309)	4,730,065
Deferred tax assets	—	—	—	—	—	1,503	1,503
Investment	5,000	—	—	934	—	—	5,934
Equipment and leasehold improvements	40,818	—	—	—	—	—	40,818
Intangible assets	73,923	—	—	—	—	—	73,923
Goodwill	245,257	—	—	—	—	—	245,257
	$ 5,110,372	$ —	$ —	$ 934	$ —	$ (13,806)	$ 5,097,500
LIABILITIES AND SHAREHOLDERS' EQUITY							
Current							
Bank indebtedness	$ 13,580	$ —	$ —	$ —	$ —	$ —	$ 13,580
Securities sold short	722,613	—	—	—	—	—	722,613
Accounts payable and accrued liabilities	3,557,275	—	—	—	(6,151)	—	3,551,124
Provisions	—	—	—	—	6,151	—	6,151
Income taxes payable	23,977	—	—	—	—	—	23,977
Subordinated debt	15,000	—	—	—	—	—	15,000
Total current liabilities	4,332,445	—	—	—	—	—	4,332,445
Deferred tax liabilities	21,404	—	—	—	—	(13,241)	8,163
	4,353,849	—	—	—	—	(13,241)	4,340,608
Shareholders' equity							
Common shares	467,050	—	—	—	—	—	467,050
Contributed surplus	53,441	(1,274)	—	—	—	—	52,167
Retained earnings	273,007	1,274	(35,304)	—	—	(330)	238,647
Accumulated other comprehensive income (loss)	(36,975)	—	35,304	934	—	(235)	(972)
Total shareholders' equity	756,523	—	—	934	—	(565)	756,892
	$ 5,110,372	$ —	$ —	$ 934	$ —	$ (13,806)	$ 5,097,500

RECONCILIATIONS OF NET INCOME AND COMPREHENSIVE INCOME AS REPORTED UNDER CGAAP TO IFRS

The following is a reconciliation of the Company's net income and comprehensive income reported in accordance with CGAAP to its net income and comprehensive income in accordance with IFRS for the year ended March 31, 2011:

		Year ended March 31, 2011		
	Notes	CGAAP	Effect of transition	IFRS
REVENUE				
Commission		$ 294,650	$ —	$ 294,650
Investment banking		327,499	—	327,499
Advisory fees		84,914	—	84,914
Principal trading		43,644	—	43,644
Interest		24,040	—	24,040
Other		28,884	—	28,884
		803,631	—	803,631
EXPENSES				
Incentive compensation	A	391,050	(2,004)	389,046
Salaries and benefits		64,420	—	64,420
Trading costs		31,507	—	31,507
Premises and equipment		27,158	—	27,158
Communication and technology		25,466	—	25,466
Interest		7,811	—	7,811
General and administrative		67,882	—	67,882
Amortization		12,742	—	12,742
Development costs	A	22,409	(22)	22,387
Acquisition-related costs		12,740	—	12,740
		663,185	(2,026)	661,159
Income before income taxes		140,446	—	142,472
Income taxes (recovery)				
Current		41,437	841	42,278
Deferred	E	775	(324)	451
		42,212	517	42,729
Net Income		$ 98,234	$ 1,509	$ 99,743
Other comprehensive income (loss), net of taxes		$ (1,671)	$ —	$ (1,671)
Net unrealized losses on available for sale assets, before tax	C	—	(798)	(798)
Income tax recovery relating to net unrealized losses on available for sale assets	E	—	196	196
Comprehensive income		$ 96,563	$ 907	$ 97,470

Notes to the reconciliation of financial position as at April 1, 2010 and March 31, 2011 and reconciliations of net income and comprehensive income for the year ended March 31, 2011

A. Share-based payments

Under CGAAP, the Company had the option to recognize forfeitures of share-based payments as they occurred or estimate a forfeiture rate at inception. The Company's former accounting policy was to recognize forfeitures as they occurred. Under IFRS, a forfeiture rate must be estimated upon inception. As a result of the transition, the Company determined a forfeiture rate based on historical data and calculated the impact on the amortization of all share-based payments.

CGAAP permitted share-based payments to be amortized using either a straight-line or graded amortization basis for awards that vest on a graded basis. Graded amortization is required under IFRS for these awards.

B. Foreign exchange translation

The Company has chosen to apply the election to not comply with the requirements of IAS 21, "*The Effects of Changes in Foreign Exchange Rates*", for cumulative translation differences that existed at the date of transition to IFRS. As a result, the Company has eliminated the cumulative translation difference of $35.3 million and adjusted retained earnings by the same amount at the date of transition to IFRS.

C. Financial instruments

Financial assets with no quoted market price that are classified as available for sale are carried at cost under CGAAP. However, under IFRS, financial assets with no quoted market price that are classified as available for sale are carried at fair value unless fair value is not reliably measurable. Under CGAAP, the Company's investment in an Alternative Alpha Trading System is designated as available for sale and is carried at cost. Under IFRS, the investment should be recorded at fair value unless the fair value cannot be reliably measured, and any unrealized gains and losses should be recorded through other comprehensive income. Management has determined that a reliable fair value measurement can be made, and the fair value adjustment has been recognized accordingly.

D. Provisions

Under CGAAP, the Company accrued amounts related to contingent liabilities, which are included in accounts payable and accrued liabilities, in accordance with applicable recognition criteria. These amounts would be considered as provisions under IFRS and need to be disclosed separately on the face of the consolidated statements of financial position. IFRS also requires the provision to be distinguished between current and non-current. The recognition criteria are also different between CGAAP and IFRS. Under CGAAP, an entity is required to recognize contingent liabilities when it is probable that an outflow of economic resources will be required to settle the obligation. Under IFRS, a provision also has to be recognized when it is probable that the outflow of economic resources will be required to settle the obligation; however, under IFRS, probable is defined as more likely than not, which is a lower recognition threshold than under CGAAP.

E. Income taxes

There are no identified material differences in the methodology of the calculation of provisions for current and deferred taxes; the various transitional adjustments described above result in adjustments to the book values of the corresponding accounts, leading to adjusted temporary differences. Upon transition to IFRS, the Company recalculated the deferred tax liability based on revised balances using a tax rate of 24.9%. In addition, in accordance with IFRS, deferred tax is to be classified as non-current, while this was classified as current or non-current based on the nature of the temporary differences under CGAAP.

Under IFRS, deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities, and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

F. Material adjustments to the statement of cash flows

There is no significant impact on the presentation of the Company's consolidated statement of cash flows for the year ended March 31, 2011. Adjustments include the effects on comprehensive income and non-cash operating items as a result of the transition adjustments described above.

NOTE 5 Summary of Significant Accounting Policies

BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the fair value of assets given, liabilities incurred or assumed, and equity instruments issued by the Company, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Company elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the fair value of the acquiree's identifiable net assets. The proportionate share method was selected for the acquisition of the 50% interest in Canaccord BGF. Acquisition costs are expensed as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3, "*Business Combinations*", are recognized at their fair value at the acquisition date except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5, "*Non-current Assets Held for Sale and Discontinued Operations*", which are recognized and measured at fair value less cost to sell.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date at the best estimate of such amount. Subsequent changes in the fair value of the contingent consideration that are deemed to be a liability will be recognized in the statements of operations.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the consideration transferred over the fair value of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the statements of operations.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in each of the business combinations is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the corresponding combinations, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS AND FOREIGN SUBSIDIARIES

The Company's consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency. Each subsidiary of the Company determines its own functional currency, and items included in the financial statements of each subsidiary are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Company and its subsidiaries in their respective functional currencies using exchange rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated by the Company and its subsidiaries into their respective functional currencies at the exchange rate in effect at the reporting date. All differences upon translation are recognized in the consolidated statements of operations.

Non-monetary assets and liabilities denominated in foreign currencies are translated by the Company and its subsidiaries into their respective functional currencies at historical rates. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates in effect at the date when the fair value is determined.

Translation of foreign subsidiaries

Assets and liabilities of foreign subsidiaries with a functional currency other than the Canadian dollar are translated into Canadian dollars at rates prevailing at the reporting date, and income and expenses are translated at average exchange rates prevailing during the period. Unrealized gains or losses arising as a result of the translation of the foreign subsidiaries are recorded in accumulated other comprehensive income (loss). On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the consolidated statements of operations.

GOODWILL

Goodwill represents the excess of the purchase price paid for the acquisition of subsidiaries over the fair value of the identifiable net tangible and intangible assets acquired. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses.

INTANGIBLE ASSETS

Identifiable intangible assets acquired separately are measured on initial recognition at cost. The cost of identifiable intangible assets acquired in a business combination is equal to their fair value as at the date of acquisition.

Following initial recognition, identifiable intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The amortization of intangible assets is recognized in the consolidated statements of operations as part of amortization expense.

The useful lives of identifiable intangible assets are assessed to be either finite or indefinite. Identifiable intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the identifiable intangible asset may be impaired. The amortization period and the amortization method for an identifiable intangible asset are reviewed at least annually, at each financial year end.

Identifiable intangible assets purchased through the acquisition of Genuity, the 50% interest in BGF, and CSHP are brand names, customer relationships, sales backlogs, technology, trading licences and non-competition agreements, which have finite lives and are amortized on a straight-line basis over their estimated useful lives. The estimated amortization periods of these amortizable intangible assets are as follows:

	Genuity	BGF	CSHP
Brand names	indefinite	1 year	1 year
Customer relationships	11 years	5 years	8 to 24 years
Sales backlogs	0.4 years	1 year	1 year
Non-competition	5 years	10 years	n/a
Trading licences	n/a	indefinite	n/a
Technology	n/a	n/a	3 years

Trading licences acquired through the acquisition of the 50% interest in BGF are considered to have an indefinite life as they are expected to provide benefit to the Company over a continuous period. Branding acquired through the acquisition of Genuity is considered to have an indefinite life, as it will provide benefit to the Company over a continuous period.

Identifiable intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually.

IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business acquisition is allocated to each of the Company's cash-generating units that are expected to benefit from the acquisition. Goodwill is assessed for impairment annually or more frequently if events or circumstances suggest that there may be impairment. A write-down is recognized if the recoverable amount of the cash-generating unit, determined as the greater of the estimated fair value less costs to sell or value-in-use, is less than the carrying value. Any impairment of goodwill is expensed in the period in which the impairment is identified. Impairment losses relating to goodwill are not reversed if there is a subsequent recovery in value of the cash-generating unit.

Intangible assets with indefinite lives are not amortized but are assessed for impairment annually or more frequently if events or changes in circumstances indicate that there may be impairment. Indefinite life intangible assets are tested for impairment by comparing the recoverable amounts of the cash-generating units to which they have been allocated to the carrying values of that cash-generating unit. An impairment loss is recognized when the carrying amount of the cash-generating unit exceeds its recoverable amount. In estimating the recoverable amount of the cash-generating unit, the Company uses a value-in-use approach based on the projected discounted cash flows to be derived from these assets.

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.

FINANCIAL INSTRUMENTS

The Company classifies financial instruments into one of the following categories according to IAS 39, "*Financial Instruments – Recognition and Measurement*" (IAS 39): fair value through profit and loss, held to maturity, loans and receivables, available for sale assets and other financial liabilities. The Company determines its classification of financial instruments at initial recognition.

[i] Financial assets

Initial recognition and measurement
Financial assets are recognized when the entity becomes a party to the contractual provisions of the instrument. For financial assets, trade date accounting is applied, the trade date being the date at which the company commits itself to either the purchase or sale of the asset.

Financial assets held for trading are initially measured at fair value. Transaction costs related to financial instruments classified as held for trading are recognized through net income when incurred. Transaction costs for all financial instruments other than those classified as held for trading are included in the costs of the assets.

Classification and subsequent measurement
Financial assets classified as fair value through profit and loss
Financial assets classified as fair value through profit and loss include financial assets held for trading and financial assets designated upon initial recognition as fair value through profit or loss. Financial assets purchased for trading activities are classified as held for trading and are measured at fair value, with unrealized gains and losses recognized in net income. In addition, provided that the fair value can be reliably determined, IAS 39 permits an entity to designate any financial instrument as fair value through profit and loss on initial recognition or adoption of this standard even if that instrument would not otherwise meet the definition of fair value through profit and loss as specified in IAS 39. The Company did not designate any financial assets upon initial recognition as fair value through profit and loss. The Company's financial assets classified as held for trading include cash and cash equivalents, and securities owned, including derivative financial instruments.

The Company periodically evaluates the classification of its financial assets as held for trading based on whether the intent to sell the financial assets in the near term is still appropriate. If the Company is unable to trade these financial assets due to inactive markets or if management's intent to sell them in the foreseeable future significantly changes, the Company may elect to reclassify these financial assets in rare circumstances.

Financial assets classified as available for sale
Available for sale assets are generally measured at fair value, with subsequent changes in fair value recorded in other comprehensive income, net of tax, until the assets are sold or impaired, at which time the difference is recognized in net income for the year. Investment in equity instruments classified as available for sale that do not have a quoted market price in an active market are measured at fair value unless fair value is not reliably measurable. The Company's investments in Alternative Alpha Trading System and Euroclear are classified as available for sale and measured at their estimated fair value.

Financial assets classified as loans and receivables and held to maturity
Financial assets classified as loans and receivables and held to maturity are measured at amortized cost. Amortized cost is calculated as the amount at which the financial asset is measured at initial recognition less principal repayment and impairment, and includes amortization of any discount or premium on acquisition. The Company classifies accounts receivable as loans and receivables.

Impairment of financial assets
The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of debt or equity securities classified as available for sale or held to maturity, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is recognized in the statements of operations and is measured as the difference between the carrying value and the fair value.

[ii] Financial liabilities

Initial recognition and measurement
All financial liabilities are recognized initially at fair value less, in the case of other financial liabilities, directly attributable transaction costs, and classified as either fair value through profit and loss or other financial liabilities.

Classification and subsequent measurement
Financial liabilities classified as fair value through profit and loss
Financial liabilities classified as fair value through profit and loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit and loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on liabilities held for trading are recognized in the

statements of operations. The Company has not designated any financial liabilities as fair value through profit and loss that would not otherwise meet the definition of fair value through profit and loss upon initial recognition. Bank indebtedness, securities sold short and derivative financial instruments are classified as held for trading and recognized at fair value.

Financial liabilities classified as other financial liabilities
After initial recognition, financial liabilities classified as other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statements of operations through the effective interest rate method of amortization. Other financial liabilities include accounts payable and accrued liabilities, short term credit facility, provisions, and subordinated debt. The carrying value of other financial liabilities approximates their fair value.

[iii] Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

[iv] Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by referencing quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate and reliable valuation techniques. Such techniques may include recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models. Valuation techniques may require the use of estimates or management assumptions if observable market data is not available. When the valuation technique is not considered as reliable, then the financial instrument is measured at cost.

[v] Derivative financial instruments

Derivative financial instruments are financial contracts, the value of which is derived from the value of the underlying assets, interest rates, indices or currency exchange rates.

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

The Company trades in futures contracts, which are agreements to buy or sell standardized amounts of government bonds at a predetermined future date and price, in accordance with terms specified by a regulated futures exchange, and subject to daily cash margining. The Company trades in futures in an attempt to mitigate interest rate risk, yield curve risk, and liquidity risk.

SECURITIES OWNED AND SOLD SHORT

Securities owned and sold short are recorded at fair value based on quoted market prices in an active market or a valuation model if no market prices are available. Unrealized gains and losses are reflected in income. Certain securities owned have been pledged as collateral for securities borrowing transactions. Securities owned and sold short are classified as held-for-trading financial instruments.

SECURITIES LENDING AND BORROWING

The Company employs securities lending and borrowing activities to primarily facilitate the securities settlement process. These arrangements are typically short term in nature, with interest being received when cash is delivered and interest being paid when cash is received. Securities borrowed and securities loaned are carried at the amounts of cash collateral delivered and received in connection with the transactions. Securities borrowed transactions require the Company to deposit cash, letters of credit or other collateral with the lender. For securities loaned, the Company receives collateral in the form of cash or other collateral in an amount generally in excess of the market value of the securities loaned. The Company monitors the fair value of the securities loaned and borrowed 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.

Securities purchased under agreements to resell and securities sold under agreements to repurchase represent collateralized financing transactions. The Company receives securities purchased under agreements to resell, makes delivery of securities sold under agreements to repurchase, monitors the market value of these securities on a daily basis and delivers or obtains additional collateral as appropriate.

The Company manages its credit exposure by establishing and monitoring aggregate limits by customer for these transactions. Interest earned on cash collateral is based on a floating rate. At March 31, 2012, the floating rates for equities and bonds ranged from 0.00% to 0.68% [March 31, 2011 – 0.00% to 0.67%; April 1, 2010 – 0.00% to 0.049%].

REVENUE RECOGNITION

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The Company assesses its revenue arrangements in order to determine if it is acting as principal or agent.

Commission revenue consists of revenue generated through commission-based brokerage services, recognized on a trade date basis, and the sale of fee-based products and services, recognized on an accrual basis. Realized and unrealized gains and losses on securities purchased for client-related transactions are reported as net facilitation losses and recorded as a reduction of commission revenues. Facilitation losses for the year ended March 31, 2012 were $28.1 million [March 31, 2011 – $28.3 million].

Investment banking revenue consists of underwriting fees and commissions earned on corporate finance activities. Revenue from underwritings and other corporate finance activities is recorded when the underlying transaction is substantially completed under the engagement terms and the related revenue is reasonably determinable.

Advisory fees consist of management and advisory fees that are recognized on an accrual basis. Also included in advisory fees is revenue from mergers and acquisitions activities, which is recognized when the underlying transaction is substantially completed under the engagement terms and the related revenue is reasonably determinable.

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

Interest revenue consists of interest earned on client margin accounts, interest earned on the Company's cash and cash equivalents balances, interest earned on cash delivered in support of securities borrowing activity, and dividends earned on securities owned. Interest revenue is recognized on an effective interest rate basis. Dividend income is recognized when the right to receive payment is established.

Other revenue includes foreign exchange gains or losses, revenue earned from our correspondent brokerage services and administrative fees revenues.

EQUIPMENT AND LEASEHOLD IMPROVEMENTS

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

Computer equipment	33% declining balance basis
Furniture and equipment	10% to 20% declining balance basis
Leasehold improvements	Straight-line over the term of the respective leases

An item of property, plant and equipment, and any specific part initially recognized, is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of operations when the asset is derecognized.

The assets' residual values, useful lives and method of amortization are reviewed at each financial year end, and are adjusted prospectively where appropriate.

INCOME TAXES

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred taxes are accounted for using the liability method. This method requires that deferred taxes reflect the expected deferred tax effect of temporary differences at the reporting date between the carrying amounts of assets and liabilities for financial statement purposes and their tax bases.

Deferred tax liabilities are recognized for all taxable temporary differences, except for taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses, can be utilized. The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is charged or credited in the statements of operations except where it relates to items that may be credited directly to equity, in which case the deferred tax is recognized directly against equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Sales tax

Revenues, expenses and assets are recognized net of the amount of sales tax, except where the amount of sales tax incurred is not recoverable from the tax authority. In these circumstances, sales tax is recognized as part of the cost of acquisition of the asset or as part of an item of the expense. The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of accounts receivable or accounts payable in the statements of financial position.

TREASURY SHARES

The Company's own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. This includes shares held in our long-term incentive plan and unvested share purchase loans. No gain or loss is recognized in the statements of operations in the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in contributed surplus. Voting rights related to treasury shares are nullified for the Company and no dividends are allocated to them.

EARNINGS PER COMMON SHARE

Basic earnings per common share is computed by dividing the net income available to common shareholders for the period by the weighted average number of common shares outstanding. Diluted earnings per common share reflects the dilutive effect of unvested share purchase loans, share issuance commitments in connection with share-based payment plans, unvested shares purchased by the employee benefit trust and share issuance commitments in connection with the long-term incentive plan based on the treasury stock method. The treasury stock method determines the number of incremental common shares by assuming that the number of shares the Company has granted to employees has been issued.

SHARE-BASED PAYMENTS

Employees (including senior executives and directors) of the Company receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions). Independent directors also receive deferred share units (DSUs) as part of their remuneration, which can only be settled in cash (cash-settled transactions). The dilutive effect of outstanding options and share-based payments is reflected as additional share dilution in the computation of diluted earnings per common share.

Equity-settled transactions

For equity-settled transactions, the Company measures the fair value of share-based awards as of the grant date and recognizes the cost as an expense over the applicable vesting period with a corresponding increase in contributed surplus. The cost is recognized on a graded basis.

The Company estimates the number of equity instruments that will ultimately vest when calculating the amortization expense. No expense is recognized for awards that do not ultimately vest.

When share-based awards vest, contributed surplus is reduced by the applicable amount and share capital is increased by the same amount.

Cash-settled transactions

The cost of cash-settled transactions is measured initially at fair value at the grant date. The fair values of DSUs are expensed upon grant, as there are no vesting conditions [Note 18]. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognized through the statements of operations.

