EVOLVING
OUR BUSINESS

CANACCORD Financial

2010 ANNUAL REPORT
CANACCORD FINANCIAL INC.

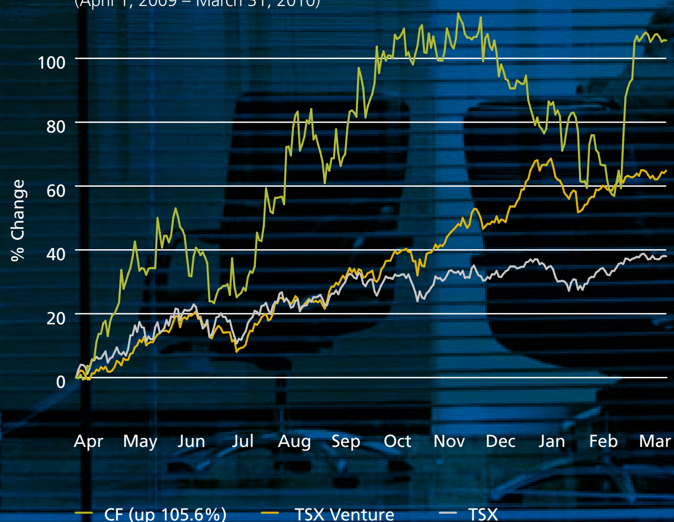
About Canaccord Financial Inc.

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: wealth management and global capital markets. 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 38 offices worldwide, including 30 Wealth Management offices located across Canada. Canaccord Genuity, the international capital markets division, operates in the US, UK, Canada and Barbados.

Canaccord Financial Inc. is publicly traded under the symbol CF on the TSX and the symbol CF. on AIM, a market operated by the London Stock Exchange.

Contents

CF share performance
(April 1, 2009 – March 31, 2010)



REASONS TO INVEST IN CANACCORD FINANCIAL

Strong shareholder alignment

- All senior managers are shareholders and are committed to building exemplary long-term shareholder value
- Senior officers of the Company own over 30% of Canaccord's shares; employees own more than 50%
- Established 20% ROE target over the next business cycle

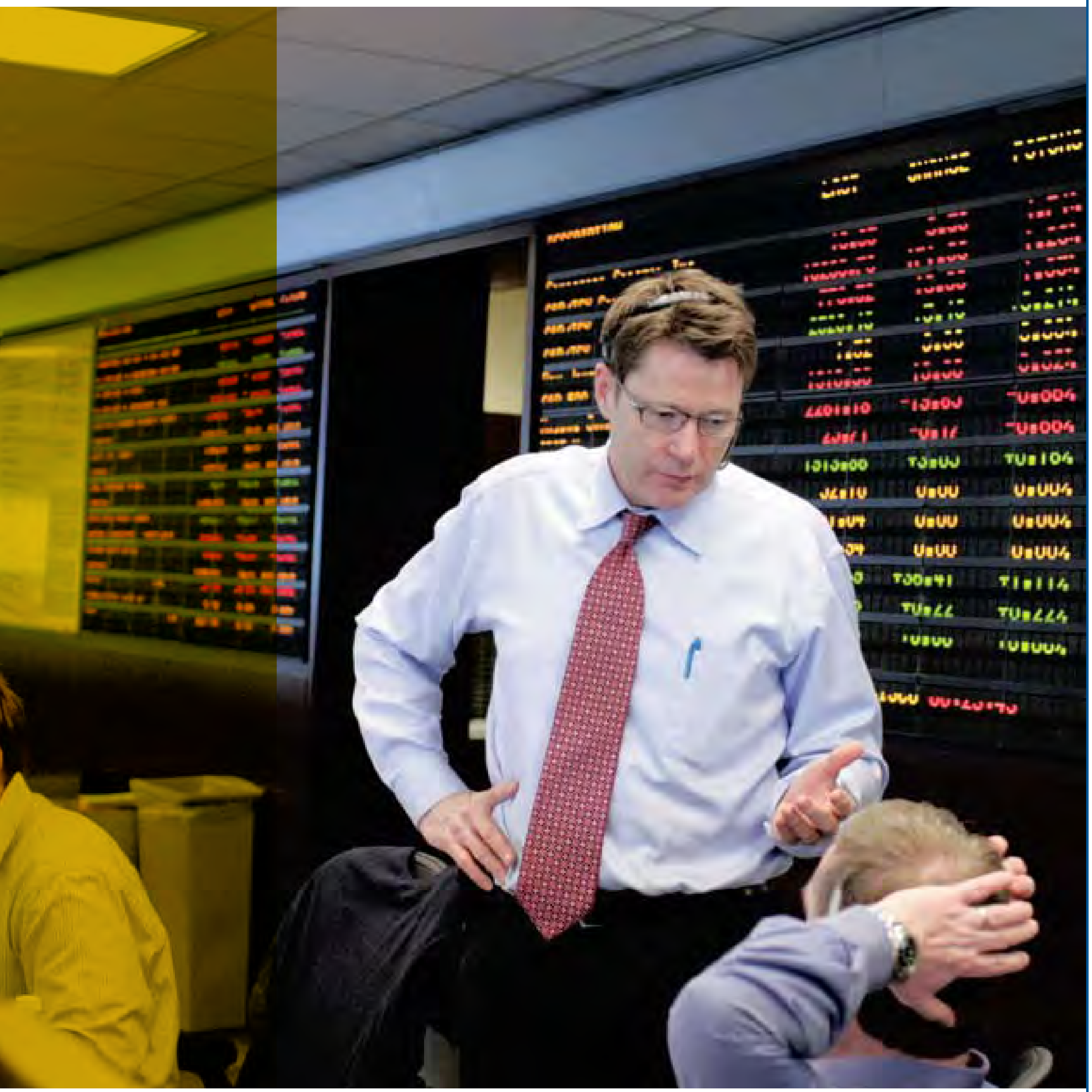
Decisive growth strategy

- Focusing our expansion efforts on geographies and sectors with the highest possible return
- Priorities for growth include ensuring a strong strategic and good cultural fit and being accretive to earnings
- Capitalizing on market opportunities
- Diversifying our business across geographies, sectors and services
- Committed to the national expansion of Canaccord Wealth Management