PROVISIONS

Provisions are recognized when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the statements of operations net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Legal provisions

Legal provisions are recognized when it is probable that the Company will be liable for the future obligation as a result of a past event related to legal settlements or litigations.

Restructuring provisions

Restructuring provisions are only recognized when the recognition criteria for provisions are fulfilled. In order for the recognition criteria to be met, the Company needs to have in place a detailed formal plan about the business or part of the business concerned, the location and number of employees affected, a detailed estimate of associated costs and an appropriate timeline. In addition, either the personnel affected must have a valid expectation that the restructuring is being carried out or the implementation must have been initiated. The restructuring provision recognized includes staff restructuring costs, reorganization expenses and onerous lease provisions.

IMPAIRMENT OF NON-FINANCIAL ASSETS

An impairment exists when the carrying value of an asset exceeds its recoverable amount. The Company assesses at each reporting date whether there is any indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill and indefinite life intangible assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. A previously recognized impairment loss can be reversed up to the lower of its recoverable amount and the carrying amount that would have resulted had no impairment been recognized in prior periods. Any reversal of impairment is recognized in the statements of operations. Impairment losses relating to goodwill cannot be reversed in future periods.

LEASES

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. The Company has assessed its lease arrangements and concluded that the Company only has leases that have the characteristics of an operating lease. An operating lease is a lease that does not transfer substantially all of the risks and benefits and ownership of an asset to the lessee. Operating lease payments are recognized as an expense in the statements of operations on a straight-line basis over the lease term.

BORROWING COSTS

The Company incurs borrowing costs in relation to its investments and broker dealer and client payable balances, the short term credit facility related to the acquisition of CSHP and its subordinated debt. Borrowing costs directly attributable to the acquisition of an asset that takes a substantial period of time to get ready for use are capitalized as part of the cost of the asset.

CLIENT MONEY

The Company's UK operations hold money on behalf of its clients, in accordance with the client money rules of the Financial Services Authority in the United Kingdom. Such money and the corresponding liabilities to clients are not included in the statements of financial position as the Company is not beneficially entitled thereto. The amounts held on behalf of clients at the reporting date are included in Note 22.

COMPARATIVE FINANCIAL STATEMENTS

Certain of the comparative financial statement disclosures have been reclassified to conform to the presentation adopted in the current year.

SEGMENT REPORTING

The Company's segment reporting is based on the following operating segments: Canaccord Genuity, Canaccord Wealth Management and Corporate and Other. The Company's business operations are grouped into the following geographic regions: Canada, the UK and Europe, Other Foreign Locations, and the US.

NOTE 6 Securities Owned and Securities Sold Short

	March 31, 2012		March 31, 2011		April 1, 2010	
	Securities owned	**Securities sold**	Securities owned	Securities sold	Securities owned	Securities sold
Corporate and government debt	**$ 949,517**	**$ 824,466**	$ 816,363	$ 689,509	$ 282,686	$ 342,916
Equities and convertible debentures	**222,471**	**90,183**	130,822	33,104	80,069	21,221
	$ 1,171,988	**$ 914,649**	$ 947,185	$ 722,613	$ 362,755	$ 364,137

As at March 31, 2012, corporate and government debt maturities range from 2012 to 2096 [March 31, 2011 – 2011 to 2060; April 1, 2010 – 2010 to 2060] and bear interest ranging from 0.00% to 13.00% [March 31, 2011 – 0.50% to 14.00%; April 1, 2010 – 0.50% to 14.00%].

NOTE 7 Financial Instruments

In the normal course of business the Company is exposed to credit risk, liquidity risk, and market risk, which includes fair value risk, interest rate risk and foreign exchange risk.

CREDIT RISK

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Credit risk arises from cash and cash equivalents, net receivables from clients and brokers and investment dealers, and other accounts receivable. The maximum exposure of the Company to credit risk before taking into account any collateral held or other credit enhancements is the carrying amount of the financial instruments as disclosed in the consolidated financial statements as at March 31, 2012 and 2011, and April 1, 2010.

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 clients' accounts in accordance with limits established by the applicable regulatory authorities and are subject to the Company's credit review and daily monitoring procedures. Management monitors the collectibility of receivables and estimates an allowance for doubtful accounts. The accounts receivable outstanding are expected to be collectible within one year. The Company has recorded an allowance for doubtful accounts of $13.4 million [March 31, 2011 – $12.0 million; April 1, 2010 – $11.6 million] [Note 8].

The Company is also exposed to the risk that counterparties to transactions will not fulfill their obligations. Counterparties primarily include investment dealers, clearing agencies, banks and other financial institutions. The Company does not rely entirely on ratings assigned by credit rating agencies in evaluating counterparty risk. The Company mitigates credit risk by performing its own due diligence assessments on the counterparties, obtaining and analyzing information regarding the structure of the financial instruments, and keeping current with new innovations in the market. The Company also manages this risk by 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, 2012 and 2011 and April 1, 2010, the Company's most significant counterparty concentrations were 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.

LIQUIDITY RISK

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they become due. The Company's management is responsible for reviewing liquidity resources to ensure funds are readily available to meet its financial obligations as they become due, as well as ensuring adequate funds exist to support business strategies and operational growth. The Company's business requires capital for operating and regulatory purposes. The current assets reflected on the statements of financial position are highly liquid. The majority of the positions held as securities owned are readily marketable and all are recorded at their fair value. Client receivables are generally collateralized by readily marketable securities and are reviewed daily for impairment in value and collectibility. Receivables and payables from brokers and dealers represent the following: current open transactions that generally settle within the normal three-day settlement cycle; collateralized securities borrowed and/or loaned in transactions that can be closed within a few days on demand; and balances on behalf of introducing brokers representing net balances in connection with their client accounts. Additional information regarding the Company's capital structure and capital management objectives is discussed in Note 21.

The following table presents the contractual terms to maturity of the financial liabilities owed by the Company as at March 31, 2012:

Financial liability	Carrying amount	Contractual term to maturity
Bank indebtedness	$ 75,141	Due on demand
Short term credit facility	150,000	Due within six months
Accounts payable and accrued liabilities	3,550,600	Due within one year
Restructuring provisions	26,723	Due within one year
Subordinated debt	15,000	Due on demand(1)

(1) Subject to Investment Industry Regulatory Organization of Canada's approval.

The fair values for the above financial assets and liabilities approximate their carrying values and will be paid within 12 months.

MARKET RISK

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

Fair value risk

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

The following table summarizes the effect on net income as a result of a fair value change in financial instruments as at March 31, 2012. This analysis assumes all other variables remain constant. The methodology used to calculate the fair value sensitivity is consistent with the prior year.

	March 31, 2012			March 31, 2011		
Financial instrument	Carrying value Asset (Liability)	Effect of a 10% increase in fair value on net income	Effect of a 10% decrease in fair value on net income	Carrying value Asset (Liability)	Effect of a 10% increase in fair value on net income	Effect of a 10% decrease in fair value on net income
Equities and convertible debentures owned	$ 222,471	$ 6,541	$ (6,541)	$ 130,822	$ 4,231	$ (4,231)
Equities and convertible debentures sold short	(90,183)	(2,651)	2,651	(33,104)	(1,071)	1,071

The following table summarizes the effect on OCI as a result of a fair value change in the financial instruments classified as available for sale. This analysis assumes all other variables remain constant. The methodology used to calculate the fair value sensitivity is consistent with the prior year.

	March 31, 2012			March 31, 2011		
Financial instrument	Carrying value	Effect of a 10% increase in fair value on other comprehensive income	Effect of a 10% decrease in fair value on other comprehensive income	Carrying value	Effect of a 10% increase in fair value on other comprehensive income	Effect of a 10% decrease in fair value on other comprehensive income
Investments	$ 9,493	$ 507	$ (507)	$ 5,934	$ 317	$ (317)

A fair value hierarchy is presented below that distinguishes the significance of the inputs used in determining the fair value measurements of various financial instruments. The hierarchy contains the following levels: Level 1 uses quoted (unadjusted) prices in active markets for identical assets and liabilities, Level 2 uses other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly, and Level 3 uses techniques with inputs that have a significant effect on the recorded fair value and that are not based on observable market data.

		Estimated fair value		
			March 31, 2012	
	March 31, 2012	Level 1	Level 2	Level 3
Securities owned				
Corporate and government debt	$ 949,517	$ 425,655	$ 520,070	$ 3,792
Equities and convertible debentures	222,471	206,584	6,107	9,780
Securities sold short				
Corporate and government debt	(824,466)	(535,117)	(289,349)	—
Equities and convertible debentures	(90,183)	(89,135)	(1,048)	—
Investments	9,493	—	—	9,493

		Estimated fair value		
	March 31, 2011	Level 1	March 31, 2011 Level 2	Level 3
Securities owned				
Corporate and government debt	$ 816,363	$ 691,195	$ 125,168	$ —
Equities and convertible debentures	130,822	120,914	3,280	6,628
Securities sold short				
Corporate and government debt	(689,509)	(484,357)	(205,152)	—
Equities and convertible debentures	(33,104)	(33,104)	—	—
Investments	5,934	—	—	5,934

		Estimated fair value		
	April 1, 2010	Level 1	April 1, 2010 Level 2	Level 3
Securities owned				
Corporate and government debt	$ 282,686	$ 218,831	$ 63,855	$ —
Equities and convertible debentures	80,069	76,060	674	3,335
Securities sold short				
Corporate and government debt	(342,916)	(298,567)	(44,349)	—
Equities and convertible debentures	(21,221)	(21,221)	—	—
Investments	6,732	—	—	6,732

During the years ended March 31, 2012 and March 31, 2011, there were no transfers between Level 1, 2, and 3 fair value measurements.

Movement in Level 3 Financial Assets

April 1, 2010	$ 10,067
Transfers into Level 3 assets	3,473
Unrealized loss recognized in OCI	(798)
Sales	(180)
March 31, 2011	12,562
Purchase of investment from acquisition of CSHP	3,559
Transfers into Level 3 assets	7,218
Sales	(274)
March 31, 2012	**$ 23,065**

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the fair value or future cash flows of financial instruments held by the Company. The Company incurs interest rate risk on its cash and cash equivalent balances, bank indebtedness, short term credit facility, fixed income portion of securities owned and securities sold short, net clients' balances, and net brokers' and investment dealers' balances, as well as its subordinated debt. The Company attempts to minimize and monitor its exposure to interest rate risk through quantitative analysis of its net positions of fixed income securities, clients' balances, securities lending and borrowing activities, and short term borrowings. The Company also trades in futures in an attempt to mitigate interest rate risk. Futures are included in marketable securities owned, net of marketable securities sold short, for the purpose of calculating interest rate sensitivity.

All cash and cash equivalents mature within three months. Net clients' receivable (payable) balances charge (incur) interest based on floating interest rates. Subordinated debt bears interest at a rate of prime plus 4%, payable monthly. The short term credit facility bears interest based on a prime-linked rate payable monthly.

The following table provides the effect on net income (loss) for the years ended March 31, 2012 and 2011 if interest rates had increased or decreased by 100 basis points applied to balances as of March 31, 2012 and 2011. Fluctuations in interest rates do not have an effect on OCI. This sensitivity analysis assumes all other variables are constant. The methodology used to calculate the interest rate sensitivity is consistent with the prior year.

	March 31, 2012			March 31, 2011		
	Carrying value	Net income effect of a 100 bps increase in interest rates	Net income effect of a 100 bps decrease in interest rates[1]	Carrying value	Net income effect of a 100 bps increase in interest rates	Net income effect of a 100 bps decrease in interest rates[1]
Cash and cash equivalents, net of bank indebtedness	$ 739,097	$ 3,953	$ (4,038)	$ 940,488	$ 5,529	$ (5,538)
Marketable securities owned, net of marketable securities sold short	257,339	(132)	691	224,572	746	(746)
Short term credit facility	(150,000)	(401)	401	n/a	n/a	n/a
Clients' payable, net	(688,954)	(3,515)	(2,417)	(852,636)	(5,012)	(4,161)
RRSP cash balances held in trust	535,486	2,864	(2,864)	553,802	3,256	(3,256)
Brokers' and investment dealers' payable, net	(124,413)	(1,224)	7	(223,596)	(1,293)	65
Subordinated debt	(15,000)	(80)	80	(15,000)	(88)	88

(1) Subject to a floor of zero.

Foreign exchange risk

Foreign exchange risk arises from the possibility that changes in the price of foreign currencies will result in losses. The Company's primary foreign exchange risk results from its investment in its US, Australia, and UK and Europe subsidiaries. These subsidiaries are translated using the foreign exchange rate at the reporting date. Any fluctuation in the Canadian dollar against the US dollar, the pound sterling, or the Australian dollar will result in a change in the unrealized gains (losses) on translation of foreign operations recognized in accumulated other comprehensive income (losses).

All of the subsidiaries may also hold financial instruments in currencies other than their functional currency; therefore, any fluctuations in foreign exchange rates will impact foreign exchange gains or losses.

The following table summarizes the effects on net income (loss) and OCI as a result of a 10% change in the value of the foreign currencies where there is significant exposure. The analysis assumes all other variables remain constant. The methodology used to calculate the foreign exchange rate sensitivity is consistent with the prior year.

As at March 31, 2012:

Currency	Effect of a 5% appreciation in foreign exchange rate on net income	Effect of a 5% depreciation in foreign exchange rate on net income	Effect of a 5% appreciation in foreign exchange rate on OCI	Effect of a 5% depreciation in foreign exchange rate on OCI
US dollar	$ (1,199)	$ 1,199	$ 4,229	$ (4,229)
Pound sterling	(2,461)	2,461	33,310	(33,310)
Australian dollar	nil	nil	4,660	(4,660)

As at March 31, 2011:

Currency	Effect of a 5% appreciation in foreign exchange rate on net income	Effect of a 5% depreciation in foreign exchange rate on net income	Effect of a 5% appreciation in foreign exchange rate on OCI	Effect of a 5% depreciation in foreign exchange rate on OCI
US dollar	$ (1,584)	$ 1,584	$ 4,249	$ (4,249)
Pound sterling	(130)	130	3,567	(3,567)
Australian dollar	n/a	n/a	n/a	n/a

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are financial contracts, the value of which is derived from the value of the underlying assets, interest rates, indices or currency exchange rates. All derivative financial instruments are expected to be settled within six months subsequent to fiscal year end.

Foreign exchange forward contracts

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

Forward contracts outstanding at March 31, 2012:

	Notional amounts (millions of USD)	**Average price (CAD/USD)**	**Maturity**	**Fair value**
To sell US dollars	**$ 13.3**	**$ 1.00**	**April 4, 2012**	**nil**
To buy US dollars	**9.3**	**1.00**	**April 4, 2012**	**nil**

Forward contracts outstanding at March 31, 2011:

	Notional amounts (millions of USD)	Average price (CAD/USD)	Maturity	Fair value
To sell US dollars	$ 5.0	$ 0.98	April 5, 2011	nil
To buy US dollars	25.1	0.97	April 5, 2011	nil

Forward contracts outstanding at April 1, 2010:

	Notional amounts (millions of USD)	Average price (CAD/USD)	Maturity	Fair value
To sell US dollars	$ 8.3	$ 1.02	April 6, 2010	nil
To buy US dollars	17.0	1.02	April 6, 2010	nil

Bond futures

The Company is involved in trading bond futures contracts, which are agreements to buy or sell a standardized amount of an underlying Government of Canada bond, at a predetermined future date and price, in accordance with terms specified by a regulated futures exchange, and are subject to daily cash margining. The Company trades in futures in order to mitigate interest rate risk, yield curve risk, and liquidity risk. The notional amount of futures contracts outstanding at March 31, 2012 was $7.2 million [March 31, 2011 – $0.1 million; April 1, 2010 – $96.9 million].

Credit risk on bond futures is minimal as the counterparty to every futures trade is a clearing corporation, which acts as a third party that matches trade and collects and maintains margin.

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 when cash is delivered and interest being paid when cash is received. These transactions are fully collateralized and are subject to daily margin calls for any deficiency between the market value of the security given and the amount of collateral received. These transactions are collateralized by either cash or securities, including government treasury bills and government bonds, and are reflected within accounts receivable and accounts payable. Interest earned on cash collateral is based on a floating rate. At March 31, 2012 the floating rates ranged from 0.00% to 0.68%, respectively [March 31, 2011 – 0.00% to 0.67%; April 1, 2010 – 0.00% to 0.049%, respectively].

	Cash		Securities	
	Loaned or delivered as collateral	Borrowed or received as collateral	Loaned or delivered as collateral	Borrowed or received as collateral
March 31, 2012	**$ 120,781**	**$ 63,856**	**$ 66,102**	**$ 122,184**
March 31, 2011	117,187	51,364	52,075	119,295
April 1, 2010	135,690	45,575	50,703	140,124

BANK INDEBTEDNESS

The Company enters into call loans or overdraft positions primarily to facilitate the securities settlement process for both client and Company securities transactions. The bank indebtedness is collateralized by either unpaid client securities and/or securities owned by the Company. As at March 31, 2012 the Company had a balance of $75.1 million outstanding [March 31, 2011 – $13.6 million; April 1, 2010 – $29.4 million]. Interest on the bank indebtedness was at a floating rate of 0.64% as at March 31, 2012 [March 31, 2011 – 0.88%; April 1, 2010 – 1.70%].

SHORT TERM CREDIT FACILITY

The Company entered into a $150 million senior secured credit agreement to finance a portion of the cash consideration for its acquisition of CSHP [Note 11]. This credit facility is collateralized by guarantees, securities pledge agreements, or equitable mortgages in the UK over the shares of its material subsidiaries. The balance outstanding as of March 31, 2012 was $150.0 million. This short term credit facility bears a step-up prime-rate linked interest rate (up to +75 basis points) per annum, and the facility must be repaid within 180 days of the initial drawdown on March 21, 2012.

OTHER CREDIT FACILITIES

Subsidiaries of the Company also have other credit facilities with banks in Canada and the UK for an aggregate amount of $650.4 million. These credit facilities, consisting of call loans, letters of credit and daylight overdraft facilities, are collateralized by unpaid client securities and/or securities owned by the Company. As of March 31, 2012, there were no outstanding balances under these other credit facilities.

A subsidiary of the Company has also entered into secured irrevocable standby letters of credit from a financial institution totalling $1.9 million (US$1.9 million) as rent guarantees for its leased premises in Boston and New York. As of March 31, 2012, March 31, 2011 and April 1, 2010, there were no outstanding balances under these standby letters of credit.

NOTE 8 Accounts Receivable and Accounts Payable and Accrued Liabilities

ACCOUNTS RECEIVABLE

	March 31, 2012	March 31, 2011	April 1, 2010
Brokers and investment dealers	**$ 1,839,332**	$ 1,426,005	$ 932,408
Clients	**616,300**	789,896	503,733
RRSP cash balances held in trust	**535,486**	553,802	475,220
Other	**90,522**	59,109	61,563
	$ 3,081,640	$ 2,828,812	$ 1,972,924

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2012	March 31, 2011	April 1, 2010
Brokers and investment dealers	$ 1,963,745	$ 1,649,601	$ 949,595
Clients	1,305,254	1,642,532	1,188,545
Other	281,601	258,991	165,015
	$ 3,550,600	$ 3,551,124	$ 2,303,155

Amounts due from and to brokers and investment dealers include balances from resale and repurchase agreements, securities loaned and borrowed, as well as brokers' and dealers' counterparty balances.

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 the margin regulations of the Investment Industry Regulatory Organization of Canada (IIROC) 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 clients' accounts. Interest on margin loans and on amounts due to clients is based on a floating rate [March 31, 2012 – 6.00% to 6.25% and 0.00% to 0.05%, respectively; March 31, 2011 – 6.00% to 6.25% and 0.00% to 0.05%, respectively; April 1, 2010 – 5.25% to 6.25% and 0.00% to 0.05% respectively].

As at March 31, 2012, the allowance for doubtful accounts was $13.4 million [March 31, 2011 – $12.0 million; April 1, 2010 – $11.6 million]. See below for the movements in the allowance for doubtful accounts:

	Total
At April 1, 2010	$ 11,557
Charge for the year	3,854
Utilized	(3,427)
At March 31, 2011	11,984
Charge for the year	10,036
Recoveries	(6,169)
Utilized	(2,416)
At March 31, 2012	**$ 13,435**

NOTE 9 Investments

	March 31, 2012	March 31, 2011	April 1, 2010
Available for sale	$ 9,493	$ 5,934	$ 6,732

The Company invested $5.0 million in a limited partnership as part of its initiative to operate an Alternative Alpha Trading System. As a result of the acquisition of CSHP, the Company holds an investment in Euroclear, one of the principal clearing houses for securities traded in the Euromarket. These investments are carried at fair value, determined using a market approach.

NOTE 10 Equipment and Leasehold Improvements

	Cost	Accumulated amortization	Net book value
March 31, 2012			
Computer equipment	**$ 9,840**	**$ 3,855**	**$ 5,985**
Furniture and equipment	**28,506**	**16,813**	**11,693**
Leasehold improvements	**68,322**	**34,916**	**33,406**
	$ 106,668	**$ 55,584**	**$ 51,084**
March 31, 2011			
Computer equipment	$ 6,536	$ 5,335	$ 1,201
Furniture and equipment	27,038	16,516	10,522
Leasehold improvements	61,684	32,589	29,095
	$ 95,258	$ 54,440	$ 40,818
April 1, 2010			
Computer equipment	$ 5,550	$ 4,676	$ 874
Furniture and equipment	26,490	16,014	10,476
Leasehold improvements	53,278	26,501	26,777
	$ 85,318	$ 47,191	$ 38,127

	Computer equipment	Furniture and equipment	Leasehold improvements	Total
Cost				
Balance, April 1, 2010	$ 5,550	$ 26,490	$ 53,278	$ 85,318
Additions	650	367	6,041	7,058
Acquisition of a subsidiary	330	312	2,614	3,256
Exchange adjustment	6	(131)	(249)	(374)
Balance, March 31, 2011	6,536	27,038	61,684	95,258
Additions	1,182	1,948	7,483	10,613
Acquisition of a subsidiary	4,841	1,995	4,998	11,834
Disposals	(2,883)	(2,512)	(6,195)	(11,590)
Exchange adjustment	164	37	352	553
Balance, March 31, 2012	**$ 9,840**	**$ 28,506**	**$ 68,322**	**$ 106,668**

	Computer equipment	Furniture and equipment	Leasehold improvements	Total
Accumulated amortization				
Balance, April 1, 2010	$ 4,676	$ 16,014	$ 26,501	$ 47,191
Additions	623	323	6,243	7,189
Disposals	34	243	—	277
Exchange adjustment	2	(64)	(155)	(217)
Balance, March 31, 2011	5,335	16,516	32,589	54,440
Additions	617	2,288	5,325	8,230
Disposals	(2,146)	(2,026)	(3,087)	(7,259)
Exchange adjustment	49	35	89	173
Balance, March 31, 2012	**$ 3,855**	**$ 16,813**	**$ 34,916**	**$ 55,584**

The amount of borrowing costs capitalized during the year ended March 31, 2012 was nil [March 31, 2011 – nil].

NOTE 11 Business Combinations

[i] BGF CAPITAL GROUP PTY LTD

On July 31, 2011, the Company announced that it had signed a definitive agreement to acquire a 50% interest in BGF, a boutique investment bank based in Australia, with offices in Melbourne, Sydney and Hong Kong. The transaction was completed on November 1, 2011 for consideration consisting of 623,796 Canaccord common shares valued at $5.7 million [AUD$5.5 million] and cash of $36.5 million [AUD$34.7 million]. The shares issued were valued at $9.20 per common share based on the closing share price as of November 1, 2011, the closing date of the transaction, in accordance with IFRS 3, "*Business Combinations*". All of the Canaccord common shares issued as part of the purchase price were placed in escrow at closing and will be released ratably over five years. Subsequent to the closing of the transaction, BGF was rebranded as Canaccord BGF.

The purchase agreement grants the Company a call option to purchase the remaining 50% interest in BGF. The option is exercisable by the Company for a three-month period commencing on November 1, 2016 at a price to be determined at that time by reference to Canaccord BGF profits as set out in the purchase agreement. As the option price is expected to approximate fair market value at the time it is exercisable, the value of this call option is nominal.

Total costs expensed related to this transaction were $1.4 million for the year ended March 31, 2012. These costs consist primarily of professional and consulting fees.

The purchase price, determined by the fair value of the consideration given at the date of the acquisition and the fair value of the net assets acquired on the date of the acquisition, was as follows:

Consideration paid

Cash	$	36,497
Common shares issued (623,796 shares @ $9.20 per share)		5,739
	$	42,236

Net assets acquired

Fair value of tangible assets	$	26,798
Non-controlling interests		(19,019)
Identifiable intangible assets		16,205
Deferred tax liability related to identifiable intangible assets		(4,861)
Goodwill		23,113
	$	42,236

The fair value of BGF's net tangible assets was $26.8 million, which included cash of $26.6 million and accounts receivable of $0.6 million. Non-controlling interests of $19.0 million have also been recognized, representing 50% of BGF's net identifiable assets at the acquisition date. Identifiable intangible assets of $16.2 million were recognized and include brand names, customer relationships, sales backlog, non-competition agreements, and trading licences [Note 12]. The goodwill of $23.1 million represents the value of expected synergies arising from the acquisition. Goodwill is not deductible for tax purposes.

In accordance with IAS 27, "*Consolidated and Separate Financial Statements*", the Company has consolidated the operating results of Canaccord BGF and recognized a 50% non-controlling interest, which at the acquisition date represented the portion of Canaccord BGF net identifiable assets not controlled by the Company.

Contributions to revenue and net loss by Canaccord BGF were $3.8 million and $2.0 million since the acquisition date.

[ii] COLLINS STEWART HAWKPOINT PLC

On December 15, 2011, the Company announced that it had made an offer to acquire 100% of CSHP, an independent investment bank based in the UK, with operations in Europe, the US and Singapore. This transaction closed on March 21, 2012. The total purchase consideration of $400.1 million was paid as a combination of cash and Canaccord common shares.

The purchase price, determined by the fair value of the consideration given at the date of the acquisition and the fair value of the net assets acquired on the date of the acquisition, was as follows:

Consideration paid

Cash	$ 230,797
Common shares issued (18,273,812 shares @ $9.01 per share)	164,462
Replacement stock plan awards and other	4,836
	$ 400,095

Net assets acquired

Cash	$ 54,508
Accounts receivable	907,702
Other tangible assets	184,660
Liabilities	(1,005,010)
Identifiable intangible assets	64,183
Deferred tax liability related to identifiable intangible assets	(7,834)
Goodwill	201,886
	$ 400,095

The cash consideration was funded through a combination of borrowing under a short term credit facility, pursuant to a $150 million senior secured credit agreement, and the Company's existing cash resources [Note 7]. Net proceeds from the issuance of Series C Preferred Shares [Notes 15 and 25] of $97 million, which closed on April 10, 2012, were used towards reducing the outstanding borrowings under this short term credit facility.

The fair value of CSHP's net tangible assets was $141.9 million, which included accounts receivable of $908 million. Identifiable intangible assets of $64.2 million were recognized and include brand names, customer relationships, sales backlog, and technology [Note 12]. The goodwill of $201.9 million represents the value of expected synergies arising from the acquisition. Goodwill is not deductible for tax purposes.

The above amounts are estimates, which were made by management at the time of the preparation of these consolidated financial statements based on available information. Amendments may be made to these amounts while values subject to estimates are finalized for a period of up to 12 months subsequent to the close of the acquisition. The preliminary allocation of goodwill to the various cash-generating units may be subject to change.

The aggregate acquisition-related costs incurred by the Company in connection with the acquisition of CSHP are $13.1 million. These costs are mainly comprised of professional and consulting fees. In addition to the acquisition-related costs incurred during the year ended March 31, 2012, the Company also incurred restructuring expenses of $20.8 million in connection with the closing of the acquisition and other expenditures related to the integration of the operations of the common business units of the Company and CSHP.

The Company intends to put in place a £15 million ($24 million) retention plan for key CSHP staff. The Company intends to implement this retention plan by the award of up to 2,036,785 restricted share units under a "CSHP Inducement Plan", which would vest on the third, fourth and fifth anniversaries of the completion of the acquisition, and the award of the balance of the plan as restricted share units under the existing LTIP, which would vest on the first and second anniversaries of the completion of the acquisition.

Contributions to revenue and net loss by CSHP, including restructuring and acquisition-related costs, were $12.0 million and $7.4 million since the acquisition date.

Had CSHP and BGF been consolidated from April 1, 2011, as part of the consolidated statement of operations, the consolidated revenue and net loss would have been approximately $922.7 million [unaudited] and $33.1 million [unaudited], respectively, for the year ended March 31, 2012. These figures represent historical results and are not necessarily indicative of future performance.

NOTE 12 Goodwill and Other Intangible Assets

	Goodwill	Identifiable intangible assets: Brand names	Customer relationships	Sales backlog	Technology	Non-competition	Trading licences	Total
Gross amount								
Balance, April 1, 2010	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Additions – Genuity	242,074	44,930	25,450	1,633	—	7,037	—	79,050
Additions – TBG	3,183	—	—	—	—	—	—	—
Balance, March 31, 2011	245,257	44,930	25,450	1,633	—	7,037	—	79,050
Addition – BGF	23,113	494	7,009	994	—	7,508	200	16,205
Addition – CSHP	201,886	1,181	52,166	4,943	5,893	—	—	64,183
Foreign exchange	2,254	13	626	54	82	(108)	(3)	664
Balance, March 31, 2012	**472,510**	**46,618**	**85,251**	**7,624**	**5,975**	**14,437**	**197**	**160,102**
Accumulated amortization								
Balance, April 1, 2010	—	—	—	—	—	—	—	—
For the year ended March 31, 2011								
Amortization	—	—	(2,172)	(1,633)	—	(1,322)	—	(5,127)
Balance, March 31, 2011	—	—	(2,172)	(1,633)	—	(1,322)	—	(5,127)
For the year ended March 31, 2012								
Amortization	—	(206)	(2,875)	(292)	—	(2,118)	—	(5,491)
Foreign exchange	—	1	8	4	—	13	—	26
Balance, March 31, 2012	**—**	**(205)**	**(5,039)**	**(1,921)**	**—**	**(3,427)**	**—**	**(10,592)**
Net book value								
March 31, 2011	245,257	44,930	23,278	—	—	5,715	—	73,923
March 31, 2012	**472,510**	**46,413**	**80,212**	**5,703**	**5,975**	**11,010**	**197**	**149,510**

IMPAIRMENT TESTING OF GOODWILL AND IDENTIFIABLE INTANGIBLE ASSETS WITH INDEFINITE LIVES

The carrying amounts of goodwill and indefinite life intangible assets acquired through business combinations have been allocated to the cash-generating units as follows:

	Intangible assets with indefinite lives		Goodwill		Total	
	March 31, 2012	March 31, 2011	**March 31, 2012**	March 31, 2011	**March 31, 2012**	March 31, 2011
Canaccord Genuity						
Canada	**$ 44,930**	$ 44,930	**$ 242,074**	$ 242,074	**$ 287,004**	$ 287,004
UK and Europe	**—**	—	**82,969**	—	**82,969**	—
US	**—**	—	**7,169**	—	**7,169**	—
Other Foreign Locations (China)	**—**	—	**3,183**	3,183	**3,183**	3,183
Other Foreign Locations (Australia)	**197**		**22,752**	—	**22,949**	—
Other Foreign Locations (Singapore)	**—**	—	**28,288**	—	**28,288**	—
Canaccord Wealth Management						
UK and Europe	**—**	—	**86,075**	—	**86,075**	—
	$ 45,127	$ 44,930	**$ 472,510**	$ 245,257	**$ 517,637**	$ 290,187

The recoverable amount of the cash-generating units' assets has been determined based on value-in-use calculations, using cash flow projections based, in part, on financial budgets approved by senior management covering a one-year period. There is a material degree of uncertainty with respect to the estimates of the recoverable amounts of the cash-generating units' assets given that they involve making key assumptions about the future. Based on management's best estimates, the value-in-use calculation uses discounted cash flow projections that employ the following key assumptions: future cash flows, growth projections and the weighted average cost of capital.

The cash flow projection's key assumptions are based on the Company's financial forecasts, which span a period of five years. The following rates are used by the Company for each cash-generating unit:

	Canaccord Genuity					
	Canada		Other Foreign Locations (Australia)		Other Foreign Locations (China)	
	March 31, 2012	March 31, 2011	**March 31, 2012**	March 31, 2011	**March 31, 2012**	March 31, 2011
Discount rate	**12.5%**	12%	**14%**	n/a	**20%**	n/a
Compound annual growth rate	**15%**	19%	**32%**	n/a	**16%**	n/a
Terminal growth rate	**3%**	5.0%	**5%**	n/a	**5%**	n/a

In order to determine the value-in-use of each cash-generating unit, the cash flow projections of each cash-generating unit are discounted to their present value using a pre-tax discount rate. The discount rate is based on the specific circumstances of the Company and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account the cost of both debt and equity. The WACC is adjusted for specific risks associated with each cash-generating unit that have not been incorporated into the cash flow forecasts.

Sensitivity testing was conducted as a part of the March 2012 annual impairment test of goodwill and indefinite life intangible assets. The sensitivity testing includes assessing the impact that reasonably possible declines in projected growth rates and increases in the discount rate would have on the recoverable amount of the cash-generating units, with other assumptions being held constant.

The Company's impairment testing has determined that the recoverable amount of the Other Foreign Locations (Australia) cash-generating unit exceeds its recoverable amount by $1.8 million, and consequently, a reasonably possible decline in the projected growth rate or increase in the discount rate may result in an impairment charge in respect of the goodwill and indefinite life intangible assets allocated to this cash-generating unit. An increase of 1 percentage point in the discount rate or a reduction in the compound annual growth rate of 2.5 percentage points may result in a full or partial impairment.

For all other cash-generating units, the Company believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to exceed its recoverable amount.

There was no indication of significant impairment of the goodwill related to the acquisition of CSHP from its acquisition date of March 22, 2012 to March 31, 2012. The ongoing annual impairment test for the goodwill and indefinite life intangible assets for CSHP will be performed by March 31, 2013.

NOTE 13 Income Taxes

The major components of income tax expense are:

	March 31, 2012	March 31, 2011
Consolidated statements of operations		
Current income tax expense		
Current income tax expense	**$ 9,607**	$ 40,288
Adjustments in respect of prior years	**1,436**	1,990
	11,043	42,278
Deferred income tax expense (recovery)		
Origination and reversal of temporary differences	**(6,176)**	144
Impact of change in tax rates	**360**	307
	(5,816)	451
Income tax expense reported in the statements of operations	**$ 5,227**	$ 42,729

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

	March 31, 2012	March 31, 2011
(Loss) income before income taxes	$ (16,119)	$ 142,472
Income taxes at the estimated statutory rate of 25.8% (2011: 27.8%)	(4,165)	39,639
Difference in tax rates in foreign jurisdictions	(1,944)	1,763
Non-deductible items affecting the determination of taxable income	5,690	2,659
Change in accounting and tax base estimate	2,654	3,735
Change in deferred tax asset – reversal period of temporary difference	(1,393)	(600)
Tax losses and other temporary differences not recognized (prior year's losses recognized on utilization)	4,385	(4,467)
Income tax expense reported in the statements of operations	$ 5,227	$ 42,729

The following were the deferred tax liabilities and assets recognized by the Company and movements thereon during the year:

	Consolidated Statements of Financial Position			Consolidated Statements of Operations	
	March 31, 2012	March 31, 2011	April 1, 2010	March 31, 2012	March 31, 2011
Unrealized gain on securities owned	$ (1,150)	$ (2,654)	$ (857)	$ (1,727)	$ 1,797
Legal provisions	1,585	1,488	1,239	(97)	(249)
Unpaid remunerations	883	—	—	512	—
Unamortized capital cost of equipment and leasehold improvements over their net book value	997	48	35	(603)	(13)
Unamortized common share purchase loans	3,362	3,305	3,215	(57)	(90)
Loss carryforwards	8,130	25	—	(3,921)	(25)
Common and preferred shares issuance costs	1,039	116	8	49	173
Long-term incentive plan	9,486	8,148	8,991	1,945	843
Other intangible assets	(28,921)	(18,176)	(321)	(1,829)	(1,581)
Investment in limited partnership	(675)	(679)	(699)	(3)	(20)
Other	1,135	1,719	1,335	(85)	(384)
	$ (4,129)	$ (6,660)	$ 12,946	$ (5,816)	$ 451

Deferred tax assets and liabilities as reflected in the consolidated statements of financial position are as follows:

	March 31, 2012	March 31, 2011	April 1, 2010
Deferred tax assets	$ 3,959	$ 1,503	$ 12,946
Deferred tax liabilities	(8,088)	(8,163)	—
	$ (4,129)	$ (6,660)	$ 12,946

The movement for the year in the net deferred tax position was as follows:

	March 31, 2012	March 31, 2011
Opening balance as of April 1	$ (6,660)	$ 12,946
Tax (expense) recovery during the period recognized in statements of operations	5,816	(451)
Deferred taxes acquired in business combinations	(4,257)	(19,436)
Tax (expense) recovery during the period recognized in shareholders' equity	972	281
	$ (4,129)	$ (6,660)

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and if the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Tax loss carryforwards of $29.7 million in the UK and Europe and $1.9 million in Other Foreign Locations (Australia) have been recognized as a deferred tax asset. The losses in both jurisdictions can be carried forward indefinitely.

At the balance sheet date, the Company has tax loss carryforwards approximating $27.1 million [2011 – $0.6 million] for which a deferred tax asset has not been recognized. These losses relate to subsidiaries outside of Canada that have a history of losses and may not be used to offset taxable income elsewhere in the consolidated group of companies. The subsidiaries have no taxable temporary differences or tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets, as the likelihood of future economic benefit is not sufficiently assured. These losses begin expiring in 2029.

Other temporary differences not recognized as deferred tax assets in relation to subsidiaries outside of Canada amount to $20.5 million at March 31, 2012 [2011 – $6.1 million]. Since the subsidiaries outside of Canada have a history of losses and the deductible temporary differences may not be used to offset taxable income elsewhere in the consolidated group of companies, no asset has been recognized as the likelihood of future economic benefit is not sufficiently assured.

At March 31, 2012, there was no recognized deferred tax liability for taxes that would be payable on the unremitted earnings of certain of the Company's subsidiaries. The Company has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. The temporary differences associated with investments in subsidiaries for which a deferred tax liability has not been recognized are $nil (2011 – $nil).

NOTE 14 Subordinated Debt

	March 31, 2012	March 31, 2011	April 1, 2010
Loan payable, interest payable monthly at prime + 4% per annum, due on demand	$ 15,000	$ 15,000	$ 15,000

The loan payable is subject to a subordination agreement and may only be repaid with the prior approval of the IIROC. As at March 31, 2012 and 2011 and April 1, 2010, the interest rates for the subordinated debt were 7.0%, 7.0%, and 6.25%.

NOTE 15 Preferred Shares

	March 31, 2012		March 31, 2011		April 1, 2010	
	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares
Series A Preferred Shares, issued and outstanding	$ 110,818	4,540,000	$ —	—	$ —	—

On April 15, 2011, the Company's shareholders approved amendments to its articles to alter the authorized capital of the Company by creating an additional class of preferred shares. The Company has an unlimited number of authorized preferred shares without nominal or par value.

[i] SERIES A PREFERRED SHARES

On June 23, 2011, the Company issued 4,000,000 Cumulative 5-Year Rate Reset First Preferred Shares, Series A (Series A Preferred Shares) at a purchase price of $25.00 per share, for gross proceeds of $100 million. On July 7, 2011, the Company closed the over-allotment option and issued an additional 540,000 Series A Preferred Shares at $25.00 per share for gross proceeds of $13.5 million.

The aggregate net amount recognized after deducting issue costs, net of deferred taxes of $1.0 million, was $110.8 million. Quarterly cumulative cash dividends, if declared, will be paid at an annual rate of 5.5% for the initial five-year period ending on September 30, 2016. Thereafter, the dividend rate will be reset every five years at a rate equal to the five-year Government of Canada bond yield plus 3.21%.

Holders of Series A Preferred Shares have the right, at their option, to convert any or all of their shares into an equal number of Cumulative Floating Rate First Preferred Shares, Series B (Series B Preferred Shares), subject to certain conditions, on September 30, 2016 and on September 30 every five years thereafter. Holders of the Series B Preferred Shares will be entitled to receive floating rate, cumulative, preferential dividends payable quarterly, if declared, at a rate equal to the three-month Government of Canada Treasury Bill yield plus 3.21%.

The Company has the option to redeem the Series A Preferred Shares on September 30, 2016 and on September 30 every five years thereafter, in whole or in part, at $25.00 per share together with all declared and unpaid dividends. The Series B Preferred Shares are redeemable at the Company's option on September 30, 2021 and on September 30 every five years thereafter, in whole or in part, at $25.00 per share together with all declared and unpaid dividends.

[ii] SERIES C PREFERRED SHARES

On March 22, 2012, the Company announced that it had agreed to issue 4,000,000 Cumulative 5-Year Rate Reset First Preferred Shares, Series C (Series C Preferred Shares) at a purchase price of $25.00 per share for gross proceeds of $100 million. Quarterly cumulative cash dividends, if declared, will be paid at an annual rate of 5.75% for the initial five-year period ending on September 30, 2016. Thereafter, the dividend rate will be reset every five years at a rate equal to the five-year Government of Canada bond yield plus 4.03%.