---

Solid financial position

- Strong, liquid balance sheet
- Book value of $6.96 per share (as of March 31, 2010)
- Strong revenue growth; up 21% over fiscal 2009
- Well positioned to execute transactions in recovering markets



EVOLVING
AS CANACCORD GENUITY

Canaccord has a long history of pursuing strategic growth to better serve our clients and create value for our shareholders. During April 2010 we took the next step in our evolution and added considerable strength to our global platform with the acquisition of Genuity Capital Markets. Combined, our proven global distribution and advisory and restructuring leadership creates the gold-standard independent investment bank – one that is expansive in resources and reach, but targeted in industry expertise, market focus and individual client attention. To reflect our expanded capital markets business, as of May 10, 2010, Canaccord Adams was renamed Canaccord Genuity.

This important evolution allows Canaccord to better serve our corporate clients throughout their entire business lifecycle – from initial public offering, with research and trading support, to secondary offerings and advisory services. Clients who have worked with Genuity will also benefit by gaining access to Canaccord's global capital markets platform, equity underwriting strength and robust retail distribution. The addition of Genuity's top-ranked research coverage of the transportation, financial and telecommunications sectors also complements Canaccord's well-established leadership in mining, energy and sustainability. That means added depth and breadth of investment ideas for both our institutional and Wealth Management clients.

375
Capital Markets professionals

$3.0 *billion*
Total proceeds raised through deals led by Canaccord [1]

[1] Transactions over $1.5 million.

We are already seeing benefits from the integration of Genuity; however it should not overshadow the momentum our capital markets division built over the course of fiscal 2010. Globally, Canaccord participated in 336 transactions with total proceeds of $8.6 billion and of these, we led 114 raising total proceeds of $3.0 billion [(1)]. Total revenues for the division also increased by more than 30% for the year.

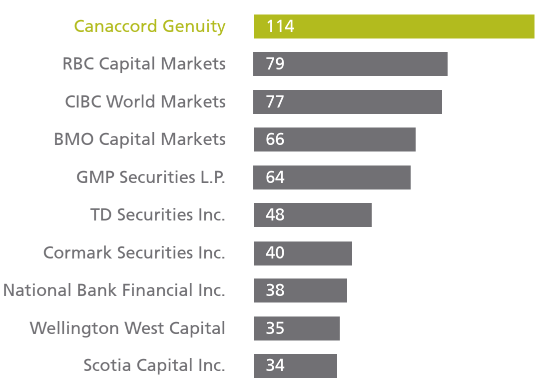
The dislocation caused by market volatility during calendar 2008 and 2009 created excellent opportunities for Canaccord to continue to evolve its banking and trading operations in the US and UK. Early in fiscal 2010, we hired Giles Fitzpatrick as the new president of our UK operations. We subsequently acquired Intelli Partners Limited, a team of professionals based in London and Edinburgh who have added measurable strength to our established sales trading and market-making capabilities. We also added a highly regarded team of partners to our UK institutional equities team to build our secondary distribution and trading to European and US clients.

[(1)] Transactions over $1.5 million.

In the US, the strong strategic hires we made in sales, trading and research during the past two fiscal years contributed to a record year and excellent market share growth. In March, we recruited a respected industry veteran, Stephen Buell, as Director of US Equity Research. He leads Canaccord Genuity's team of 35 research professionals in the US, who track more than 270 companies in the energy, technology, life sciences, consumer and sustainability sectors.

Longer term, we are confident about the potential that Canaccord Genuity holds as an aggressive, full-service competitor – not just for shareholders but for corporate and institutional clients of all sizes who value independent advice and global execution. With more than 375 highly regarded capital markets professionals and deep expertise in each of our focus areas, Canaccord Genuity is an exceptional resource that helps clients achieve their business objectives in key markets around the world.

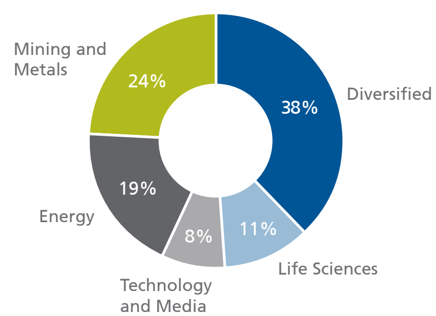
Number of led transactions [1]