Holders of Series C Preferred Shares have the right, at their option, to convert any or all of their shares into an equal number of Cumulative Floating Rate First Preferred Shares, Series D (Series D Preferred Shares), subject to certain conditions, on June 30, 2017 and on June 30 every five years thereafter. Holders of the Series C Preferred Shares will be entitled to receive floating rate, cumulative, preferential dividends payable quarterly, if declared, at a rate equal to the three-month Government of Canada Treasury Bill yield plus 4.03%.

The Company has the option to redeem the Series C Preferred Shares on June 30, 2017 and on June 30 every five years thereafter, in whole or in part, at $25.00 per share together with all declared and unpaid dividends. The Series D Preferred Shares are redeemable at the Company's option on June 30, 2022 and on June 30 every five years thereafter, in whole or in part, at $25.00 per share together with all declared and unpaid dividends.

The offering closed subsequent to fiscal year end on April 10, 2012 [Note 25]. The net amount recognized after deducting issue costs, net of deferred taxes of $1.0 million, was $97.3 million.

NOTE 16 Common Shares

	March 31, 2012		March 31, 2011		April 1, 2010	
	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares
Issued and fully paid	$ 705,293	101,688,721	$ 533,876	82,809,623	$ 254,553	55,571,133
Unvested share purchase loans	(33,152)	(3,209,336)	(36,018)	(4,501,992)	(35,280)	(4,475,468)
Held for LTIP	(48,402)	(4,453,508)	(30,808)	(2,903,991)	(33,582)	(3,201,274)
	$ 623,739	94,025,877	$ 467,050	75,403,640	$ 185,691	47,894,391

[i] AUTHORIZED

Unlimited common shares without par value

[ii] ISSUED AND FULLY PAID

	Number of shares	Amount
Balance, April 1, 2010	55,571,133	$ 254,553
Shares issued in relation to the acquisition of Genuity	26,500,000	271,900
Shares issued in connection with share-based payment plans [note 18]	823,144	7,969
Shares cancelled in connection with share-based payment plans	(84,654)	(546)
Balance, March 31, 2011	82,809,623	533,876
Shares issued in connection with share-based payment plans [note 18]	841,113	7,081
Shares issued in relation to the acquisition of 50% interest in BGF [note 11]	623,796	5,739
Shares issued in relation to the acquisition of CSHP [note 11]	18,273,812	164,462
Shares cancelled related to forfeited escrowed shares	(59,048)	(606)
Shares cancelled in connection with share-based payment plans	(100,075)	(694)
Shares cancelled under the NCIB	(700,500)	(4,565)
Balance, March 31, 2012	**101,688,721**	**$ 705,293**

The Company has filed a notice for a normal course issuer bid (NCIB) to allow for the purchase of up to 2,000,000 of its common shares through the facilities of the TSX from June 13, 2011 to June 12, 2012. The purchase of common shares under the NCIB will enable the Company to acquire shares for cancellation. The shares that may be repurchased represent 2.0% of the Company's outstanding common shares as of March 31, 2012. The Company repurchased 700,500 shares for cash consideration of $5.7 million through the NCIB between June 13, 2011 and March 31, 2012, which were subsequently cancelled.

[iii] COMMON SHARE PURCHASE LOANS

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

[iv] LOSS PER COMMON SHARE

For the year ended	**March 31, 2012**	March 31, 2011
Basic (loss) earnings per common share		
Net (loss) income attributable to CFI shareholders	**$ (20,307)**	$ 99,743
Preferred share dividends	**(4,815)**	—
Net (loss) income attributable to common shareholders	**(25,122)**	99,743
Weighted average number of common shares (number)	**76,715,248**	72,989,655
Basic (loss) earnings per share	**$ (0.33)**	$ 1.37
Diluted (loss) earnings per common share		
Net (loss) income attributable to common shareholders	**(25,122)**	99,743
Weighted average number of common shares (number)	**76,715,248**	72,989,655
Dilutive effect of unvested shares (number)	**3,209,336**	4,501,992
Dilutive effect of share options (number)	**253,075**	481,855
Dilutive effect of unvested shares purchased by the employee benefit trust (number) [note 18]	**3,906,179**	3,334,980
Dilutive effect of share issuance commitment in connection with the LTIP (number) [note 18]	**382,997**	408,136
Dilutive effect of share issuance commitment in connection with Replacement Plans (number) [note 18]	**215,662**	—
Adjusted weighted average number of common shares (number)	**84,682,497**	81,716,618
Diluted (loss) earnings per common share	**$ (0.33)**	$ 1.22

NOTE 17 Dividends

COMMON SHARES DIVIDENDS

The Company declared the following common shares dividends during the year ended March 31, 2012:

Record date	Payment date	Cash dividend per common share	Total dividend amount
June 3, 2011	June 15, 2011	$ 0.10	$ 8,416
August 26, 2011	September 15, 2011	$ 0.10	$ 8,332
December 2, 2011	December 15, 2011	$ 0.10	$ 8,406
March 2, 2012	March 15, 2012	$ 0.10	$ 8,356

On May 22, 2012, the Board of Directors approved a cash dividend of $0.10 per common share payable on June 15, 2012 to common shareholders of record as at June 1, 2012 [Note 25].

PREFERRED SHARES DIVIDENDS

Record date	Payment date	Cash dividend per preferred share	Total dividend amount
September 16, 2011	September 30, 2011	$ 0.37295	$ 1,693
December 16, 2011	January 3, 2012	$ 0.34375	$ 1,561
March 16, 2012	April 2, 2012	$ 0.34375	$ 1,561

On May 22, 2012, the Board also approved a cash dividend of $0.34375 per Series A Preferred Share payable on July 3, 2012 to Series A preferred shareholders of record as at June 15, 2012 [Note 25].

On May 22, 2012, the Board also approved a cash dividend of $0.3190 per Series C Preferred Share payable on July 3, 2012 to Series C preferred shareholders of record as at June 15, 2012 [Note 25].

NOTE 18 Share-based Payment Plans

[i] SHARE OPTIONS

The Company grants share options to purchase common shares of the Company to directors and senior management. Share options to independent directors vest over a four-year period and expire seven years after the grant date or 30 days after the participant ceases to be a director. Share options to senior management vest over a five-year period and expire on the earliest of: (a) seven years from the grant date; (b) three years after death or any other event of termination of employment; (c) after any unvested optioned shares held by the optionee are cancelled for any reason (other than early retirement but including resignation without entering into a formal exit agreement and termination for cause); and (d) in the case of early retirement, after a determination that the optionee has competed with the Company or violated any non-competition, non-solicitation or non-disclosure obligations. The exercise price is based on the fair market value of the common shares at grant date. The weighted average exercise price of the share options was $9.83 at March 31, 2012.

The following is a summary of the Company's share options as at March 31, 2012 and changes during the periods then ended:

	Number of options	Weighted average exercise price ($)
Balance, April 1, 2010	2,449,993	$ 9.91
Granted	150,000	8.39
Exercised	(58,659)	9.47
Balance, March 31, 2011	2,541,334	9.82
Granted	—	—
Exercised	(58,659)	(9.47)
Balance, March 31, 2012	**2,482,675**	**$ 9.83**

The following table summarizes the share options outstanding as at March 31, 2012:

	Options outstanding			Options exercisable	
Range of exercise price ($)	Number of common shares	Weighted average remaining contractual life	Weighted average exercise price ($)	Number of options exercisable	Weighted average exercise price ($)
23.13	100,000	2.12 years	$ 23.13	100,000	$ 23.13
7.21–9.48	2,382,675	4.39 years	9.27	501,011	8.81
7.21–23.13	**2,482,675**	**4.30 years**	**$ 9.83**	**601,011**	**$ 11.19**

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

[ii] LONG-TERM INCENTIVE PLAN

Under the LTIP, eligible participants are awarded restricted share units (RSUs), which generally vest over three years. For employees in Canada, an employee benefit trust (the Trust) has been established and either (a) the Company will fund the Trust with cash, which will be used by the trustee to purchase on the open market common shares of the Company that will be held in trust by the trustee until the RSUs vest or (b) the Company will issue common shares from treasury to participants following vesting of the RSUs. For employees in the US and the UK, the Company will allot common shares at the time of each RSU award, and these shares will be issued from treasury at the time they vest for each participant.

There were 4,275,476 RSUs [year ended March 31, 2011 – 2,713,726 RSUs] granted in lieu of cash compensation to employees during the year ended March 31, 2012. The Trust purchased 3,168,265 [year ended March 31, 2011 – 1,695,553] number of common shares for the year ended March 31, 2012.

The fair value of the RSUs at the measurement date is based on the volume weighted average price at the grant date and is amortized on a graded basis over the vesting period of three years. The weighted average fair value of RSUs granted during the year ended March 31, 2012 was $11.07 [year ended March 31, 2011 – $9.77].

	Number
Awards outstanding, April 1, 2010	5,317,945
Grants	2,713,726
Vested	(2,680,631)
Forfeited	(95,212)
Awards outstanding, March 31, 2011	5,255,828
Grants	4,275,476
Vested	(2,401,202)
Forfeited	(61,785)
Awards outstanding, March 31, 2012	**7,068,317**

	Number
Common shares held by the Trust, April 1, 2010	3,201,274
Acquired	1,695,553
Released on vesting	(1,992,836)
Common shares held by the Trust, March 31, 2011	2,903,991
Acquired	3,168,265
Released on vesting	(1,618,748)
Common shares held by the Trust, March 31, 2012	**4,453,508**

[iii] FORGIVABLE COMMON SHARE PURCHASE LOANS

The Company provides loans to certain employees for the purpose of partially funding the purchase of shares of the Company and increasing share ownership by the employees. These loans are generally forgiven over a three- to five-year period from the initial advance of the loan or at the end of that three- to five-year period [see Note 16 [iii]].

[iv] DEFERRED SHARE UNITS

Beginning April 1, 2011, the Company adopted a DSU plan for its independent directors. Independent directors must elect annually as to how they wish their directors' fees to be paid and can specify the allocation of their directors' fees between DSUs and cash. When a director leaves the Board of Directors, outstanding DSUs are paid out in cash, with the amount equal to the number of DSUs granted multiplied by the closing share price as of the end of the fiscal quarter immediately following such terminations. Under the plan, the directors are not entitled to receive any common shares in the Company, and under no circumstances will DSUs confer on any participant any of the rights or privileges of a holder of common shares.

During the year ended March 31, 2012, the Company granted 33,769 DSUs. The carrying amount of the liability relating to DSUs at March 31, 2012 was $0.3 million.

[v] RETENTION PLAN

In connection with the acquisition of TBG, the Company established a retention plan that provides for the issuance of up to approximately 1,187,800 common shares of the Company to key employees of Canaccord Genuity Asia over a five-year graded vesting period based on future Asia-linked revenue. As of March 31, 2012, the award of 87,989 shares was forfeited upon the departure of a key employee. The estimated retention payments are amortized as development costs on a graded basis based on the expected revenue to be earned related to Canaccord Genuity Asia over the five-year vesting period. In addition, the applicable number of retention shares is included in diluted common shares outstanding. The maximum retention payments are estimated to be $12.7 million if all vesting conditions are met.

[vi] REPLACEMENT PLANS

As a result of the acquisition of CSHP, the following share-based payment plans were introduced to replace the share-based payment plans that existed at CSHP at the acquisition date:

Canaccord Financial Inc. Collins Stewart Hawkpoint Replacement Annual Bonus Equity Deferral (ABED) Plan

On March 21, 2012, the Company introduced the Replacement ABED Plan, which replaced the ABED plans that existed at CSHP as of the acquisition date. Eligible employees who participated in the CSHP ABED plans were granted awards under the Replacement ABED Plan. The shares granted vest between one and three years from the acquisition date of CSHP. In accordance with IFRS 3, "*Business Combinations*", a portion of the awards granted is included as part of the purchase consideration for the acquisition of CSHP and a portion will be deferred and amortized to incentive compensation expense over the vesting period. The Company recognized $1.1 million through acquisition-related expense for the year ended March 31, 2012 as per IFRS 3. The number of outstanding awards at March 31, 2012 was 573,538 Canaccord shares.

Canaccord Financial Inc. Collins Stewart Hawkpoint Replacement Long-Term Incentive Plan Award

On March 21, 2012, the Company introduced the Replacement LTIP, which replaced the existing LTIPs at CSHP on the acquisition date. Eligible employees who participated in the CSHP LTIPs were granted awards under the Replacement LTIP. The shares granted vest annually on a graded basis over a three-year period. In accordance with IFRS 3, a portion of awards granted is included as part of the purchase consideration for the acquisition of CSHP and a portion will be deferred and amortized to incentive compensation expense over the vesting period. The amount recognized through incentive compensation expense was not significant as the acquisition closed on March 21, 2012. The number of outstanding awards at March 31, 2012 was 842,036 Canaccord shares.

[vii] CORAZON CAPITAL GROUP LIMITED SHARE PLAN

In connection with the acquisition of CSHP, the Company assumed the outstanding obligation under the Corazon Capital Group Limited Share Plan (the Corazon Share Plan). The Corazon Share Plan was entered into by CSHP in relation to its acquisition of Corazon Capital Group Limited, an independent, Guernsey-based investment management firm.

The obligation will be paid in the form of 170,562 number of Canaccord common shares, which will vest in March 2013, and cash consideration of $2.2 million (£1.4 million). In accordance with IFRS 3, a portion of the awards granted is included as part of the purchase consideration for the acquisition of CSHP and a portion will be deferred and amortized to incentive compensation expense over the vesting period. The cash consideration was included as part of the determination of the fair value of CSHP's net assets when calculating the purchase price allocation.

[viii] SHARE-BASED COMPENSATION EXPENSE

For the year ended	March 31, 2012	March 31, 2011
Share options	$ 1,622	$ 2,097
Long-term incentive plan	29,610	22,166
Forgivable common share purchase loans	12,946	16,014
Deferred share units	280	—
Retention shares	2,340	75
Accelerated share-based payment expense included as restructuring expense	2,705	—
Share-based payment expense related to acquisition of CSHP	1,621	—
Total share-based compensation expense	$ 51,124	$ 40,352

NOTE 19 Related Party Transactions

[i] CONSOLIDATED SUBSIDIARIES

The financial statements include the financial statements of the Company and the Company's principal trading subsidiaries and principal intermediate holding companies listed in the following table:

		% equity interest		
	Country of Incorporation	March 31, 2012	March 31, 2011	April 1, 2010
Canaccord Genuity Corp.	Canada	100%	100%	100%
Canaccord Genuity Securities Limited (formerly Canaccord Genuity Limited)	United Kingdom	100%	100%	100%
Collins Stewart Hawkpoint Limited	United Kingdom	100%	n/a	n/a
Canaccord Genuity Hawkpoint Limited	United Kingdom	100%	n/a	n/a
Canaccord Genuity Hawkpoint SAS	France	100%	n/a	n/a
Collins Stewart (CI) Ltd	Guernsey	100%	n/a	n/a
Collins Stewart 360° Limited	United Kingdom	100%	n/a	n/a
Canaccord Genuity Singapore Pte. Ltd	Singapore	100%	n/a	n/a
Canaccord Genuity Limited (formerly Collins Stewart Europe Ltd.)	United Kingdom	100%	n/a	n/a
Collins Stewart Inc.	United States	100%	n/a	n/a
Canaccord Genuity Securities LLC	United States	100%	n/a	n/a
Canaccord Genuity Inc.	United States	100%	100%	100%
Canaccord Wealth Management (USA) Inc.	United States	100%	100%	100%
Canaccord Estate Planning Services Ltd.	Canada	100%	100%	100%
Canaccord Asset Management Inc.	Canada	100%	100%	100%
Canaccord Adams Financial Group Inc.	United States	100%	100%	100%
Canaccord Adams (Delaware) Inc.	United States	100%	100%	100%
Canaccord Adams Financial Group ULC	Canada	100%	100%	100%
Stockwave Equities Ltd.	Canada	100%	100%	100%
CLD Financial Opportunities Limited	Canada	100%	100%	100%
Canaccord BGF (Hong Kong) Limited	Hong Kong	50%	n/a	n/a
Canaccord BGF Limited	Australia	50%	n/a	n/a
Beijing Parkview Balloch Investment Advisory Limited (to be renamed Canaccord Genuity Asia)	China	100%	100%	n/a
Canaccord International Ltd.	Barbados	100%	100%	100%

[ii] COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE COMPANY

Disclosed in the table below are the amounts recognized as expenses related to individuals who are key management personnel as at March 31, 2012 for the years ended:

	March 31, 2012	March 31, 2011
Short term employee benefits	$ 6,628	$ 13,456
Share-based payments	2,113	1,286
Total compensation paid to key management personnel	**$ 8,741**	$ 14,742

[iii] OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Accounts receivable and accounts payable and accrued liabilities include the following balances with key management personnel:

	March 31, 2012	March 31, 2011	April 1, 2010
Accounts receivable	$ —	$ 29	$ 53
Accounts payable and accrued liabilities	2,506	24,754	14,585

[iv] TERMS AND CONDITIONS OF TRANSACTIONS WITH RELATED PARTIES

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

NOTE 20 Segmented Information

The Company operates in two industry segments as follows:

Canaccord Genuity – includes investment banking, research and trading activities on behalf of corporate, institutional and government clients as well as principal trading activities in Canada, the UK and Europe, Other Foreign Locations and the US. Other Foreign Locations include operations for Canaccord International Ltd., Canaccord Genuity Asia and the 50% interest in Canaccord BGF.

Canaccord Wealth Management – provides brokerage services and investment advice to retail or institutional clients in Canada, the US, the UK and Europe, and Other Foreign Locations.

Corporate and Other includes correspondent brokerage services, interest and foreign exchange revenue and expenses not specifically allocable to Canaccord Genuity or Canaccord Wealth Management.

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 operating results, without regard to non-controlling interests.

The Company does not allocate total assets, liabilities or equipment and leasehold improvements to the segments. Amortization of tangible assets is allocated to the segments based on the square footage occupied. Amortization of identifiable intangible assets is allocated to the Canaccord Genuity segment, as it relates to the acquisition of Genuity, and the 50% interest in BGF. Amortization of the identifiable intangible assets acquired through the purchase of CSHP is allocated to Canaccord Genuity and Canaccord Wealth Management segments in the UK and Europe. The accounting policies of the segments are the same as those described in Note 5. There are no significant intersegment revenues. Income taxes are managed on a Company basis and are not allocated to operating segments. All revenue and operating profit is derived from external customers.