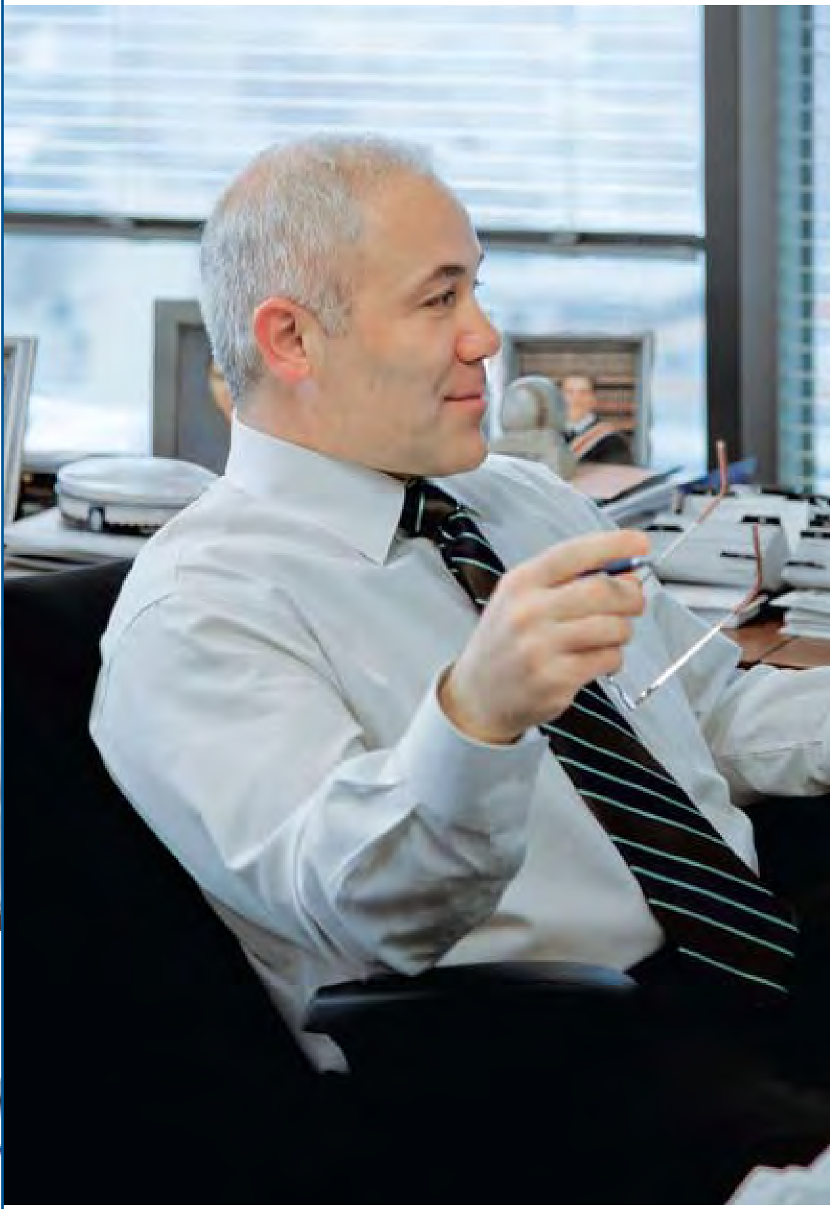


[1] Canaccord transactions include transactions executed by its UK and US operations. Transactions over $1.5 million only.

Source: FP Infomart as of March 31, 2010 and Company information.

Fiscal 2010 – Canaccord Genuity transactions by sector





EVOLVING
CANACCORD WEALTH MANAGEMENT

Fiscal 2010 was a year of evolution for Canaccord Wealth Management as we repositioned the division to better meet the changing needs of Canadian investors and our Advisors. As part of our commitment to providing best-in-class service, we added to our product offering, enhanced our advisor training programs and simplified the names of our financial solutions to ensure their value was clear to our clients. All of these initiatives culminated in the rebranding of the business, from Canaccord Private Client Services, to Canaccord Wealth Management – a name that better reflects our comprehensive approach to managing and preserving the wealth of our clients.

Independent solutions. Canadian investors, particularly those with substantial investable assets, are increasingly finding better value in fee-based accounts and all-inclusive programs. Recognizing this, in October 2009 we launched *Complete Canaccord* – a comprehensive financial planning framework that enables our Investment Advisors to work with their clients in assessing, planning, implementing and monitoring all aspects of their financial plans. It ensures that all components of our clients' financial strategies are complementary to their overall wealth management goals.

59%

increase in AUA per Advisory Team
(fiscal 2010 compared to fiscal 2009)

As part of our product strategy, we introduced *Complete Canaccord ETF Portfolios* in January, which provide clients with access to exchange traded funds through the *Complete Canaccord Investment Counselling Program*. This offering is just one example of how Canaccord is providing clients with access to investment options traditionally only available to large, institutional investors.

In the past year we've also grown our financial planning team and resources as part of our commitment to provide our clients with access to specialized advice such as benefit and pension strategies, philanthropic solutions and estate planning.

Strong national platform. Our Investment Advisors are the core of Canaccord Wealth Management, and an integral part of our strategy to return the division to consistent profitability. To support their continued success, we recently founded Canaccord University – a targeted professional development program. Canaccord University offers training opportunities in practice management, product knowledge, and technology and tools – all intended to help Advisors build their productivity and service levels.

During Q1/10 we completed a strategic realignment of our Advisor force to ensure all Canaccord Advisors share our commitment to meeting our clients' expectations through a comprehensive approach to wealth management. We have also modernized the division's compensation structure to improve the payouts available to our most productive Advisors.

The operating structure of Canaccord Wealth Management also evolved in fiscal 2010. During the year we launched our Independent Wealth Management (IWM) platform. Through IWM, independent agents operate offices under Canaccord's strong national brand, but shoulder a larger share of the operating costs and risks associated with running a branch office. The concept is not only an exciting new avenue for national expansion – we established nine IWM offices last year – it also minimizes the capital investment associated with growth in our Wealth Management division.

All of these initiatives – focusing on wealth management, improving Advisor productivity and expanding geographically – are helping to build our assets under administration (AUA). Aided by improved equity markets, AUA grew over 40% to $12.9 billion at the end of fiscal 2010 from $9.2 billion a year ago.

Number of Wealth Management branches

Assets under administration

(C$ billions)

TO OUR SHAREHOLDERS

Our fiscal 2010 began much like fiscal 2011 is beginning – with widespread concern about the stability of the global economy. Despite this, Canaccord not only performed well during the year, but also accomplished a great deal. With a major acquisition, a comprehensive rebranding initiative, key hires across all of our businesses and a stock price that more than doubled, fiscal 2010 was a landmark year for the Company and its shareholders.

We devoted much of our attention to strengthening our global platform for higher rates of growth, and in doing so, delivered solid financial results. Revenues increased by 21% over the prior fiscal year to $578 million. Excluding significant items, Canaccord generated $42 million in net income during fiscal 2010, compared to a loss of $1.4 million a year ago. Return on equity fell short of our business-cycle target of 20%, but we remain strongly committed to reaching that goal. In fact, all of our strategic investments in the Company during the year were made with the intention of creating better value for our clients and achieving higher returns for our shareholders.