	For the year ended							
				March 31, 2012				March 31, 2011
	Canaccord Genuity	Canaccord Wealth Management	Corporate and Other	Total	Canaccord Genuity	Canaccord Wealth Management	Corporate and Other	Total
Revenues, excluding interest revenue	$ 365,123	$ 187,849	$ 20,093	$ 573,065	$ 532,563	$ 222,005	$ 25,023	$ 779,591
Interest revenue	8,354	13,441	10,004	31,799	6,081	11,044	6,915	24,040
Expenses, excluding undernoted	306,362	150,752	67,443	524,557	352,826	172,325	80,328	605,479
Amortization	10,264	2,221	1,623	14,108	8,738	2,422	1,582	12,742
Development costs	10,989	8,220	1,984	21,193	10,810	9,258	2,319	22,387
Interest expense	7,985	295	1,536	9,816	5,968	308	1,535	7,811
Acquisition-related costs	10,466	4,077	1,513	16,056	12,740	—	—	12,740
Restructuring costs	29,078	900	5,275	35,253	—	—	—	—
Income (loss) before income taxes	$ (1,667)	$ 34,825	$ (49,277)	$ (16,119)	$ 147,562	$ 48,736	$ (53,826)	$ 142,472

For geographic reporting purposes, the Company's business operations are grouped into Canada, the UK and Europe, the United States, and Other Foreign Locations. The following table presents the revenue of the Company by geographic location:

For the year ended	March 31, 2012	March 31, 2011
Canada	$ 458,131	$ 598,556
United Kingdom and Europe	53,180	92,677
United States	83,061	111,170
Other Foreign Locations	10,492	1,228
	$ 604,864	$ 803,631

The following table presents selected figures pertaining to the financial position of each geographic location:

	Canada	UK and Europe	United States	Other Foreign Locations	Total
As at March 31, 2012					
Equipment and leasehold improvements	$ 28,627	$ 10,249	$ 10,018	$ 2,190	$ 51,084
Goodwill	242,074	169,044	7,169	54,223	472,510
Intangible assets	70,205	61,117	80	18,108	149,510
Non-current assets	348,793	242,876	16,737	78,150	686,556
As at March 31, 2011					
Equipment and leasehold improvements	30,596	4,079	5,896	247	40,818
Goodwill	242,074	—	—	3,183	245,257
Intangible assets	73,923	—	—	—	73,923
Non-current assets	353,755	5,052	5,166	3,462	367,435
As at April 1, 2010					
Equipment and leasehold improvements	27,712	4,936	5,479	—	38,127
Non-current assets	38,316	6,333	13,098	58	57,805

NOTE 21 Capital Management

The Company's business requires capital for operating and regulatory purposes, including funding current and future operations. The Company's capital structure is underpinned by shareholders' equity, which is comprised of preferred shares, common shares, contributed surplus, retained earnings and accumulated other comprehensive income (loss), and is further complemented by the subordinated debt. The following table summarizes our capital as at March 31, 2012 and 2011, and April 1, 2010:

Type of capital	March 31, 2012	March 31, 2011	April 1, 2010
Preferred shares	$ 110,818	$ —	$ —
Common shares	623,739	467,050	185,691
Contributed surplus	68,336	52,167	58,103
Retained earnings	180,748	238,647	158,138
Accumulated other comprehensive income (loss)	8,484	(972)	1,301
Shareholders' equity	992,125	756,892	403,233
Subordinated debt	15,000	15,000	15,000
	$ 1,007,125	$ 771,892	$ 418,233

The Company's capital management framework is designed to maintain the level of capital that will:

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

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

- Canaccord Genuity Corp. is subject to regulation in Canada primarily by the IIROC
- Canaccord Genuity Limited, Canaccord Genuity Securities Limited, Collins Stewart 360º Limited and Canaccord Genuity Hawkpoint Limited are regulated in the UK by the Financial Services Authority and are members of the London Stock Exchange
- Collins Stewart (CI) Ltd is licensed and regulated by the Guernsey Financial Services Commission, the Isle of Man Financial Supervision Commission and the Jersey Financial Services Commission
- Canaccord Genuity Singapore Pte. Ltd is subject to regulation by the Monetary Authority of Singapore
- Canaccord BGF Limited is regulated by the Australian Securities and Investments Commission, and Canaccord BGF (Hong Kong) Limited is regulated by the Securities and Futures Commission
- Canaccord Genuity Inc. and Canaccord Genuity Securities LLC are registered as broker dealers in the US and are subject to regulation primarily by the Financial Industry Regulatory Authority
- Canaccord Wealth Management (USA) Inc. is registered as a broker dealer in the US and is subject to regulation primarily by the Financial Industry Regulatory Authority
- Canaccord International Ltd. is regulated in Barbados by the Central Bank of Barbados

Margin requirements in respect of outstanding trades, underwriting deal requirements and/or working capital requirements cause regulatory capital requirements to fluctuate on a daily basis. Compliance with these requirements may require the Company to keep sufficient cash and other liquid assets on hand to maintain regulatory capital requirements rather than using these liquid assets in connection with its business or paying them out in the form of cash disbursements. There were no significant changes in the Company's capital management policy during the current year. The Company's subsidiaries were in compliance with all of the minimum regulatory capital requirements during the year ended March 31, 2012.

NOTE 22 Client Money

At March 31, 2012, the UK and Europe operations held client money in segregated accounts of $1,221.4 million (£765.3 million). This comprised $9.9 million (£6.2 million) of balances held by the UK and European operations on behalf of clients to settle outstanding trades and $1,211.5 million (£759.1 million) of segregated deposits, held on behalf of clients, which are not reflected on the statements of financial position. Movement in settlement balances is reflected in operating cash flows.

NOTE 23 Provisions and Contingencies

PROVISIONS

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount can be made. Restructuring provisions incurred in the year ended March 31, 2012 relate primarily to termination benefits and also include the acceleration of share-based payments and onerous leases incurred as part of the Company's reorganization. At each reporting date, the Company assesses the adequacy of its pre-existing provisions and adjusts the amounts as necessary. The following is a summary of the changes during the years ended March 31, 2012 and 2011:

	Legal provisions	Restructuring provisions	Total provisions
Balance, April 1, 2010	$ 4,991	$ —	$ 4,991
Additions	6,239	—	6,239
Utilized	(5,079)	—	(5,079)
Balance, March 31, 2011	6,151	—	6,151
Additions	3,862	35,253	39,115
Provision resulting from acquisition of CSHP	6,000	—	6,000
Utilized	(1,702)	(8,530)	(10, 232)
Recoveries	(1,368)	—	(1,368)
Balance, March 31, 2012	**$ 12,943**	**$ 26,723**	**$ 39,666**

Commitments, litigation proceedings and contingent liabilities

In the normal course of business as an investment dealer, the Company is involved in litigation, and as of March 31, 2012, it was a defendant in various legal actions. The Company has established accruals for matters where payments 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 indicate that, individually and in the aggregate, the probable ultimate resolution of these actions will not have a material effect on the financial position of the Company. The actions described below have been commenced against the Company and, although the Company has denied the allegations and intends to vigorously defend itself in each case, the outcome of each action cannot be predicted with certainty. The amounts claimed in respect of these actions, or which could potentially be claimed, are material and, accordingly, these actions are described in these consolidated financial statements.

i) In 2002, two actions were commenced in the Superior Court of Québec against Canaccord Genuity Corp. 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 the Company and another defendant and that the Company was negligent in respect of a private placement in 2000. Discoveries are complete and the parties are in the process of exchanging experts' reports. Canaccord intends to vigorously defend itself against these claims.

ii) Genuity has been named as co-defendant in an action initiated by CIBC World Markets Inc. in 2005 in the Ontario Superior Court of Justice alleging improper solicitation of the plaintiffs' employees, conspiracy, inducing breach of contract, interference with commercial relations, breach of fiduciary duties, misuse of confidential information and misappropriation of corporate opportunities. The claim against Genuity is for general damages to be determined by the court and an accounting of benefits received by all the parties as a result of these alleged activities. There is also a claim against all the parties for $10.0 million for punitive and exemplary damages. Management believes these claims can be wholly defended and no liability will be determined against Genuity. As Canaccord Genuity Corp. assumed all the assets and liabilities of Genuity, it may be subject to any judgment that may be made against Genuity in connection with this litigation.

iii) The Company and CSHP and its US subsidiary, Collins Stewart LLC, among others, are defendants in an action commenced by Morgan Joseph TriArtisan Group Inc. and Morgan Joseph TriArtisan LLC in State Court in New York City alleging that a proposed joint venture in New York between Collins Stewart LLC and Morgan Joseph TriArtisan LLC is fundamentally inconsistent with the acquisition of CSHP by the Company. The claims against the Company are for tortious interference with contract, tortious interference with prospective business advantage, and aiding and abetting breach of fiduciary duty. Remedies requested by the plaintiff against the Company are for compensatory damages in an amount not less than $35 million and punitive damages in an amount of three times the compensatory damages or approximately $100 million. The defences to these claims and the quantification of damages are yet to be determined. The Company considers that the allegations are spurious and entirely unfounded and will strenuously defend itself against these claims.

NOTE 24 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:

2013	$ 33,300
2014	33,778
2015	32,178
2016	29,033
2017	24,681
Thereafter	110,256
	$ 263,226

NOTE 25 Subsequent Events

[i] SERIES C PREFERRED SHARES AND SHORT TERM CREDIT FACILITY

On March 22, 2012, the Company announced it had agreed to issue 4,000,000 Series C Preferred Shares. This offering closed subsequent to fiscal year end on April 10, 2012. The net amount recognized after deducting issue costs, net of deferred taxes of $1.0 million, was $97.3 million. The net proceeds from the offering were used to partially repay $97.0 million of the short term credit facility of $150.0 million that the Company secured for bridge financing related to the acquisition of CSHP [Note 7]. The balance of the short term credit facility was repaid in full on May 22, 2012.

[ii] DIVIDENDS

On May 22, 2012, the Board of Directors approved the following cash dividends: $0.10 per common share payable on June 15, 2012 to common shareholders with a record date of June 1, 2012; $0.34375 per Series A Preferred Share payable on July 3, 2012 and with a record date of June 15, 2012; and $0.3190 per Series C Preferred Share payable on July 3, 2012 and with a record date of June 15, 2012.

Supplemental Information

Advisory note: This supplemental information is not audited and should be read in conjunction with the audited financial statements contained herein. The Company adopted IFRS beginning April 1, 2011. Consequently, data for the year ended March 31, 2012 and its comparative year ended March 31, 2011 is in compliance with IFRS. Figures for periods prior to the year ended March 31, 2011 are in accordance with CGAAP. See the Transition to International Financial Reporting Standards section on page 23.

Financial Highlights[1]

(C$ thousands, except for AUM, AUA, common share information and financial measures)	For the years ended and as at March 31				
	2012	2011	2010	2009	2008
	IFRS	IFRS	CGAAP	CGAAP	CGAAP
Financial results					
Revenue	**$ 604,864**	$ 803,631	$ 577,537	$ 477,721	$ 731,539
Expenses	**620,983**	661,159	525,896	524,920	680,008
Income taxes	**5,227**	42,729	13,144	452	20,197
Net income (loss)	**(21,346)**	99,743	38,497	(47,651)	31,334
Net income (loss) attributable to CFI shareholders	**(20,307)**	99,743	38,497	(47,651)	31,334
Net income (loss) available to common shareholders	**(25,122)**	99,743	38,497	(47,651)	31,334
Business segment					
Income (loss) before intersegment allocations and income taxes					
Canaccord Genuity[2]	**$ (1,667)**	$ 147,562	$ 70,962	$ (21,129)	$ 88,575
Canaccord Wealth Management	**34,825**	48,736	27,783	22,707	1,205
Corporate and Other	**(49,277)**	(53,826)	(47,104)	(48,777)	(38,249)
Geographic segment					
Income (loss) before income taxes					
Canada[3]	**$ 39,439**	$ 111,905	$ 30,036	$ (9,799)	$ 24,846
UK and Europe[4]	**(41,202)**	14,129	9,533	2,031	29,613
US[5]	**(7,533)**	16,755	8,631	(42,000)	(7,359)
Other Foreign Locations[6]	**(6,823)**	(317)	3,441	2,569	4,431
Client assets information ($ millions)					
AUM – Canada (discretionary)	**$ 677**	$ 546	$ 445	$ 393	$ 730
AUA – Canada	**14,828**	16,985	12,922	9,184	14,295
AUM – UK and Europe	**13,087**	—	—	—	—
Total	**27,915**	16,985	12,922	9,184	14,295
Common share information					
Per common share ($)					
Basic earnings (loss)	**$ (0.33)**	$ 1.37	$ 0.79	$ (0.97)	$ 0.70
Diluted earnings (loss)	**(0.33)**	1.22	0.69	(0.97)	0.64
Book value per diluted common share[7]	**8.26**	8.79	6.96	6.51	7.21
Common share price ($)					
High	**$ 15.31**	$ 16.41	$ 11.87	$ 11.75	$ 25.92
Low	**6.94**	7.95	5.30	2.87	8.60
Close	**8.30**	14.00	11.10	5.40	9.80
Common shares outstanding (thousands)					
Issued shares excluding unvested shares	**94,026**	75,404	48,868	49,343	43,873
Issued and outstanding	**101,689**	82,810	55,571	55,093	47,835
Diluted shares	**106,883**	85,655	57,767	57,251	49,556
Average basic	**76,715**	72,990	48,698	48,929	44,778
Average diluted	**84,682**	81,717	55,662	54,189	48,727
Market capitalization (thousands)	**887,131**	1,199,170	640,259	309,155	485,649
Preferred share information (thousands)					
Shares issued and outstanding	**4,540**	—	—	—	—
Financial measures					
Dividends per common share	**$ 0.40**	$ 0.275	$ 0.15	$ 0.125	$ 0.50
Common dividend yield (closing common share price)	**4.8%**	2.0%	0.3%	2.3%	5.1%
Common dividend payout ratio	**(139.9)%**	22.8%	22.4%	(15.1)%	78.3%
Total shareholder return[8]	**(37.9)%**	28.6%	108.3%	(44.2)%	(55.5)%
ROE[9]	**(3.1)%**	14.2%	9.8%	(12.4)%	7.9%
Price to earnings multiple[10]	**(24.4)**	11.8	16.1	5.7	15.8
Price to book ratio[11]	**1.0**	1.6	1.6	0.8	1.4

(1) Certain non-IFRS measures are utilized by the Company as measures of financial performance. Non-IFRS measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Non-IFRS measures included are: return on average common equity (ROE), book value per diluted share, dividend yield, dividend payout ratio, total shareholder return, price to earnings multiple (P/E), price to book ratio (P/B), assets under management (AUM) and assets under administration (AUA).
(2) Includes the global capital markets division in Canada, the UK and Europe, the US, Australia, China, Barbados and Singapore.
(3) Canaccord's Canada geographic segment includes operations for Canaccord Genuity, Canaccord Wealth Management and Corporate and Other business segments.
(4) Canaccord's UK and Europe geographic segment engages in capital markets and wealth management activities. Results of former CSHP entities located in the UK and Europe are included since March 22, 2012.
(5) Canaccord's US geographic segment includes US capital markets and wealth management operations. Results of former CSHP entities located in the US are included since March 22, 2012.
(6) Revenue derived from capital markets activity outside of Canada, the US and the UK and Europe is reported as Other Foreign Locations, which includes operations in Australia, China, Barbados and Singapore. Results of Australian operations were included since November 1, 2011, and Singaporean operations were included since March 22, 2012.
(7) Book value per diluted share, a non-IFRS measure, is calculated as total shareholders' equity divided by the number of diluted common shares outstanding at the end of the period.
(8) Total shareholder return is calculated as the change in share price plus dividends paid to common shares and special distributions paid in the current period as a percentage of the prior period's closing common share price, assuming reinvestment of all dividends.
(9) ROE is calculated by dividing the annual net income available to common shareholders over the average common shareholders' equity.
(10) The price to earnings multiple is calculated based on the end of period share price and 12-month trailing diluted EPS.
(11) The price to book ratio is calculated based on the end of period common share price and book value per diluted common share.

Condensed Consolidated Statements of Operations and Retained Earnings[1]

(C$ thousands, except per share amounts and financial measures)	2012	2011	2010	2009	2008
	For the years ended March 31				
	IFRS	IFRS	CGAAP	CGAAP	CGAAP
Revenue					
Commission	$ **252,877**	$ 294,650	$ 235,606	$ 233,104	$ 296,047
Investment banking	**175,225**	327,499	215,237	117,916	295,787
Advisory fees	**107,370**	84,914	39,200	51,453	41,087
Principal trading	**10,647**	43,644	45,982	18,319	7,443
Interest	**31,799**	24,040	12,965	38,287	63,168
Other	**26,946**	28,884	28,547	18,642	28,007
	604,864	803,631	577,537	477,721	731,539
Expenses					
Incentive compensation[2]	**304,908**	389,046	299,084	222,006	347,079
Salaries and benefits	**63,924**	64,420	59,415	56,771	54,294
Trading costs	**30,313**	31,507	28,884	26,311	27,090
Premises and equipment	**27,546**	27,158	24,402	24,695	22,745
Communication and technology	**28,343**	25,466	21,868	25,228	23,228
Interest	**9,816**	7,811	2,581	11,220	24,527
General and administrative	**69,523**	67,882	52,153	69,689	69,463
Amortization	**14,108**	12,742	7,609	8,994	8,536
Development costs	**21,193**	22,387	24,900	28,773	32,049
Restructuring costs	**35,253**	—	—	7,662	4,000
Acquisition-related costs	**16,056**	12,740	5,000	—	—
ABCP fair value adjustment	**—**	—	—	6,700	12,797
Canaccord relief program	**—**	—	—	5,347	54,200
Impairment of goodwill and intangible assets	**—**	—	—	31,524	—
	620,983	661,159	525,896	524,920	680,008
Income (loss) before income taxes	**(16,119)**	142,472	51,641	(47,199)	51,531
Income taxes	**5,227**	42,729	13,144	452	20,197
Net income (loss) for the year	$ **(21,346)**	$ 99,743	$ 38,497	$ (47,651)	$ 31,334
Non-controlling interests	**(1,039)**	—	—	—	—
Net income (loss) attributable to CFI shareholders	**(20,307)**	99,743	38,497	(47,651)	31,334
Retained earnings, beginning of year	**238,647**	194,007	160,868	222,597	213,659
Opening IFRS adjustments	**—**	(35,869)	—	—	—
Common shares dividends	**(32,778)**	(19,234)	(5,358)	(14,078)	(22,396)
Preferred shares dividends	**(4,814)**	—	—	—	—
Retained earnings, end of year	$ **180,748**	$ 238,647	$ 194,007	$ 160,868	$ 222,597
Incentive compensation expenses as a % of revenue	**50.4%**	48.4%	51.8%	46.5%	47.4%
Total compensation expenses as a % of revenue[3]	**61.0%**	56.4%	62.1%	58.4%	54.9%
Non-compensation expenses as a % of revenue	**41.7%**	25.8%	29.0%	51.5%	38.1%
Total expenses as a % of revenue	**102.7%**	82.3%	91.1%	109.9%	93.0%
Pre-tax profit margin	**(2.7)%**	17.7%	8.9%	(9.9)%	7.0%
Effective tax rate	**(32.4)%**	30.0%	25.5%	(1.0)%	39.2%
Net profit margin	**(3.5)%**	12.4%	6.7%	(10.0)%	4.3%
Basic earnings (loss) per share	$ **(0.33)**	$ 1.37	$ 0.79	$ (0.97)	$ 0.70
Diluted earnings (loss) per share	$ **(0.33)**	$ 1.22	$ 0.69	$ (0.97)	$ 0.64
Book value per diluted common share[4]	$ **8.26**	$ 8.79	$ 6.96	$ 6.51	$ 7.21
Supplemental segmented revenue information					
Canaccord Genuity	$ **373,477**	$ 538,644	$ 363,558	$ 277,351	$ 431,642
Canaccord Wealth Management	**201,290**	233,049	187,046	172,484	249,127
Corporate and Other	**30,097**	31,938	26,933	27,886	50,770
	$ **604,864**	$ 803,631	$ 577,537	$ 477,721	$ 731,539

(1) Certain non-IFRS measures are utilized by the Company as measures of financial performance. Non-IFRS measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Non-IFRS measures included are: incentive compensation expenses as a % of revenue, total compensation expenses as a % of revenue, non-compensation expenses as a % of revenue, total expenses as a % of revenue, and book value per diluted common share.

(2) Incentive compensation expenses include the National Health Insurance Tax applicable to the UK and Europe.

(3) Total compensation expenses include incentive compensation and salaries and benefits, but exclude hiring incentives, which are included in development costs. Beginning in fiscal 2011, development group salary and benefits have been included as compensation expense, whereas they were classified as development costs prior to fiscal 2011.

(4) Book value per diluted common share, a non-IFRS measure, is calculated as total shareholders' equity divided by the number of diluted common shares outstanding at the end of the period.

Condensed Consolidated Statements of Financial Position

As at March 31 (C$ thousands)	2012	2011	2010	2009	2008
	IFRS	IFRS	CGAAP	CGAAP	CGAAP
Assets					
Cash and cash equivalents	$ 814,238	$ 954,068	$ 731,852	$ 701,173	$ 435,649
Securities owned, at market	1,171,988	947,185	362,755	133,691	92,796
Accounts receivable	3,081,640	2,828,812	1,972,924	1,061,161	1,422,917
Income taxes recoverable	8,301	—	—	23,771	11,083
Deferred tax assets	3,959	1,503	13,190	15,680	28,207
Investments	9,493	5,934	5,000	5,000	5,000
Investment in asset-backed commercial paper	—	—	—	35,312	29,860
Equipment and leasehold improvements	51,084	40,818	38,127	46,311	40,686
Goodwill and other intangibles	622,020	319,180	—	—	32,520
	$ 5,762,723	$ 5,097,500	$ 3,123,848	$ 2,022,099	$ 2,098,718
Liabilities and shareholders' equity					
Bank indebtedness	$ 75,141	$ 13,580	$ 29,435	$ 75,600	$ 15,038
Short term credit facility	150,000	—	—	—	—
Securities sold short, at market	914,649	722,613	364,137	79,426	13,757
Accounts payable and accrued liabilities	3,590,266	3,557,275	2,308,146	1,469,369	1,687,479
Income taxes payable	—	23,977	5,385	—	—
Deferred tax liabilities	8,088	8,163	—	—	—
Subordinated debt	15,000	15,000	15,000	25,000	25,000
Non-controlling interests	17,454	—	—	—	—
Shareholders' equity	992,125	756,892	401,745	372,704	357,444
	$ 5,762,723	$ 5,097,500	$ 3,123,848	$ 2,022,099	$ 2,098,718

Miscellaneous Operational Statistics[1]

As at March 31	2012	2011	2010	2009	2008
Number of employees in Canada					
Number in Canaccord Genuity	247	268	203	209	253
Number in Canaccord Wealth Management	684	684	680	700	762
Number in Corporate and Other	378	373	364	356	380
Total Canada	1,309	1,325	1,247	1,265	1,395
Number of employees in the UK and Europe					
Number in Canaccord Genuity	461	143	138	105	112
Number in Canaccord Wealth Management	276	—	—	—	—
Number of employees in the US					
Number in Canaccord Genuity	302	175	163	151	163
Number of employees in Other Foreign Locations					
Number in Canaccord Genuity	80	41	1	9	13
Number of employees company-wide	2,428	1,684	1,549	1,530	1,683
Number of Advisory Teams in Canada[2]	280	271	303	338	354
Number of investment professionals and fund managers in the UK and Europe[3]	106	—	—	—	—
Number of licensed professionals in Canada	604	645	718	790	852
AUM – Canada (discretionary) (C$ millions)	$ 677	$ 546	$ 445	$ 393	$ 730
AUA – Canada (C$ millions)	$ 14,828	$ 16,985	$ 12,922	$ 9,184	$ 14,295
AUM – UK and Europe (C$ millions)	$ 13,087	$ —	$ —	$ —	$ —
Total (C$ millions)	$ 27,915	$ 16,985	$ 12,922	$ 9,184	$ 14,295
Number of companies with Canaccord Genuity Limited as broker					
London Stock Exchange (LSE)	52	26	23	9	5
Alternative Investment Market (AIM)	77	39	43	51	60
Total broker	129	65	66	60	65
Number of companies with Canaccord Genuity Limited as Nomad[4]					
LSE	—	1	1	—	1
AIM	62	30	35	42	51
Total Nomad	62	31	36	42	52

(1) These miscellaneous operational statistics are non-IFRS measures.
(2) Advisory Teams in Canada are normally comprised of one or more Investment Advisors (IAs) and their assistants and associates, who together manage a shared set of client accounts. Advisory Teams that are led by, or only include, an IA who has been licensed for less than three years are not included in our Advisory Team count, as it typically takes a new IA approximately three years to build an average-sized book.
(3) Investment professionals include all staff with direct sales responsibilities, which includes brokers and assistants with direct client contacts. Fund managers include all staff who manage client assets.
(4) A company listed on AIM is required to retain a Nominated Adviser (commonly referred to as a Nomad) during the company's life on the market. Among other duties, Nomads are responsible for warranting that a company is appropriate for joining AIM. A Nomad is similar to a Financial Advisor on the LSE, but is specific to AIM.