As we enter fiscal 2011, a key driver of our momentum will be our acquisition of Genuity Capital Markets, which we announced late in the fourth quarter and completed on April 23, 2010. We believe this is a transformational transaction for both firms – one that creates the gold-standard independent investment bank. On May 10, 2010, we completed the integration of Genuity into Canaccord's operations. It is also the day that our capital markets division began operating under its new name – Canaccord Genuity.

Our clients' needs were paramount in our decision to pursue this business combination. We recognized that both firms had differentiating yet complementary strengths for corporate clients. Together we offer a stronger platform to provide them idea-driven services throughout the entire lifecycle of their business. In addition to our expanded M&A and restructuring practice, Canaccord Genuity clients also benefit from our increased equity underwriting capabilities, our global distribution platform, and high-quality research across even more sectors and market caps.

What makes Canaccord Genuity particularly promising is that it brings together two client-focused and values-driven cultures. Together, we form a global platform that is as expansive in resources and reach as it is targeted in industry expertise and market focus. The acquisition also adds significant experience to Canaccord's leadership team and board of directors. All of our new partners are committed to building long-term value for clients and shareholders. In fact, the interests of the Company and our shareholders are more aligned than ever, with over 30% of Canaccord's shares now owned by senior officers of the Company and over 50% by Canaccord employees.

The exciting changes occurring in our capital markets division should not diminish the impressive developments taking place in Canaccord Wealth Management. The new name of this business, which we changed from Canaccord Private Client Services in September 2009, is a better reflection of our commitment to providing Canadians with the investment solutions they need for the creation, preservation and inter-generational transfer of their wealth. During fiscal 2010 we also launched *Complete Canaccord* – a comprehensive, yet accessible, financial approach for Wealth Management clients – and introduced an enhanced practice management platform for our Investment

7 VALUES

Seven key values drive Canaccord employees and management in delivering results to our shareholders, clients and community.

1. WE PUT OUR CLIENTS FIRST
2. A GOOD REPUTATION IS OUR MOST-VALUED CURRENCY
3. IDEAS ARE THE ENGINE OF OUR BUSINESS

Advisors. Aided by strategic recruiting, retention initiatives and stronger markets, our assets under administration soared 41% to $12.9 billion from the end of fiscal 2009.

We are pleased with the initial success of our Independent Wealth Management (IWM) platform, which was launched at the beginning of fiscal 2010. IWM enhances our recruitment channel in a cost effective manner as we expand our Wealth Management business across Canada. As of March 31, nine branches were operating under the IWM program, with another branch opened since the end of fiscal 2010.

Overall, we are making good progress in the strategic realignment of Wealth Management. Improving its productivity will remain a key priority for the business throughout fiscal 2011.

The View Ahead. We have spent the better part of two years navigating through the challenges of turbulent markets. In that time we have made a concerted effort to lower our expenses, grow areas of our business where we see opportunity, and build a strong, liquid balance sheet. As a result of our focus on these areas, I am confident that we've repositioned many of our business units to capitalize on opportunities for further growth.

We believe it is now the right time to shift our primary focus to expansion while we remain vigilant on costs. We have made, and will continue to make, the investments that are necessary to better meet the evolving needs of clients in all of our businesses and geographies. Canaccord Financial has significant opportunities to build assets in Canada and to evolve the size and complexity of our corporate relationships in the US and the UK. We are also evaluating opportunities to expand our services in countries with strong economic growth.

In all of this, the debut of Canaccord Genuity could not be more promising. The combination deepens our capabilities and broadens our ideas – for trading, for advising and for investing. And it does so with the independence that is increasingly sought after by individual, institutional and corporate clients wherever we operate.

We are more optimistic about the opportunities that exist for Canaccord than we have been for some time. And though we remain cautious about the longer-term prospects for global capital markets, we are making strategic and operational decisions that will not only position the Company for higher rates of growth but also enable us to prosper in whatever market conditions we may face.

Paul D. Reynolds
President & Chief Executive Officer

May 2010

4. WE ARE AN ENTREPRENEURIAL, HARD-WORKING CULTURE

5. WE STRIVE FOR CLIENT INTIMACY

6. WE ARE DEDICATED TO CREATING EXEMPLARY SHAREHOLDER VALUE

7. WE ARE COMMITTED TO EXCELLENCE IN OUR FOCUS AREAS

FINANCIAL HIGHLIGHTS

SELECTED FINANCIAL INFORMATION [1]

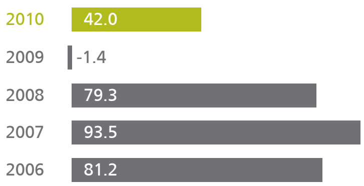
For the years ended March 31
(C$ thousands, except per share, employee and % amounts)

	2010	2009	2010/2009 Change	
Revenue				
Commission	**$ 235,606**	$ 233,104	$ 2,502	1.1%
Investment banking	**254,437**	169,369	85,068	50.2%
Principal trading	**45,982**	18,319	27,663	151.0%
Interest	**12,965**	38,287	(25,322)	(66.1)%
Other	**28,547**	18,642	9,905	53.1%
Total revenue	**$ 577,537**	$ 477,721	$ 99,816	20.9%
Expenses				
Incentive compensation	**299,084**	222,006	77,078	34.7%
Salaries and benefits	**59,415**	56,771	2,644	4.7%
Other overhead expenses	**162,397**	194,910	(32,513)	(16.7)%
Acquisition-related costs	**5,000**	—	5,000	n.m.
Asset-backed commercial paper (ABCP) fair value adjustment	**—**	6,700	(6,700)	(100.0)%
Relief provision	**—**	2,700	(2,700)	(100.0)%
Canaccord relief program fair value adjustment	**—**	2,647	(2,647)	(100.0)%
Impairment of goodwill and intangibles	**—**	31,524	(31,524)	(100.0)%
Restructuring costs	**—**	7,662	(7,662)	(100.0)%
Total expenses	**$ 525,896**	$ 524,920	$ 976	0.2%
Income (loss) before income taxes	**51,641**	(47,199)	98,840	n.m.
Net income (loss)	**38,497**	(47,651)	86,148	n.m.
Basic earnings (loss) per share (EPS)	**$ 0.79**	$ (0.97)	$ 1.76	n.m.
Diluted earnings (loss) per share (EPS)	**$ 0.69**	$ (0.97)	$ 1.66	n.m.
Return on average common equity (ROE)	**9.8%**	(12.4)%	23.0p.p.	
Dividends per share	**$ 0.15**	$ 0.125	$ 0.025	20.0%
Book value per diluted share – period end	**6.96**	6.51	0.45	6.9%
Excluding significant items [2]				
Total expenses	**$ 520,896**	$ 473,687	$ 47,209	10.0%
Income before income taxes	**56,641**	4,034	52,607	n.m.
Net income (loss)	**42,043**	(1,417)	43,460	n.m.
Basic earnings (loss) per share (EPS)	**$ 0.86**	$ (0.03)	$ 0.89	n.m.
Diluted earnings (loss) per share (EPS)	**$ 0.76**	$ (0.03)	$ 0.79	n.m.
Balance sheet data:				
Total assets	**$ 3,123,848**	$ 2,022,099	$ 1,101,749	54.5%
Total liabilities	**2,722,103**	1,649,395	1,072,708	65.0%
Total shareholders' equity	**401,745**	372,704	29,041	7.8%
Number of employees	**1,549**	1,530	19	1.2%

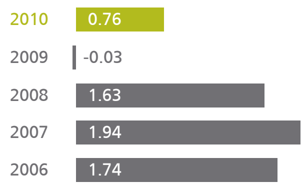
(1) Data is considered to be Generally Accepted Accounting Principles (GAAP) except for ROE, book value per diluted share, figures excluding significant items and number of employees.
(2) Fiscal 2010 figure excludes transaction costs of $5.0 million related to the acquisition of Genuity. Fiscal 2009 data excludes ABCP fair value adjustment of $6.7 million, $2.7 million relief provision, $2.6 million client relief program fair value adjustment, $31.5 million impairment of goodwill and intangibles, and $7.7 million of restructuring costs.
n.m.: not meaningful p.p.: percentage points

Revenue for fiscal 2010
(C$ millions)

Net income for fiscal 2010 [1]
(C$ millions, excluding significant items)



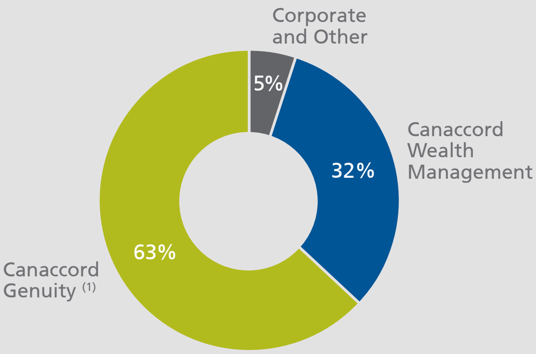
Diluted EPS for fiscal 2010
(C$, excluding significant items)



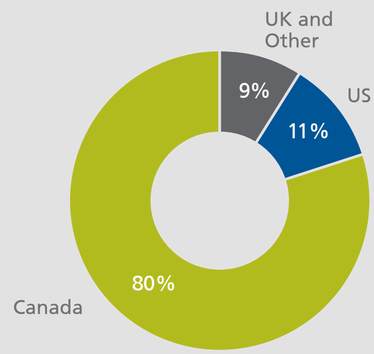
(1) Fiscal 2010 data excludes transaction costs related to the acquisition of Genuity. Fiscal 2009 data excludes ABCP fair value adjustment of $6.7 million, $2.7 million relief provision, $2.6 million client relief program fair value adjustment, $31.5 million impairment of goodwill and intangibles, and $7.7 million of restructuring costs.

CANACCORD
AT A GLANCE

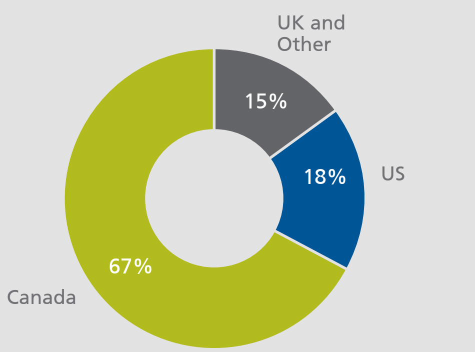
Fiscal 2010 – Revenue by business segment [1]



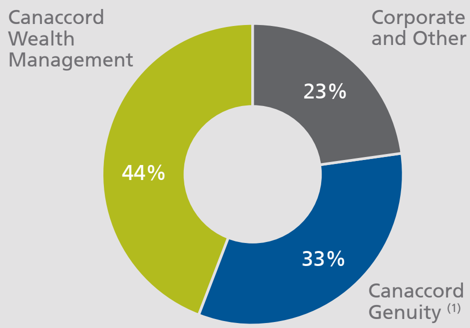
Fiscal 2010 – Employees by geography



Fiscal 2010 – Revenue by geographic segment

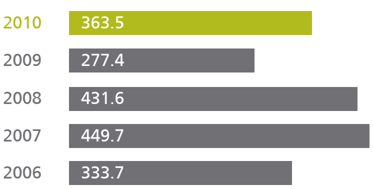


Fiscal 2010 – Employees by division

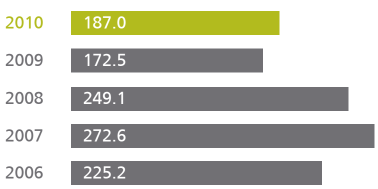


REVENUE DISTRIBUTION BY BUSINESS SEGMENT

Canaccord Genuity [1]
(C$ millions)



Canaccord Wealth Management
(C$ millions)



Corporate and Other
(C$ millions)

[1] Canaccord Genuity figures were completed under the brand Canaccord Adams during fiscal 2010.