Quarterly Financial Highlights[1]

(C$ thousands, except for AUM, AUA, common share information and financial ratios)	Fiscal 2012				Fiscal 2011			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Financial results								
Revenue	$ 177,692	$ 147,889	$ 119,500	$ 159,783	$ 247,595	$ 254,834	$ 149,285	$ 151,917
Expenses	207,731	142,822	126,396	144,034	189,279	192,918	134,676	144,286
Income taxes (recovery)	1,755	2,536	(1,618)	2,554	16,993	18,919	4,358	2,459
Net income (loss)	(31,794)	2,531	(5,278)	13,195	41,323	42,997	10,251	5,172
Net income (loss) attributable to CFI shareholders	(31,250)	3,026	(5,278)	13,195	41,323	42,997	10,251	5,172
Net income (loss) available to common shareholders	(32,357)	1,208	(7,078)	13,105	41,323	42,997	10,251	5,172
Business segment								
Income (loss) before intersegment allocations and income taxes								
Canaccord Genuity[2]	$ (25,934)	$ 10,421	$ (2,560)	$ 16,406	$ 55,164	$ 59,462	$ 19,349	$ 13,587
Canaccord Wealth Management	6,147	7,327	10,085	11,266	18,504	16,587	5,938	7,707
Corporate and Other	(10,252)	(12,681)	(14,421)	(11,923)	(15,352)	(14,133)	(10,678)	(13,663)
Geographic segment								
Income (loss) before income taxes								
Canada[3]	$ 11,484	$ 8,169	$ 710	$ 19,076	$ 44,007	$ 52,275	$ 12,175	$ 3,448
UK and Europe[4]	(31,409)	(1,003)	(3,956)	(4,834)	9,340	2,955	1,443	391
US[5]	(7,602)	(1,470)	(1,754)	3,293	5,683	6,421	664	3,987
Other Foreign Locations[6]	(2,512)	(629)	(1,896)	(1,786)	(714)	265	327	(195)
Client assets ($ millions)								
AUM – Canada (discretionary)	$ 677	$ 607	$ 574	$ 575	$ 546	$ 514	$ 473	$ 431
AUA – Canada	14,828	14,367	14,635	15,676	16,985	16,006	13,895	12,571
AUM – UK and Europe	13,087	—	—	—	—	—	—	—
Total	27,915	14,367	14,635	15,676	16,985	16,006	13,895	12,571
Common share information								
Per common share ($)								
Basic earnings (loss)	$ (0.42)	$ 0.02	$ (0.09)	$ 0.17	$ 0.55	$ 0.57	$ 0.14	$ 0.08
Diluted earnings (loss)	(0.42)	0.01	(0.09)	0.16	0.49	0.51	0.12	0.07
Book value per diluted common share[7]	8.26	8.54	8.75	8.71	8.79	8.43	8.05	7.86
Common share price ($)								
High	$ 9.44	$ 9.74	$ 13.05	$ 15.31	$ 16.41	$ 14.42	$ 10.89	$ 11.48
Low	7.61	6.94	9.32	11.65	13.03	10.09	8.77	7.95
Close	8.30	7.80	9.55	12.36	14.00	14.16	10.37	9.39
Common shares outstanding (thousands)								
Issued shares excluding unvested shares	94,026	74,999	76,232	75,597	75,404	75,055	74,552	74,961
Issued and outstanding	101,689	83,412	83,322	83,097	82,810	82,626	82,553	82,308
Diluted shares	106,656	86,787	85,979	86,236	86,080	85,938	84,565	85,357
Average basic	77,830	75,221	76,073	75,087	75,194	74,947	74,235	67,931
Average diluted	85,568	83,822	83,922	84,283	84,571	83,643	82,976	76,217
Market capitalization (thousands)	885,245	676,940	821,101	1,065,877	1,205,121	1,216,882	876,939	801,503
Preferred share information (thousands)								
Shares issued and outstanding	4,540	4,540	4,540	4,000	n/a	n/a	n/a	n/a
Financial measures								
Dividends per common share	$ 0.10	$ 0.10	$ 0.10	$ 0.10	$ 0.10	$ 0.075	$ 0.05	$ 0.05
Common dividend yield (closing share price)	4.8%	5.1%	4.2%	3.2%	2.9%	2.1%	1.9%	2.1%
Common dividend payout ratio	(31.4)%	690.5%	(117.7)%	63.4%	20.0%	14.4%	40.3%	79.6%
Total shareholder return[8]	7.7%	(17.3)%	(21.9)%	(11.0)%	(0.4)%	37.3%	11.0%	(15.0)%
Annualized ROE[9]	(16.2)%	0.6%	(2.8)%	7.0%	22.6%	24.3%	6.0%	3.9%
Price to earnings multiple[10]	(24.4)	13.7	8.9	9.7	11.8	16.9	17.3	15.7
Price to book ratio[11]	1.0	0.9	1.1	1.4	1.6	1.7	1.3	1.2

(1) Certain non-IFRS measures are utilized by the Company as measures of financial performance. Non-IFRS measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Non-IFRS measures included are: return on average common equity (ROE), book value per diluted share, dividend yield, dividend payout ratio, total shareholder return, price to earnings multiple (P/E), price to book ratio (P/B), assets under management (AUM) and assets under administration (AUA).
(2) Includes the global capital markets division in Canada, the UK and Europe, the US, Australia, China, Barbados and Singapore.
(3) Canaccord's Canada geographic segment includes operations for Canaccord Genuity, Canaccord Wealth Management and Corporate and Other business segments.
(4) Canaccord's UK and Europe geographic segment engages in capital markets and wealth management activities. Results of former CSHP entities located in the UK and Europe were included since March 22, 2012.
(5) Canaccord's US geographic segment includes US capital markets and wealth management operations. Results of former CSHP entities located in the US were included since March 22, 2012.
(6) Revenue derived from capital markets activity outside of Canada, the US and the UK and Europe is reported as Other Foreign Locations, which includes operations in Australia, China, Barbados and Singapore. Results of Australian operations were included since November 1, 2011, and Singaporean operations were included since March 22, 2012.
(7) Book value per diluted share, a non-IFRS measure, is calculated as total common shareholders' equity divided by the number of diluted common shares outstanding at the end of the period.
(8) Total shareholder return is calculated as the change in share price plus dividends paid to common shares and special distributions paid in the current period as a percentage of the prior period's closing common share price, assuming reinvestment of all dividends.
(9) ROE is presented on an annualized basis. Quarterly annualized ROE is calculated by dividing the annualized net income available to common shareholders for the three-month period over the average common shareholders' equity.
(10) The price to earnings multiple is calculated based on the end of period share price and 12-month trailing diluted EPS.
(11) The price to book ratio is calculated based on the end of period common share price and book value per diluted common share.

Condensed Consolidated Statements of Operations[1]

(C$ thousands, except per share amounts and financial measures)	Fiscal 2012 Q4	Fiscal 2012 Q3	Fiscal 2012 Q2	Fiscal 2012 Q1	Fiscal 2011 Q4	Fiscal 2011 Q3	Fiscal 2011 Q2	Fiscal 2011 Q1
Revenue								
Commission	$ 74,170	$ 57,380	$ 60,299	$ 61,028	$ 81,959	$ 87,433	$ 63,002	$ 62,256
Investment banking	53,553	32,015	29,799	59,858	103,646	116,716	51,236	55,901
Advisory fees	24,634	38,541	21,664	22,531	25,702	25,276	13,215	20,721
Principal trading	6,769	3,304	(1,379)	1,953	17,431	10,658	9,597	5,958
Interest	8,205	8,147	7,590	7,857	7,707	7,753	5,436	3,144
Other	10,361	8,502	1,527	6,556	11,150	6,998	6,799	3,937
	177,692	147,889	119,500	159,783	247,595	254,834	149,285	151,917
Expenses								
Incentive compensation[2]	95,641	69,815	61,838	77,614	119,383	126,640	70,538	72,485
Salaries and benefits	17,635	15,009	14,163	17,117	17,543	14,739	16,322	15,816
Trading costs	6,190	7,416	7,742	8,965	8,624	7,937	7,241	7,705
Premises and equipment	7,354	6,633	6,727	6,832	7,403	7,077	6,640	6,038
Communication and technology	8,458	6,744	6,752	6,389	6,307	6,111	6,779	6,269
Interest	3,080	2,361	1,967	2,408	2,485	3,037	1,673	616
General and administrative	20,795	16,191	16,263	16,274	19,052	17,049	15,990	15,791
Amortization	4,350	3,906	2,947	2,905	2,966	2,786	3,706	3,284
Development costs	4,867	5,755	5,041	5,530	5,516	5,792	5,787	5,292
Acquisition-related costs	10,400	2,700	2,956	—	—	1,750	—	10,990
Restructuring costs	28,961	6,292	—	—	—	—	—	—
	207,731	142,822	126,396	144,034	189,279	192,918	134,676	144,286
Income (loss) before income taxes	(30,039)	5,067	(6,896)	15,749	58,316	61,916	14,609	7,631
Income taxes (recovery)	1,755	2,536	(1,618)	2,554	16,993	18,919	4,358	2,459
Net income (loss) for the period	$ (31,794)	$ 2,531	$ (5,278)	$ 13,195	$ 41,323	$ 42,997	$ 10,251	$ 5,172
Non-controlling interests	(544)	(495)	—	—	—	—	—	—
Net income (loss) attributable to CFI shareholders	(31,250)	3,026	(5,278)	13,195	41,323	42,997	10,251	5,172
Incentive compensation expenses as a % of revenue	53.8%	47.2%	51.7%	48.6%	48.2%	49.7%	47.3%	47.7%
Total compensation expenses as a % of revenue[3]	63.7%	57.4%	63.6%	59.3%	55.3%	55.5%	58.2%	58.1%
Non-compensation expenses as a % of revenue	53.2%	39.2%	42.2%	30.9%	21.1%	20.2%	32.0%	36.9%
Total expenses as a % of revenue	116.9%	96.6%	105.8%	90.1%	76.4%	75.7%	90.2%	95.0%
Pre-tax profit margin	(16.9)%	3.4%	(5.8)%	9.9%	23.6%	24.3%	9.8%	5.0%
Effective tax rate	(5.8)%	50.0%	23.5%	16.2%	29.1%	30.6%	29.8%	32.2%
Net profit margin	(17.9)%	1.7%	(4.4)%	8.3%	16.7%	16.9%	6.9%	3.4%
Basic earnings (loss) per share	$ (0.42)	$ 0.02	$ (0.09)	$ 0.17	$ 0.55	$ 0.57	$ 0.14	$ 0.08
Diluted earnings (loss) per share	$ (0.42)	$ 0.01	$ (0.09)	$ 0.16	$ 0.49	$ 0.51	$ 0.12	$ 0.07
Book value per diluted common share[4]	$ 8.26	$ 8.54	$ 8.75	$ 8.71	$ 8.79	$ 8.43	$ 8.05	$ 7.86
Supplemental segmented revenue information								
Canaccord Genuity	$ 113,067	$ 93,581	$ 69,452	$ 97,377	$ 163,771	$ 177,758	$ 96,963	$ 100,152
Canaccord Wealth Management	54,524	44,571	47,412	54,783	72,704	68,599	44,539	47,207
Corporate and Other	10,101	9,737	2,636	7,623	11,120	8,477	7,783	4,558
	$ 177,692	$ 147,889	$ 119,500	$ 159,783	$ 247,595	$ 254,834	$ 149,285	$ 151,917

(1) Certain non-IFRS measures are utilized by the Company as measures of financial performance. Non-IFRS measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Non-IFRS measures included are: incentive compensation expenses as a % of revenue, total compensation expenses as a % of revenue, non-compensation expenses as a % of revenue, total expenses as a % of revenue, and book value per diluted common share.
(2) Incentive compensation expenses include the National Health Insurance Tax applicable to the UK.
(3) Total compensation expenses include incentive compensation and salaries and benefits, but exclude hiring incentives, which are included in development costs. Beginning in Q1/11, development group salary and benefits have been included as compensation expense, whereas they were classified as development costs prior to Q1/11.
(4) Book value per diluted common share, a non-IFRS measure, is calculated as total common shareholders' equity divided by the number of diluted common shares outstanding at the end of the period.

Condensed Consolidated Statements of Financial Position

(C$ thousands)	Fiscal 2012 Q4	Q3	Q2	Q1	Fiscal 2011 Q4	Q3	Q2	Q1
Assets								
Cash and cash equivalents	$ 814,238	$ 700,914	$ 691,114	$ 710,734	$ 954,068	$ 713,117	$ 636,908	$ 569,953
Securities owned, at market	1,171,988	1,100,470	1,316,755	849,679	947,185	1,098,154	1,268,897	835,261
Accounts receivable	3,081,640	2,215,448	3,270,356	2,488,826	2,828,812	2,383,057	2,987,415	2,185,305
Income taxes recoverable	8,301	15,565	18,776	10,317	—	—	5,567	5,287
Deferred tax assets	3,959	2,419	1,791	2,076	1,503	1,036	1,076	680
Investments	9,493	5,934	5,934	5,934	5,934	6,732	6,732	6,732
Equipment and leasehold improvements	51,084	44,550	43,120	43,289	40,818	36,860	37,463	39,001
Goodwill and other intangibles	622,020	354,577	317,320	318,250	319,180	316,928	317,858	319,685
	$5,762,723	$4,439,877	$5,665,166	$4,429,105	$5,097,500	$4,555,884	$5,261,916	$3,961,904
Liabilities and shareholders' equity								
Bank indebtedness	$ 75,141	$ —	$ —	$ 24,125	$ 13,580	$ 34,914	$ 64,733	$ 82,992
Short term credit facility	150,000	—	—	—	—	—	—	—
Securities sold short, at market	914,649	952,750	1,117,268	731,730	722,613	853,869	1,236,229	702,976
Accounts payable and accrued liabilities	3,590,266	2,592,774	3,663,323	2,802,669	3,557,275	2,910,423	3,257,736	2,483,250
Income taxes payable	—	—	—	—	23,977	8,668	—	—
Deferred tax liabilities	8,088	8,840	6,082	7,340	8,163	8,285	7,688	6,690
Subordinated debt	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Non-controlling interests	17,454	18,218	—	—	—	—	—	—
Shareholders' equity	992,125	852,295	863,493	848,241	756,892	724,726	680,530	670,996
	$5,762,723	$4,439,877	$5,665,166	$4,429,105	$5,097,500	$4,555,884	$5,261,916	$3,961,904

Miscellaneous Operational Statistics(1)

	Fiscal 2012 Q4	Q3	Q2	Q1	Fiscal 2011 Q4	Q3	Q2	Q1
Number of employees in Canada								
Number in Canaccord Genuity	247	262	266	265	268	276	276	273
Number in Canaccord Wealth Management	684	699	686	666	684	671	665	689
Number in Corporate and Other	378	386	384	382	373	365	369	371
Total Canada	1,309	1,347	1,336	1,313	1,325	1,312	1,310	1,333
Number of employees in the UK and Europe								
Number in Canaccord Genuity	461	143	152	155	143	140	142	137
Number in Canaccord Wealth Management	276	—	—	—	—	—	—	—
Number of employees in the US								
Number in Canaccord Genuity	302	176	186	180	175	175	178	169
Number of employees in Other Foreign Locations								
Number in Canaccord Genuity	80	69	36	36	41	1	1	1
Number of employees company-wide	2,428	1,735	1,710	1,684	1,684	1,628	1,631	1,640
Number of Advisory Teams in Canada(2)	280	278	271	263	271	272	280	290
Number of investment professionals and fund managers in the UK and Europe(3)	106	—	—	—	—	—	—	—
Number of licensed professionals in Canada	604	631	626	628	645	653	712	684
AUM – Canada (discretionary) (C$ millions)	$ 677	$ 607	$ 574	$ 575	$ 546	$ 514	$ 473	$ 431
AUA – Canada (C$ millions)	$ 14,828	$ 14,367	$ 14,635	$ 15,676	$ 16,985	$ 16,006	$ 13,895	$ 12,571
AUM – UK and Europe (C$ millions)	$ 13,087	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Total (C$ millions)	$ 27,915	$ 14,367	$ 14,635	$ 15,676	$ 16,985	$ 16,006	$ 13,895	$ 12,571
Number of companies with Canaccord Genuity Limited as broker								
London Stock Exchange (LSE)	52	31	29	29	26	24	20	23
Alternative Investment Market (AIM)	77	48	41	41	39	35	37	39
Total broker	129	79	70	70	65	59	57	62
Number of companies with Canaccord Genuity Limited as Nomad(4)								
LSE	—	2	2	1	1	1	1	1
AIM	62	35	32	31	30	29	30	32
Total Nomad	62	37	34	32	31	30	31	33

(1) These miscellaneous operational statistics are non-IFRS measures.
(2) Advisory Teams are normally comprised of one or more Investment Advisors (IAs) and their assistants and associates, who together manage a shared set of client accounts. Advisory Teams that are led by, or only include, an IA who has been licensed for less than three years are not included in our Advisory Team count, as it typically takes a new IA approximately three years to build an average-sized book.
(3) Investment professionals include all staff with direct sales responsibilities, which includes brokers and assistants with direct client contacts. Fund managers include all staff who manage client assets.
(4) A company listed on AIM is required to retain a Nominated Adviser (commonly referred to as a Nomad) during the company's life on the market. Among other duties, Nomads are responsible for warranting that a company is appropriate for joining AIM. A Nomad is similar to a Financial Advisor on the LSE, but is specific to AIM.

Glossary

Acquisition-related expense items
Acquisition-related expense items include costs incurred to acquire Genuity Capital Markets, The Balloch Group Limited, 50% interest in BGF Capital Pty Ltd, Collins Stewart Hawkpoint plc, as well as the amortization of intangible assets related to these acquisitions. Acquisition-related expense items also include costs incurred for prospective acquisitions not pursued. Figures that exclude acquisition-related items are considered non-IFRS measures.

AdvantageBC International Business Centre Society (formerly known as International Financial Centre British Columbia Society)
Membership provides certain tax and financial benefits, reducing the overall corporate tax rate, pursuant to British Columbia legislation.

Advisory fees
Revenue related to the fees Canaccord charges for corporate advisory, mergers and acquisitions or corporate restructuring services is recorded as Advisory fees.

Advisory Teams (IA Teams)
Advisory Teams are normally comprised of one or more IAs and their assistants and associates, who together manage a shared set of client accounts. Advisory Teams that are led by, or only include, an IA who has been licensed for less than three years are not included in our Advisory Team count, as it typically takes a new IA approximately three years to build an average-sized book. As Independent Wealth Management branches are led by one advisor (with a team), each IWM branch is counted as a single Advisory Team.

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

Assets under administration (AUA) Canada
AUA is the market value of client assets administered by Canaccord, for which Canaccord earns commissions or fees. This measure includes funds held in client accounts, as well as the aggregate market value of long and short security positions. Management uses this measure to assess operational performance of the Canaccord Wealth Management business segment. This measure is non-IFRS.