FINANCIAL REVIEW

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR 2010 ENDED MARCH 31, 2010 – THIS DOCUMENT IS DATED MAY 18, 2010.

The following discussion of Canaccord Financial Inc.'s (formerly Canaccord Capital Inc.) financial condition and results of operations is provided to enable a reader to assess material changes in financial condition and results of operations for the year ended March 31, 2010 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 Adams" refers to the international capital markets division of the Company during fiscal 2010. This division was subsequently renamed "Canaccord Genuity" in May 2010. 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, 2010, beginning on page 51 of this report. Canaccord's financial information is expressed in Canadian dollars unless otherwise specified. The Company's audited financial statements for the year ended March 31, 2010 are prepared in accordance with Canadian generally accepted accounting principles (GAAP).

Canaccord Financial Inc. completed the acquisition of Genuity Capital Markets ("Genuity") on April 23, 2010. As a result, on May 10, 2010, Canaccord's capital markets operations were rebranded from Canaccord Adams to Canaccord Genuity. Accordingly, Canaccord's capital markets division is referred to herein as either Canaccord Adams or Canaccord Genuity.

NON-GAAP MEASURES

Certain non-GAAP measures are utilized by Canaccord as measures of financial performance. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other companies. Canaccord's capital is represented by common shareholders' equity and, therefore, management uses return on average common equity (ROE) as a performance measure.

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

Financial statement items which exclude significant items are non-GAAP measures. Significant items include the transaction costs related to the acquisition of Genuity, asset-backed commercial paper (ABCP) fair value adjustment, additional accrual for client relief programs, fair value adjustment of ABCP purchased by the Company under a client relief program, impairment of Canaccord Adams Inc. and Enermarket goodwill and intangible assets and restructuring costs.

Management believes that the non-GAAP measures presented, which exclude significant items, provide useful information by excluding certain items that may not be indicative of Canaccord's core operating results. Management believes that these non-GAAP 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. A limitation of utilizing these non-GAAP measures is that the GAAP accounting effects of the significant items do in fact reflect the underlying financial results of Canaccord's business and these effects should not be ignored in evaluating and analyzing Canaccord's financial results. Therefore, management believes that Canaccord's GAAP measures of financial performance and the respective non-GAAP 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: wealth management and global capital markets. 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 38 offices worldwide, including 30 Wealth Management offices located across Canada. Canaccord Genuity, the international capital markets division, operates in the US, UK, Canada and Barbados.

Canaccord Financial Inc. is publicly traded under the symbol CF on the TSX and the symbol CF. on AIM, a market operated by the London Stock Exchange.

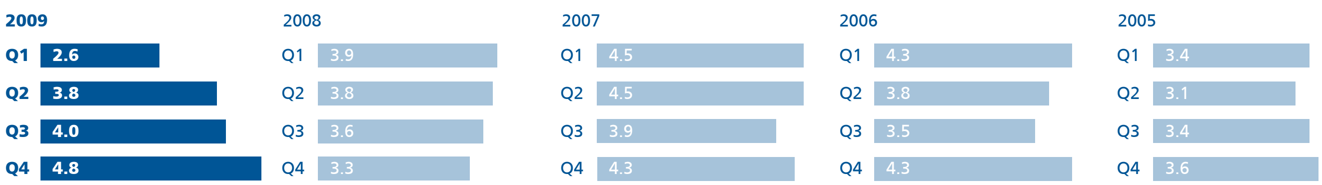
Our business is subject to the overall condition of the North American and European equity markets, including seasonal fluctuations. Historically, North American capital markets are slower during the first half of Canaccord's fiscal year (which is Q2 and Q3 of the calendar year), when Canaccord typically generates less than 50% of its annual revenue. Fiscal 2010 followed this pattern, as Canaccord's revenue in the first half of fiscal 2010 represented 45.2% of annual revenue for fiscal 2010.

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 chart below illustrates 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 Regulatory Organization of Canada as of December 31, 2009, Securities Industry Performance Reports

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

	Q1/10	*Q2/10*	*Q3/10*	*Q4/10*	***Fiscal 2010***	*Fiscal 2009*	*Fiscal 2010/2009 change*
TSX and TSX Venture *(C$ billions)*	**14.5**	**19.9**	**18.2**	**9.3**	**61.9**	42.9	44.3%
AIM *(£ billions)*	**1.1**	**1.5**	**2.4**	**0.9**	**5.9**	3.7	59.5%
NASDAQ *(US$ billions)*	**12.0**	**20.4**	**16.0**	**12.7**	**61.1**	16.2	277.2%

Source: TSX Statistics, LSE AIM Statistics, Equidesk

Financing value for relevant AIM industry sectors

(£ millions, except for percentage amounts)	*Q1/10*	*Q2/10*	*Q3/10*	*Q4/10*	***Fiscal 2010***	*Fiscal 2009*	*Fiscal 2010/2009 change*
Oil and gas	**£ 281.0**	**£ 325.7**	**£ 589.2**	**£ 191.3**	**£ 1,387.2**	£ 618.6	124.2%
Mining	**118.5**	**208.1**	**405.5**	**178.7**	**910.8**	941.8	(3.2)%
Pharmaceutical and Biotech	**64.6**	**30.8**	**31.1**	**32.8**	**159.3**	62.1	156.5%
Media	**23.3**	**52.7**	**14.2**	**12.7**	**102.9**	30.0	243.0%
Technology	**57.7**	**37.9**	**45.1**	**94.3**	**235.0**	187.2	25.5%

Source: LSE AIM Statistics

Financing value for relevant TSX and TSX Venture industry sectors

($ millions, except for percentage amounts)	*Q1/10*	*Q2/10*	*Q3/10*	*Q4/10*	***Fiscal 2010***	*Fiscal 2009*	*Fiscal 2010/2009 change*
Oil and gas	**$ 2,287.3**	**$ 2,269.7**	**$ 3,622.3**	**$ 3,163.0**	**$ 11,342.3**	$ 7,336.0	54.6%
Mining	**2,789.3**	**6,446.7**	**3,260.6**	**1,190.7**	**13,687.3**	4,036.0	239.1%
Biotech	**—**	**4.1**	**85.4**	**62.9**	**152.4**	50.3	203.0%
Media	**—**	**57.5**	**—**	**—**	**57.5**	357.0	(84.0)%
Technology	**41.9**	**29.9**	**357.2**	**77.0**	**506.0**	97.9	416.8%

Source: FP Infomart

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 2010, Canaccord's capital markets activities were focused primarily in the Mining and Metals, Energy, Technology, Life Sciences, Consumer Products, Real Estate, Infrastructure, Sustainability, Investment Trusts and Financial sectors, and included investment banking and institutional equities activities, such as sales, trading and research. Following the integration of Genuity Capital Markets during the first quarter of fiscal 2011, Canaccord expanded its sector expertise, adding teams focused on Agriculture, Transportation and Telecommunications, and added to the depth and breadth of its pre-existing coverage areas.

Key developments during fiscal 2010

- Canaccord Genuity led 114 transactions globally, each over $1.5 million, to raise total proceeds of $3.0 billion (1) during fiscal 2010. Of this:
  - Canada led 84 transactions, which raised $1.8 billion (2)
  - The UK led 16 transactions, which raised $559 million
  - The US led 14 transactions, which raised $665 million

(1) Source: FP Infomart and Company information. Transactions over $1.5 million

(2) For all transactions completed in Canada, the number of led transactions and total proceeds are captured by FP Infomart "Full Credit Bookrunner" and participation in transactions and total proceeds are captured by FP Infomart "Bonus Credit Bookrunner".

- During fiscal 2010, Canaccord Genuity participated in a total of 336 transactions globally, each over $1.5 million, to raise gross proceeds of $8.7 billion (1). Of this:
  - Canada participated in 273 transactions, which raised $3.1 billion
  - The UK participated in 21 transactions, which raised $1.8 billion
  - The US participated in 42 transactions, which raised $3.8 billion

- Canaccord Genuity completed 21 Private Investment in Public Equity (PIPE) transactions in the US that raised US$612.0 million in proceeds during fiscal 2010.

- In fiscal 2010, Canaccord Genuity led or co-led the following equity transactions:
  - $275.8 million for two separate transactions for TransAtlantic Petroleum Corp. on the TSX
  - $225.9 million for two separate transactions for Aura Minerals Inc. on the TSX
  - $172.5 million for Compton Petroleum Corp. on the TSX
  - US$167.6 million for Itron Inc. on the NASDAQ
  - £132.0 million for Heritage Oil Corporation on the LSE
  - US$129.7 million for DragonWave Inc. on the NASDAQ
  - $115.8 million in two separate transactions for Artis Real Estate Investment Trust on the TSX
  - £112.0 million for Aberdeen Asset Management on the LSE

- Canaccord Genuity advised on the following transactions during fiscal 2010:
  - Advised Aricom in its $543.0 million acquisition by Peter Hambro Mining.
  - Advised KazakhGold Group Limited in its majority stake sale to Polyus Gold
  - Advised Martek Biosciences Corporation on its $200 million acquisition of Amerifit Brands, Inc.
  - Advised Silverstone Resources on its $190.0 million acquisition by Silver Wheaton
  - Advised Centenario Copper on its $150.0 million acquisition by Quadra Mining Ltd.
  - Advised Scient'X on its $120.0 million acquisition by Alphatec Holdings

- During fiscal 2010, Canaccord opened five new Canaccord Wealth Management branches on the Independent Wealth Management (IWM) platform, which allows Investment Advisors to operate as independent agents of the company. Four corporate branches also converted to this operating model.

- Canaccord had 303 Advisory Teams as of Q4/10, down 35 from 338 in Q4/09.
  - This decrease is largely due to a strategic review of our Wealth Management division and the conversion of corporate branches to the IWM platform, where each branch is led by one Investment Advisor (IA) and is counted as one Advisory Team.

Key developments subsequent to March 31, 2010

- On April 22, 2010 Canaccord Financial Inc. shareholders approved the share issuance to complete the acquisition of Genuity Capital Markets. The acquisition was completed on April 23, 2010 and the integration of Genuity's operations with Canaccord Adams was completed on May 10, 2010. As a result of this acquisition, Canaccord Adams was renamed Canaccord Genuity.
- During April 2010, Independent Wealth Management, the agent-based platform of Canaccord Wealth Management, welcomed the addition of the Cobourg (Ontario) branch.
- Canaccord Wealth Management now has 30 offices across Canada, including 10 branches on the IWM platform.

MARKET ENVIRONMENT FISCAL 2010

A much improved business environment unfolded over fiscal 2010. The fiscal 2009 year, characterized by anxiety and high levels of volatility, has evolved into concern about economic growth being too rapid. The much improved performance of many equity markets helped in restoring confidence for investors and consumers. Productivity improvements were achieved by extreme reductions in spending and employment. This allowed corporations to achieve impressive earnings and cash-rich balance sheets. Strong economic growth in Asia became the powerful force behind many global investment decisions.

Canada became a much desired investment destination. The exchange rate returned to parity with its number one trading partner, the United States, yet the economy of Canada maintained its strong outperformance on economic growth; employment level; bank system stability; and the government deficit position. Foreign investment in Canada dominated fiscal 2010. Foreign buyers were easily found for debt issuance, direct commodity purchases and equity issues that focused on the resource sector. Global interest rate levels and monetary policy that focused solely on stimulating an economic revival, had shifted by year-end. Several countries either discussed or indicated a move toward less stimulation. Asia took the most aggressive action towards monetary restriction.

Inflation remained controlled on a global basis, as wage gains were subdued and spare capacity abundant. By fiscal year end, the almost $40 trillion loss in equity market capitalization (from March 2009) had regained over $22 trillion.