Assets under management (AUM) Canada
AUM consists of assets that are beneficially owned by clients and discretionarily managed by Canaccord as part of the *Complete Canaccord Investment Counselling Program* and *Complete Canaccord Managed Account Program*. Services provided include the selection of investments and the provision of investment advice. AUM is also administered by Canaccord and is therefore included in AUA. This measure is non-IFRS.

Assets under management (AUM) UK and Europe
AUM is the market value of client assets managed and administered by Canaccord, for which Canaccord earns commissions or fees. This measure includes both discretionary and non-discretionary accounts. This measure is non-IFRS.

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

Canaccord BGF
Canaccord BGF is the brand used for Canaccord Genuity's operations in Australia and Hong Kong.

Canaccord Genuity
Canaccord's capital markets division was rebranded from Canaccord Adams to Canaccord Genuity in May 2010, following the acquisition of Genuity Capital Markets.

Canaccord Genuity Asia
Canaccord Genuity Asia is the brand used for Canaccord Genuity's operations in the Asia-Pacific region.

Canaccord Genuity Hawkpoint
Canaccord Genuity Hawkpoint is the brand used to represent part of Canaccord Genuity's global corporate advisory operations based in the UK and Europe.

Collins Stewart Hawkpoint plc (CSHP)
Canaccord acquired Collins Stewart Hawkpoint plc (CSHP) on March 21, 2012. CSHP was a leading independent financial advisory group with operations in the UK, the US, Europe and Singapore. Subsequent to the acquisition, CSHP was rebranded Canaccord Genuity.

Collins Stewart Wealth Management (CSWM)
Collins Stewart Wealth Management is the private client division of the former CSHP, servicing over 9,000 clients from offices in the UK, the Channel Islands, Isle of Man and Switzerland. CSWM will be rebranded Canaccord Wealth Management during fiscal 2013.

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

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

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

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

Earnings (loss) per share (EPS), diluted
Net income (loss) divided by the weighted average number of shares outstanding adjusted for the dilutive effects of stock options and other share-based compensation.

Efficiency ratio
A financial ratio to measure efficiency calculated by dividing total expense over total revenue.

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

Escrowed securities
Common shares in the Company that are subject to specific terms of release.

Fair value adjustment
An estimate of the fair value of an asset (or liability) for which a market price cannot be determined, usually because there is no established market for the asset. At Canaccord, adjustments were made to reflect our estimate of the value of the restructured ABCP notes based on discounting expected future cash flows on a probability-weighted basis, considering best available data at the time of valuation.

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

Genuity Capital Markets
Canaccord acquired Genuity Capital Markets and certain of its affiliates (also referred to as "Genuity") on April 23, 2010. Genuity was an independent Canadian investment bank with strong mergers and acquisitions and advisory practices. Subsequent to the acquisition, Canaccord renamed its capital markets division Canaccord Genuity.

Incentive-based revenue
A percentage of incentive-based revenue earned is directly paid out as incentive compensation expense. At Canaccord, this includes commission, investment banking, advisory fees, and principal trading revenue.

Independent Wealth Management
An independent operating platform of Canaccord Wealth Management, under which Investment Advisors operate as independent agents of the Company. Each IWM branch is classified as one Advisory Team, which is comprised of one or more Investment Advisors and their assistants and associates, who together manage a shared set of client accounts.

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

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

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

Investment professionals and fund managers
Investment professionals include all staff with direct sales responsibilities, which include brokers and assistants with direct contacts. Fund managers include all staff who manage client assets.

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

London Stock Exchange (LSE)
One of the world's largest stock exchanges, the LSE has been in existence for more than 300 years and has over 3,000 listed companies. The exchange has four main sectors: the Main Market; the AIM Market; the Professional Securities Market; and the Specialist Fund Market.

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

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

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

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

Non-cash charges
Charges booked by a company that do not impact its cash balance or working capital.

Offshore operations
For Canaccord's purposes, offshore operations refer to wealth management offices in the Channel Islands, the Isle of Man and Switzerland. Currently offices of Collins Stewart Wealth Management, these offices will be rebranded Canaccord Wealth Management during fiscal 2013.

Preferred shares
A class of ownership in a corporation that has a higher claim on the assets and earnings than common stock. Preferred shares generally do not have voting rights; however, preferred shareholders receive a dividend that must be paid out before dividends are paid to common stockholders.

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

Registered trading
Trading in equity securities in principal and inventory accounts by registered traders who operate by taking positions, trading and making markets in equity securities including securities of companies with small to medium-sized market capitalizations. Revenue is generated through inventory trading gains and losses.

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

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

Separately managed accounts (SMAs)
Investment portfolios available to clients that are managed by a senior portfolio manager. In SMAs, clients own the individual securities within the portfolio, rather than a portion of a pooled fund.

Significant items
Charges not considered to be recurring or indicative of operating earnings. For Canaccord this includes acquisition-related expense items, impairment of goodwill and intangibles, restructuring costs, ABCP fair value adjustments and accrual for the Company's client relief program. Figures excluding significant items are considered to be non-IFRS measures.

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

The Balloch Group (TBG)
The Balloch Group was a leading boutique investment bank in China that Canaccord acquired in January 2011. Canaccord's operations in China were subsequently rebranded Canaccord Genuity Asia.

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

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

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

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

Corporate Governance

The Board of Directors (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 (Mandate) including terms of reference for the Board and setting forth the Board's stewardship responsibilities and other specific duties and responsibilities. The Board's responsibilities are also governed by:

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

Communication with Independent Members of the Board

Terrence Lyons has been appointed by the Board of Directors of Canaccord Financial Inc. as its Lead Director. One of his responsibilities is to receive and determine appropriate action on any communications from interested parties that are addressed to the independent directors of the Board. Such communications can be sent to Mr. Lyons in writing by mail to 2039 West 35th Avenue, Vancouver, BC, Canada, V6M 1J1.

Strategic Planning Process

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

Identification and Management of Risks

The Board's Mandate includes:

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

Succession Planning and Evaluation

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

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

Communications and Public Disclosure

The Company's Disclosure Controls Policy (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 website
- The Board reviews all quarterly and annual consolidated financial statements and related management discussion and analysis, the Company's earnings releases, management information circulars, annual information forms (AIFs) and financing documents

Internal Controls

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

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

As of March 31, 2012, an evaluation was carried out, under the supervision of and with the participation of management, including the President & CEO and the Executive Vice President & CFO, of the effectiveness of our disclosure controls and procedures as defined under *Multilateral Instrument 52-109*. Based on that evaluation, the President & CEO and the Executive Vice President & CFO concluded that the design and operation of these disclosure controls and procedures were effective as of March 31, 2012, except in the scope limitation as noted below that exists as a result of the purchase of CSHP.

National Instrument 52-109 allows for a scope limitation on the design of disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures in respect of any business acquired not more than 365 days before the end of the relevant reporting period.

Accordingly, the acquisition of CSHP, which closed on March 21, 2012, has been excluded from the assessment of the Company's disclosure controls and procedures, as the operations of the former CSHP entities were not yet integrated into the Company's internal controls, policies and procedures. Management is currently in the process of revising the Company's internal control structure to incorporate the newly acquired operations. The following table shows the summarized financial information for the excluded operations of the former CSHP entities:

Selected financial data

As at March 31, 2012 and for the period between March 22, 2012 and March 31, 2012
($ millions)

Total assets	$	1,407.6
Total liabilities		840.8
Revenue		12.0
Net loss for the period	$	(7.4)

Governance

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

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

Summary of Charters and Committees

The Board has delegated certain of its responsibilities to two committees, each of which has specific roles and responsibilities as defined by the Board. Both of these Board committees are made up of independent directors.

AUDIT COMMITTEE

The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities by monitoring the Company's financial reporting practices and financial disclosure. It comprises three unrelated directors. 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 Carello.

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

The Audit Committee is responsible for ensuring 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 annually reviews and approves the external auditors' audit plan and must approve any audit and non-audit work performed by the external auditors. The CFO and senior finance staff attend each meeting of the Audit Committee other than the portion of the meeting which is held without management present to allow more open discussion. The Audit Committee annually reviews and approves 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 each meeting is held without management present to allow more open discussion.

Board of Directors

Charles Bralver (2010)
Charles N. Bralver is a Corporate Director and Advisor. He was a founding partner and Vice Chairman of Oliver, Wyman & Co. and led its Capital Markets, European, and North American practices. He has also served as a Partner in Massif Partners, an investment management and advisory firm; Senior Associate Dean for International Business and Finance at the Fletcher School of Tufts University; and as a Strategic Advisor to Warburg Pincus LLC. Mr. Bralver serves as a Director of Canaccord Financial and Newstar Financial where he is a member of the Risk Committee, is a member of the Senior Advisory Board of Oliver Wyman, and sits on the boards of the Fletcher School of Tufts University and the Dickey Center for International Understanding at Dartmouth College. Mr. Bralver is the author of several articles on trading market structure and economics, and most recently of "The CFO as the Agent of the Capital Markets", in *The Known, the Unknown, and the Unknowable in Financial Risk Management*, edited by Diebold and Herring, Wharton Financial Institutions Center, Princeton University Press 2010. He has an AB from Dartmouth College and an MA and MALD from The Fletcher School.

Peter M. Brown, O.B.C., LL.D., Litt D. (1997)
Peter M. Brown was born in 1941 in Vancouver where he lives today. After attending the University of British Columbia, he entered the investment business with Greenshields Inc. in 1962. Today he remains Founder and Honorary Chairman of Canaccord Financial Inc. which he founded in 1968 and is Canada's largest independent investment dealer with 64 offices worldwide, including 37 wealth management offices located across Canada and five wealth management offices in the UK, Channel Islands, Isle of Man and Switzerland. Canaccord Genuity, the international capital markets division, operates in 11 countries including Canada, United States, UK, France, Germany, Ireland, Italy, China, Hong Kong, Singapore, Australia and Barbados.

Peter Brown is currently serving as Chairman of the Board for the Fraser Institute. Mr. Brown is British Columbia's representative on the Advisory Committee to the Canadian Securities Transition Office to lead the transition to a single Canadian securities regulator. He is a Director and is a Member of the Executive Committee for the Investment Industry Association of Canada. Mr. Brown is a Member of the Economic Advisory Council to the Federal Minister of Finance. He is also currently serving as a federally appointed Lead Director and Member of the Finance Committee for the Vancouver 2010 Olympic & Paralympics Games which successfully brought the Vancouver 2010 Olympics to Canada. Recently, the Business Council of British Columbia appointed Mr. Brown to their Board of Governors. Peter Brown is the incoming Chair of the Vancouver Police Foundation.

He has served on the boards of numerous private sector and crown corporations over the years. Formerly, he was a Director of the Vancouver Convention Centre Expansion Project Limited & Pavilion Corp (both Crown Corporations). Among his attainments, he was the past Chairman of the University of British Columbia, the Vancouver Stock Exchange, B.C. Place Corporation and B.C. Enterprise Corporation (both Crown Corporations). He was also the Vice Chairman of Expo 86 Corporation.

Mr. Brown is a recipient of the B.C. Chamber of Commerce Businessman of the Year award; the B.C. & Yukon Chamber of Mines Financier Award and the Pacific Entrepreneur of The Year Award for 2001. In 2002 he received the Distinguished Service Award by the Prospectors and Developers Association of Canada. In January 2003, Mr. Brown received a Commemorative Medal for the Golden Jubilee of Her Majesty Queen Elizabeth. In June 2003, he was awarded the Order of British Columbia. The Brotherhood Inter-Faith Society recognized Peter Brown as their Person of the Year in February 2004. In the spring of 2005, Mr. Brown received an honorary degree (Doctor of Laws) from the University of British Columbia. In 2007, he received the Distinguished Graduate Award from St. George's School and the Ted Ticknor Award for Exceptional Contribution from Big Brothers of Greater Vancouver. In 2009, Mr. Brown received the Fraser Institute's T. Patrick Boyle Founder's Award. In 2010, Peter Brown was inducted into the Canadian Mining Hall of Fame recognizing his entrepreneurial spirit and contribution to Canada's mining industry. He also became an Honorary Member of the Vancouver Police Pipe Band in 2009 and received the first-ever civilian commendation from the Vancouver City Police. Ernst & Young recognized him with the Lifetime Achievement Award in 2010 and in May 2011 he was inducted into the Business Laureates of BC Hall of Fame.

In 2012, Peter Brown received the Vancouver Board of Trade Rix Award for Engaged Community Citizenship and an honorary degree (Doctor of Letters) from Emily Carr University of Art & Design. In January 2013 he will be receiving an Honorary Degree from The Justice Institute of British Columbia.

Massimo Carello (2008)
Audit Committee
Mr. Carello is a corporate director and a private investor in public companies. Mr. Carello was the Chairman and Chief Executive Officer of Diners Club UK Ltd. from 2001 to 2004 and was the Chairman and Chief Executive Officer of Fiat UK Ltd. from 1990 to 2001. Mr. Carello served as a member of the Confederation of British Industry (CBI) President's Committee from 1998 to 2003 and was a member of the CBI European Committee. He was Vice President of the Italian Chamber of Commerce in the UK from 1998 to 2005. In addition to Canaccord Financial Inc., Mr. Carello is a director and a member of the Audit Committees of the following public companies: Canadian Overseas Petroleum Ltd. and Orsu Metals Corporation. Until December 2010, he was also a director and a member of the Audit Committee of Uranium One Inc.

William J. Eeuwes (2002)
Audit Committee
Corporate Governance and Compensation Committee
Mr. Eeuwes is Senior Vice President and Managing Director of Manulife Capital, a division of The Manufacturers Life Insurance Company. He has executive responsibility for four alternative assets teams in Canada: Manulife Capital (private equity and mezzanine), Project Finance (power and infrastructure), Regional Power Inc. and NAL Resource Management Limited (oil and gas). Before joining Manulife in 1999, Mr. Eeuwes was a career banker with 25 years of experience in underwriting and the management of a broad range of financing including LBOs, corporate lending and project finance. Mr. Eeuwes is a graduate of the Richard Ivey School of Business at the University of Western Ontario. In addition to Canaccord Financial Inc., Mr. Eeuwes is a director of the following public company: NAL Energy Corporation which is listed on the Toronto Stock Exchange.

Michael D. Harris, ICD.D. (2004)
Corporate Governance and Compensation Committee
Michael Harris, ICD.D, is a senior business advisor with the law firm of Cassels Brock & Blackwell LLP in Toronto, and the President of his own consulting firm, Steane Consulting Ltd., and, in this capacity, acts as a consultant to various Canadian companies. Prior to joining Cassels Brock in March 2010, he was a senior business advisor with the law firm of Goodmans LLP in Toronto.

Mr. Harris was born in Toronto in 1945, and was raised in Callander and North Bay, Ontario. Before his election to the Ontario Legislature in 1981, Mike Harris was a schoolteacher, a school board trustee and chair and an entrepreneur in the Nipissing area. On June 8, 1995 Mr. Harris became the 22nd Premier of Ontario following a landslide election victory. In 1999, he was re-elected – making him the first Ontario Premier in over 30 years to form a second consecutive majority government.

In addition to sitting on several boards of Canadian corporations, he also serves as a director of the Tim Horton Children's Foundation. He is the Honorary Chair of the North Bay District Hospital Capital Campaign and the Nipissing University and Canadore College Capital Campaign. Mr. Harris is also a Senior Fellow of The Fraser Institute. He has received his ICD.D certification from the Institute of Corporate Directors.

In addition to Canaccord Financial Inc., Mr. Harris is a director of the following public companies: Chartwell Seniors Housing Real Estate Investment Trust (Chair), FirstService Corporation, Routel Inc. (Chair), and Element Financial.

David Kassie (2010)
David Kassie became Group Chairman and a director of Canaccord Financial Inc. on the closing of the acquisition of Genuity Capital Markets, a Canadian investment bank, on April 23, 2010, and became Chairman on April 1, 2012. He was the Principal, Chairman and Chief Executive Officer of Genuity Capital Markets from 2004 until May 9, 2010, when the integration of the businesses of Genuity Capital Markets and Canaccord Financial Ltd. was completed under the name Canaccord Genuity. Before 2004, he was Chairman and Chief Executive Officer of CIBC World Markets and the Vice Chairman of CIBC.

Mr. Kassie has extensive experience as an advisor, underwriter and principal. He sits on a number of corporate boards. Mr. Kassie is actively involved in community and charitable organizations and is on the boards of the Ivey School of Business and the Toronto International Film Festival Group, and was formerly on the Board of the Hospital for Sick Children.

Mr. Kassie holds a B.Comm. (Honours) in Economics from McGill University, 1977 and an MBA from the University of Western Ontario, 1979.

Terrence A. Lyons (2004)
Audit Committee
Corporate Governance and Compensation Committee
Terry Lyons is past Chairman, Northgate Minerals Corporation, which was recently acquired by Aurico Gold, creating a new mid-cap gold company with a value of over $3 billion. He is a director of several public and private corporations including Sprott Resource Corp.; Polaris Minerals Corporation; EACOM Timber Corporation; BC Pavilion Corporation (Pavco) and currently serves as the Lead Director and Chairman of the Audit Committee of Canaccord Financial Inc.

Mr. Lyons is a Civil Engineer (UBC) with an MBA from the University of Western Ontario. He sits on the Advisory Board of the Richard Ivey School of Business and is active in sports and charitable activities, is a past Governor of the Olympic Foundation of Canada, past Chairman of the Mining Association of BC and in 2007 was awarded the INCO Medal by the Canadian Institute of Mining and Metallurgy for distinguished service to the mining industry.

Paul D. Reynolds (2005)
Paul Reynolds was named President of Canaccord Financial Inc. in August 2006 and CEO in August 2007, and leads the firm from Canaccord's Toronto office. Between 1999 and 2007, he managed Canaccord's London, England office as President and COO of European operations and was named Global Head of Canaccord Genuity in April 2005.

Mr. Reynolds has over 28 years of experience in the securities industry beginning as an equities trader. In 1985, he joined Canaccord Financial, working as an Investment Advisor before moving into a senior role in institutional sales. In the late 1990s, Mr. Reynolds assumed a leadership role in investment banking where he specialized in financing emerging and developing companies in the resource, technology and biotechnology sectors.

Mr. Reynolds also serves on the boards of the International Crisis Group and the Hospital for Sick Children in Toronto, and sits on the Global Commerce Advisory Panel for the Canadian Ministry of Foreign Affairs and International Trade.

Michael A. Walker, LL.D., D.S.S. (2006)
Michael Walker, LL.D., D.S.S. is a Senior Fellow at The Fraser Institute and President of The Fraser Institute Foundation. From its inception in 1974, until September 2005, Michael Walker directed the activities of The Fraser Institute. Before that he taught at the University of Western Ontario and Carleton University and was employed at the Bank of Canada and the Federal Department of Finance. He received his Ph.D. at the University of Western Ontario and his BA at St. Francis Xavier University.

As an economist, he has authored or edited 45 books on economic topics. His articles on technical economic subjects have appeared in professional journals in Canada, the United States and Europe, including the *Canadian Journal of Economics*, the *American Economic Review*, the *Journal of Finance*, the *Canadian Tax Journal*, *Health Management Quarterly*, *Weltwertschaftliches Archiv* and *Health Affairs*. He is the co-founder, with Milton and Rose D. Friedman, of the Economic Freedom of the World project, which is now a collaboration of 70 countries and produces the annual Economic Freedom of the World Index.

As a journalist, he has written more than 700 articles which have appeared in 60 North American newspapers including the *Globe and Mail*, the *Wall Street Journal*, the *National Post*, the *Vancouver Sun*, the *Chicago Tribune*, *Reader's Digest*, the *Detroit News* and the *Western Star*. He has served as a regular columnist for the *Ottawa Citizen*, the *Financial Post* and the *Vancouver Province*. He has lectured to over 2,000 audiences at universities and in other venues on six continents.

Dr. Walker is not a director of any public companies other than Canaccord Financial Inc. He is a director of Mancal Corporation. He is also a director of a number of non-profit societies including The Milton and Rose D. Friedman Foundation.

He has received the Vancouver Rotary Service Above Self Award, the Colin M. Brown Freedom Medal and Award by the National Citizens' Coalition, an honorary Doctor of Laws degree from the University of Western Ontario, an honorary Doctor of Social Sciences degree from Universidad Francisco Marroquín and the Thomas Jefferson Award from the Association of Private Enterprise Education.

The date appearing after the name of each director indicates the year in which he became a director. The term of office is subject to voting at the Annual General Meeting in 2012.

Locations

Capital Markets

CANACCORD GENUITY

Canada

Toronto
Brookfield Place
161 Bay Street, Suite 3000
P.O. Box 516
Toronto, ON
Canada M5J 2S1
Telephone: 416.869.7368
Toll free (Canada): 1.800.382.9280
Toll free (US): 1.800.896.1058

Vancouver
Pacific Centre
609 Granville Street, Suite 2200
P.O. Box 10337
Vancouver, BC
Canada V7Y 1H2
Telephone: 604.643.7300
Toll free (Canada): 1.800.663.1899
Toll free (US): 1.800.663.8061

Calgary
TransCanada Tower
450 1st Street SW, Suite 2200
Calgary, AB
Canada T2P 5P8
Telephone: 403.508.3800
Toll free: 1.800.818.4119

Montréal
1250 René-Lévesque Boulevard West
Suite 2000
Montréal, QC
Canada H3B 4W8
Telephone: 514.844.5443
Toll free: 1.800.361.4805

Barbados

26 Cassia Heights
Royal Westmoreland
St. James, Barbados BB 24023
Telephone: 246.419.0466

United States

New York
535 Madison Avenue, 2nd Floor
New York, NY
USA 10022
Telephone: 212.849.3900
Toll free: 1.800.818.2196

New York
350 Madison Avenue
New York, NY
USA 10017
Telephone: 212.389.8000
Toll free: 1.800.538.7003

Boston
99 High Street, Suite 1200
Boston, MA
USA 02110
Telephone: 617.371.3900
Toll free: 1.800.225.6201

San Francisco
101 Montgomery Street, Suite 2000
San Francisco, CA
USA 94104
Telephone: 415.229.7171
Toll free: 1.800.225.6104

Houston
Wells Fargo Plaza
1000 Louisiana Street, 71st Floor
Houston, TX
USA 77002
Telephone: 713.331.9901

Chicago
1880 Oak Avenue, Suite 135
Evanston, IL
USA 60201
Telephone: 847.864.1137

Minneapolis
45 7th Street South, Suite 2640
Minneapolis, MN
USA 55402
Telephone: 613.332.2208

UK and Europe

London
88 Wood Street
London, UK
EC2V 7QR
Telephone: 44.20.7523.8000

Edinburgh
29 Rutland Square
Edinburgh, Scotland
EH1 2BW
Telephone: 44.131.222.9400

Dublin
First Floor, South Dock House
Hanover Quay
Dublin 2
Ireland
Telephone: 353.1.635.0210

Milan
Filiale Italiana
Galleria Passarella 1
20122 Milan
Italy
Telephone: 39.02.062.1800

Asia

Beijing
Suite C700, 50 Liangmaqiao Rd.
Beijing 100125
China
Telephone: 8610.8451.5559
Fax: 8610.8454.0489

Shanghai
Suite 1205, Tower 1, Plaza 66
1266 Nanjing West Road,
Jing'an District
Shanghai 200040, China
Telephone: 86.21.6288.6895
Fax: 86.21.6288.2636

Hangzhou
Suite 1001, Gongyuan North Building
8 Qiushi Road
Hangzhou, Zhejiang, China
Telephone: 86.571.8992.2216
Fax: 86.571.8992.2221

Singapore
77 Robinson Road
#21-02
Singapore 068896
Telephone: 65.6854.6150

CANACCORD GENUITY HAWKPOINT

UK and Europe

London
41 Lothbury
London, UK
EC2R 7AE
Telephone: 44.20.7665.4500

Frankfurt
OpernTurm
Bockenheimer Landstrasse 2-4
60306 Frankfurt am Main
Germany
Telephone: 49.69.67.776.5000

Paris
Washington Plaza
29 rue de Berri
75008 Paris
France
Telephone: 33.1.56.69.66.66

CANACCORD BGF

Asia-Pacific

Melbourne
Level 4, 60 Collins Street
Melbourne, VIC, 3000, Australia
Telephone: 61.3.8688.9100

Sydney
Level 15, 9 Castlereagh Street
Sydney, NSW, 2000, Australia
Telephone: 61.2.9263.2700

Hong Kong
8th Floor, VC House, 4-6 On Lan Street
Central, Hong Kong
Telephone: 852.2110.3401

Wealth Management

CANACCORD WEALTH MANAGEMENT

Corporate Branches

British Columbia
Vancouver Head Office
Pacific Centre
609 Granville Street, Suite 2200
P.O. Box 10337
Vancouver, BC
Canada V7Y 1H2
Telephone: 604.643.7300
Toll free (Canada): 1.800.663.1899
Toll free (US): 1.800.663.8061

Abbotsford
32071 South Fraser Way, Suite 200
Abbotsford, BC
Canada V2T 1W3
Telephone: 604.504.1504
Toll free: 1.877.977.5677

Kelowna
1708 Dolphin Avenue, Suite 602
Kelowna, BC
Canada V1Y 9S4
Telephone: 250.712.1100
Toll free: 1.888.389.3331

Victoria
737 Yates Street, Suite 400
Victoria, BC
Canada V8W 1L6
Telephone: 250.388-5354
Toll free: 1.877.666.2288

White Rock
1688 – 152nd Street, Suite 305
Surrey, BC
Canada V4A 4N2
Telephone: 604.538.8004
Toll free: 1.800.665.2001

Ontario
Toronto
Brookfield Place
161 Bay Street, Suite 2900
P.O. Box 516
Toronto, ON
Canada M5J 2S1
Telephone: 416.869.7368
Toll free (Canada): 1.800.382.9280
Toll free (US): 1.800.896.1058

London
One London Place, Suite 1600
255 Queens Avenue
London, ON
Canada N6A 5R8
Telephone: 519.434.6259
Toll free: 1.866.739.3386

Waterloo
80 King Street South, Suite 101
Waterloo, ON
Canada N2J 1P5
Telephone: 519.886.1060
Toll free: 1.800.495.8071

Alberta
Calgary
TransCanada Tower, Suite 2200
450 – 1st Street SW
Calgary, AB
Canada T2P 5P8
Telephone: 403.508.3800
Toll free: 1.800.818.4119

Edmonton
Manulife Place, Suite 2700
10180 – 101st Street
Edmonton, AB
Canada T5J 3S4
Telephone: 780.408.1500
Toll free: 1.877.313.3035

Québec
Montréal
1250 René-Lévesque Boulevard West
Suite 2000
Montréal, QC
Canada H3B 4W8
Telephone: 514.844.5443
Toll free: 1.800.361.4805

Nova Scotia
Halifax
Purdy’s Wharf Tower II, Suite 2004
1969 Upper Water Street
Halifax, NS
Canada B3J 3R7
Telephone: 902.442.3162
Toll free: 1.866.371.2262

Canaccord Wealth Management (USA), Inc.

Pacific Centre
609 Granville Street, Suite 2200
P.O. Box 10337
Vancouver, BC
Canada V7Y 1H2
Telephone: 604.684.5992

Independent Wealth Management Branches

Ontario
Toronto
20 Eglinton Avenue West, Suite 1500
P.O. Box 2039
Toronto, ON
Canada M4R 1K8
Telephone: 416.222.7003
Toll free: 1.866.852.6740

Burlington
5500 North Service Road, Suite 805
Burlington, ON
Canada L7L 6W6
Telephone: 905.335.5223
Toll free: 1.855.392.5626

Barrie
25 Berczy Street
Barrie, ON
Canada L4M 3P6
Telephone: 705.721.9594

Cobourg
7941 County Rd. #2
Cobourg, ON
Canada K9A 4J7
Telephone: 905.372.1300
Toll free: 1.866.536.3702

Ottawa
1525 Carling Avenue, Suite 201
Ottawa, ON
Canada K1Z 8R9
Telephone: 613.233.3158
Toll free: 1.888.899.9994

Ottawa
2 Gurdwara Road, Suite 510
Ottawa, ON
Canada K2E 1A2
Telephone: 613.274.2662
Toll free: 1.877.721.1189

Brampton
21 Queen Street East, Suite 900
Brampton, ON
Canada L6W 3P1
Telephone: 905.450.6766
Toll free: 1.800.450.4403

Simcoe
49 Robinson Street
Simcoe, ON
Canada N3Y 1W5
Telephone: 519.428.7525
Toll free: 1.800.301.9379

Kitchener
4281 King Street East, Unit E
Kitchener, ON
Canada N2P 2E9
Telephone: 519.219.6611
Toll free: 1.866.232.1894

Vaughan
8400 Jane Street, Suite 200
Vaughan, ON
Canada L4K 4L8
Telephone: 905.474.7740

Thunder Bay
1001 William Street, Suite 202
Thunder Bay, ON
Canada P7B 6M1
Telephone: 807.476.1750
Toll free: 1.877.889.2233

British Columbia
Campbell River
1631 Island Hwy
Campbell River, BC
Canada V9W 2E6
Telephone: 250.287.8807
Toll free: 1.800.347.0270

Nanaimo
75 Commercial Street
Nanaimo, BC
Canada V9R 5G3
Telephone: 250.754.1111
Toll free: 1.800.754.1907

Prince George
1840 Third Avenue, Suite 101
Prince George, BC
Canada V2M 1G4
Telephone: 250.614.0888
Toll free: 1.866.614.0888

Prince George
1560 3rd Avenue
Prince George, BC
Canada V2L 3G4
Telephone: 250.562.7255
Toll free: 1.800.667.3205

Vernon
3108 30th Avenue
Vernon, BC
Canada V1T 2C2
Telephone: 250.558.5431
Toll free: 1.800.665.2505

Summerland
9523 Main Street, Suite 103
P.O. Box 840
Summerland, BC
Canada V0H 1Z0
Telephone: 250.494.1130
Toll free: 1.888.403.9392

Trail
1277 Cedar Avenue
Trail, BC
Canada V1R 4B9
Telephone: 250.368.3838
Toll free: 1.855.368.3838

Alberta
Calgary
322, 11th Avenue SW, Suite 207
Calgary, AB
Canada T2R 0C5
Telephone: 403.531.2444
Toll free: 1.866.531.2444

Calgary
2nd Street SW, Suite 1409
Calgary, AB
Canada T2R 0W7
Telephone: 403.263.7999
Toll free: 1.877.263.7999

Québec
Québec City
2590 Laurier Boulevard, Suite 860
Québec City, QC
Canada G1V 4M6
Telephone: 418.658.2924
Toll free: 1.866.658.2924

Gatineau
12 Sainte Marie Street
Gatineau, QC
Canada J8Y 2A3
Telephone: 819.772.4737
Toll free: 1.877.496.1685

Saskatchewan
Saskatoon
333 – 25th Street East, Suite 100
Saskatoon, SK
Canada S7K 0L4
Telephone: 306.665.2133
Toll free: 1.866.665.2121

COLLINS STEWART WEALTH MANAGEMENT

London
8th Floor
88 Wood Street
London, UK
EC2V 7QR
Telephone: 44.20.7523.4600

Jersey
38 The Esplanade
St Helier
Jersey JE4 0XQ
Telephone: 44.1534.708090

Guernsey
Collins Stewart House
The Grange
St Peter Port
P.O. Box 45
Guernsey GY1 4AX
Telephone: 44.1481.712889

Guernsey
Landes du Marche Chambers
Vale
P.O. Box 328
Guernsey GY1 3TY
Telephone: 44.1481.251515

Isle of Man
Anglo International House
Bank Hill
Douglas
Isle of Man IM1 4LN
Telephone: 44.1624.690100

Geneva
7, Avenue Pictet-de-Rochemont
1207 Geneva
Switzerland
Telephone: 41.22.707.0080

OTHER LOCATIONS

Pinnacle Correspondent Services

Vancouver
Pacific Centre
609 Granville Street, Suite 2200
P.O. Box 10337
Vancouver, BC
Canada V7Y 1H2
Telephone: 604.643.7300

Toronto
Brookfield Place
161 Bay Street, Suite 3000
P.O. Box 516
Toronto, ON
Canada M5J 2S1
Telephone: 416.869.7368

Shareholder Information

Corporate Headquarters

STREET ADDRESS

Canaccord Financial Inc.
609 Granville Street, Suite 2200
Vancouver, BC, Canada

MAILING ADDRESS

Pacific Centre
609 Granville Street, Suite 2200
P.O. Box 10337
Vancouver, BC, V7Y 1H2, Canada

Stock Exchange Listing

TSX: CF
AIM: CF.

Corporate Website

www.canaccordfinancial.com

General Shareholder Inquiries and Information

INVESTOR RELATIONS

161 Bay Street, Suite 3000
Toronto, ON, Canada
Telephone: 416.869.7293
Fax: 416.947.8343
Email: investor.relations@canaccord.com

Media Relations and Inquiries from Institutional Investors and Analysts

Jamie Kokoska
Vice President, Investor Relations and Communications
Telephone: 416.869.3891
Email: Jamie.Kokoska@canaccord.com

This Canaccord Financial 2012 Annual Report is available on our website at www.canaccordfinancial.com. For a printed copy please contact the Investor Relations department.

Common Share Trading Information (Fiscal 2012)

Stock exchange	Ticker	Diluted shares outstanding at March 31, 2012	Year-end price March 31, 2012	High	Low	Total volume of shares traded
Toronto TSX	CF	106,656,028	$ 8.30	$ 15.31	$ 6.94	44,170,959
London AIM	CF.	106,656,028	£ 5.05	£ 9.25	£ 5.00	2,752,671

Fiscal 2012 Preferred Dividend Dates and Amounts

Quarter end date	Preferred dividend record date	Preferred dividend payment date	Series A preferred dividend	Series C preferred dividend	Total preferred dividend
June 30, 2011	September 16, 2011	September 30, 2011	$ 0.37295	n/a	$ 0.37295
September 30, 2011	December 16, 2011	January 3, 2012	$ 0.34375	n/a	$ 0.34375
December 31, 2011	March 16, 2012	April 2, 2012	$ 0.34375	n/a	$ 0.34375
March 31, 2012	June 15, 2012	July 3, 2012	$ 0.34375	$ 0.31900	$ 0.66275
			$ 1.4042	$ 0.31900	$ 1.7232

Fiscal 2012 Common Dividend Dates and Amounts

Quarter end date	Common dividend record date	Common dividend payment date	Common dividend
June 30, 2011	August 26, 2011	September 15, 2011	$ 0.10
September 30, 2011	December 2, 2011	December 15, 2011	$ 0.10
December 31, 2011	March 2, 2012	March 15, 2012	$ 0.10
March 31, 2012	June 1, 2012	June 15, 2012	$ 0.10
			$ 0.40

Fiscal 2013 Expected Dividend[1] and Earnings Release Dates

	Expected earnings release date	Preferred dividend record date	Preferred dividend payment date	Common dividend record date	Common dividend payment date
Q1/13	August 8, 2012	September 14, 2012	October 1, 2012	August 24, 2012	September 10, 2012
Q2/13	November 7, 2012	December 14, 2012	December 31, 2012	November 30, 2012	December 10, 2012
Q3/13	February 6, 2013	March 15, 2013	April 1, 2013	March 1, 2013	March 15, 2013
Q4/13	May 21, 2013	June 21, 2013	July 2, 2013	May 31, 2013	June 10, 2013

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

Eligible Dividend Designation (*Income Tax Act* (Canada))

In Canada, the *Federal Income Tax Act*, and most provincial income tax legislation, provides lower levels of taxation for Canadian individuals who receive eligible dividends. All of the common share dividends paid by Canaccord Financial Inc. (or its predecessor Canaccord Capital Inc.) since 2006 are eligible, as are common share dividends paid hereafter unless otherwise indicated.

Shareholder Administration

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

COMPUTERSHARE INVESTOR SERVICES INC.

100 University Avenue, 9th Floor
Toronto, ON M5J 2Y1
Telephone Toll Free (North America): 1.800.564.6253
International: 514.982.7555
Fax: 1.866.249.7775
Toll Free Fax (North America): or
International Fax: 416.263.9524
Email: service@computershare.com
Website: www.computershare.com
Offers enrolment for self-service account management for registered shareholders through the Investor Centre.

Annual General Meeting

The Annual General Meeting of shareholders will be held on Thursday, July 12, 2012 at 10:00 am (Eastern time) at the
TMX Broadcast Centre
The Exchange Tower
130 King Street West
Toronto, ON, Canada

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

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

Financial Information

For present and archived financial information, please visit www.canaccordfinancial.com

Auditor

Ernst & Young LLP
Chartered Accountants
Vancouver, BC

Fees Paid to Shareholders' Auditors

For fees paid to shareholders' auditors, see page 49 of the fiscal 2012 Annual Information Form.

Qualified Foreign Corporation

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

Editorial and Design Services

The Works Design Communications Ltd.

CANACCORD Financial

Canaccord Financial Inc. is the publicly traded parent company to Canaccord's group of companies. Canaccord Financial Inc. is listed on the TSX (as CF) and AIM (as CF.).

CANACCORD Genuity

Canaccord Genuity provides global investment banking, M&A, advisory, research, sales and trading services to Canaccord's institutional and corporate clients. Canaccord Genuity has 24 offices worldwide.

CANACCORD Genuity Hawkpoint

Considered part of Canaccord Genuity, Canaccord Genuity Hawkpoint provides M&A, financial restructuring and strategic advice to corporate, government, and private equity clients. Canaccord Genuity Hawkpoint has offices in London, Paris and Frankfurt.

CANACCORD Genuity 加通贝祥

Canaccord Genuity Asia provides capital raising, debt financing and advisory services to corporate clients in the Asia-Pacific region. Canaccord Genuity Asia has offices in Beijing, Shanghai and Hangzhou.

CANACCORD BGF

Canaccord BGF provides research, wealth management, sales and trading, and equity capital markets services to private, institutional and corporate clients. Canaccord BGF has offices in Sydney, Melbourne and Hong Kong.

CANACCORD Wealth Management

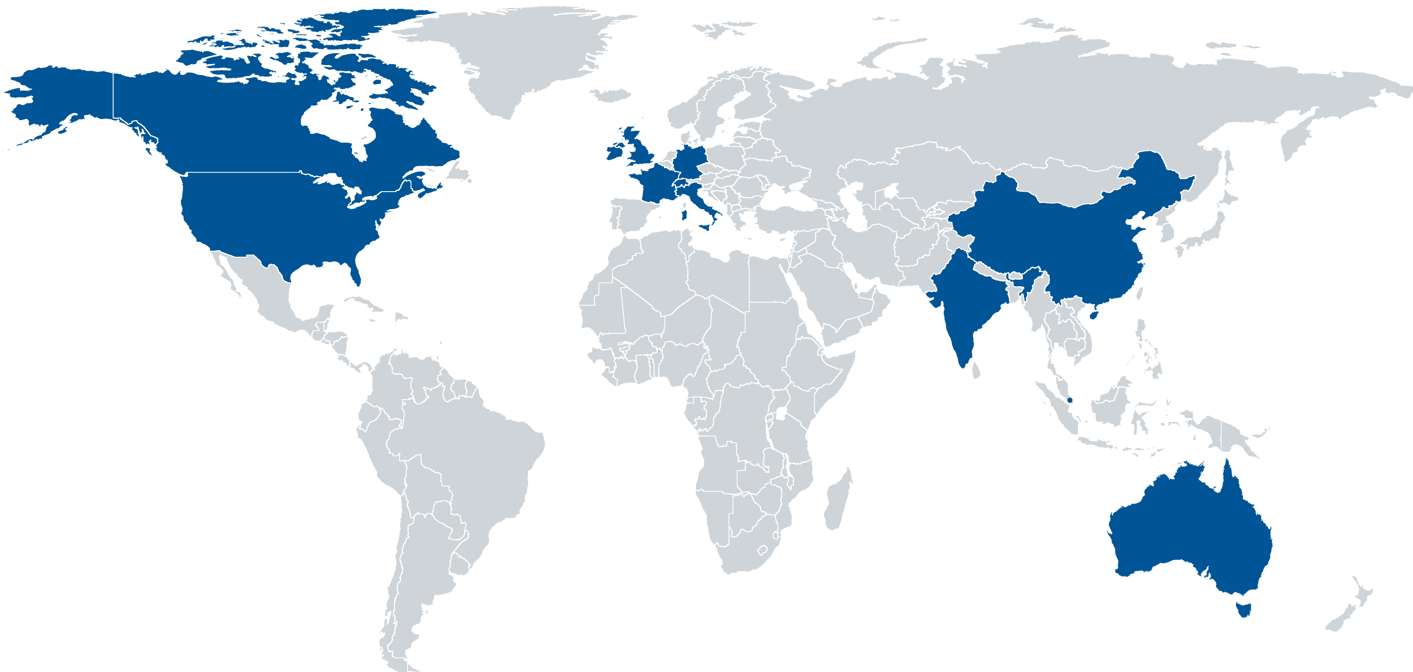
Canaccord Wealth Management's Canadian operations provide tailored wealth management and brokerage services to individual investors. Canaccord Wealth Management has 35 offices, located across Canada.

Collins Stewart Wealth Management

Collins Stewart Wealth Management (CSWM) provides high net worth clients, intermediaries and institutions, and charities with wealth management services from offices in the UK, the Channel Islands, Isle of Man and Switzerland. CSWM will be rebranded Canaccord Wealth Management during fiscal 2013.

PINNACLE CORRESPONDENT SERVICES

Pinnacle provides correspondent services (administrative and clearing solutions) to Canada's wealth management industry by leveraging Canaccord's investment in leading-edge back-office infrastructure and technology.



Canaccord operations and strategic alliances

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