The much desired housing-market recovery failed to materialize in most countries. Foreclosures in the US reached record levels, and housing starts sunk to record lows. Housing market weakness brought sovereign debt risk to the overbuilt countries of Ireland, Spain and Portugal.

Geopolitical events brought new hurdles to economic recovery; and natural disasters forced an expansion of global aid programs. The year ended with equity markets significantly outperforming all other asset classes.

FISCAL 2011 OUTLOOK

Fiscal 2011 started with Canada being held as the model for global banking, and a likely economic outperformer among advanced nations. International capital inflows to Canada should continue at an elevated level.

Global merger and acquisition activity is likely to accelerate as the current vast sums of corporate cash get invested. Capital spending in advanced economies will see some resurgence, but corporate investment will focus on gaining new technology and not on cyclic spending for plant expansion. The global infrastructure build and re-build is an ongoing, dominant investment theme. Emerging nations, especially in Asia, are expected to lead global expansion throughout the new cycle. Recent economic overheating fears have led many Asian governments to act more aggressively toward monetary restraint. Over the next six months, economic output from Asia may prove disappointing. This anticipated reduced economic output dampens any inflation threat and allows for longer-dated debt to stay at lower yield levels. The real competition for longer rate levels will be the ongoing demand for funding coming from western world governments running deficits. Deficit financing will continue to threaten the European Union and provide renewed volatility to many markets as was witnessed in early May 2010. Shorter dated rates, currently at levels needed to inject life-support liquidity, are likely to rise to more reasonable, but non-restrictive, levels.

Government involvement in the economy is growing. Investment decisions have become more difficult by much uncertainty concerning government legislation and additional taxation. As such, turbulence in fiscal 2011 may be the norm. The global recovery was accompanied by staggering quantities of government monetary stimulus. The challenge for 2011 is how to remove excess, government injected liquidity, yet achieve economic expansion.

OVERVIEW OF PRECEDING YEARS – FISCAL 2009 VS. 2008

Total revenue for the year ended March 31, 2009 was $477.7 million, down $253.8 million or 34.7% compared to fiscal 2008. This decrease was primarily due to weakened economic and market conditions that resulted from the credit crisis that developed during fiscal 2009. All major indices declined during this time, with the TSX down 34.7%, the TSX Venture down 62.0%, the NASDAQ down 32.9% and the LSE down 53.2%.

Canaccord recorded a net loss of $47.7 million during fiscal 2009, compared to a net profit of $31.3 million in fiscal 2008. Much of this loss can be attributed to $31.5 million in writedowns the Company took for goodwill impairment related to Canaccord Adams Inc. (the US capital markets division) and Canaccord Enermarket (which has since been integrated into Canaccord Genuity). Both subsidiaries' earnings prospects were severely impacted by the credit crisis during the third quarter of fiscal 2009. Diluted loss per share was $0.97, compared to diluted EPS of $0.64 in fiscal 2008.

FINANCIAL OVERVIEW

Selected financial information [1]

(C$ thousands, except per share and % amounts, and number of employees)	*For the years ended March 31* **2010**	*2009*	*2008*	*2010/2009 Change*	
Canaccord Financial Inc.					
Revenue					
Commission	**$ 235,606**	$ 233,104	$ 296,047	$ 2,502	1.1%
Investment banking	**254,437**	169,369	336,874	85,068	50.2%
Principal trading	**45,982**	18,319	7,443	27,663	151.0%
Interest	**12,965**	38,287	63,168	(25,322)	(66.1)%
Other	**28,547**	18,642	28,007	9,905	53.1%
Total revenue	**577,537**	477,721	731,539	99,816	20.9%
Expenses					
Incentive compensation	**299,084**	222,006	347,079	77,078	34.7%
Salaries and benefits	**59,415**	56,771	54,294	2,644	4.7%
Other overhead expenses [2]	**162,397**	194,910	207,638	(32,513)	(16.7)%
Acquisition-related costs [3]	**5,000**	—	—	5,000	n.m.
Asset-backed commercial paper (ABCP) fair value adjustment [4]	**—**	6,700	12,797	(6,700)	(100.0)%
Relief provision [5]	**—**	2,700	54,200	(2,700)	(100.0)%
Canaccord relief program (CRP) fair value adjustment [6]	**—**	2,647	—	(2,647)	(100.0)%
Impairment of goodwill and intangibles [7]	**—**	31,524	—	(31,524)	(100.0)%
Restructuring costs [8]	**—**	7,662	4,000	(7,662)	(100.0)%
Total expenses	**525,896**	524,920	680,008	976	0.2%
Income (loss) before income taxes	**51,641**	(47,199)	51,531	98,840	n.m.
Net income (loss)	**38,497**	(47,651)	31,334	86,148	n.m.
Earnings (loss) per share – basic	**$ 0.79**	$ (0.97)	$ 0.70	$ 1.76	n.m.
Earnings (loss) per share – diluted	**$ 0.69**	$ (0.97)	$ 0.64	$ 1.66	n.m.
Return on average common equity (ROE)	**9.8%**	(12.4)%	7.9%	22.2p.p.	
Dividends per share	**$ 0.15**	$ 0.125	$ 0.50	$ 0.025	20.0%
Book value per diluted common share – period end	**6.96**	6.51	7.21	0.45	6.9%
Excluding significant items [9]					
Total expenses	**520,896**	473,687	609,011	47,209	10.0%
Net income (loss)	**42,043**	(1,417)	79,346	43,460	n.m.
Earnings (loss) per share (EPS) – basic	**$ 0.86**	$ (0.03)	$ 1.77	$ 0.89	n.m.
Earnings (loss) per share (EPS) – diluted	**$ 0.76**	$ (0.03)	$ 1.63	$ 0.79	n.m.
Balance sheet data					
Total assets	**$ 3,123,848**	$ 2,022,099	$ 2,098,718	$ 1,101,749	54.5%
Total liabilities	**2,722,103**	1,649,395	1,741,274	1,072,708	65.0%
Total shareholders' equity	**401,745**	372,704	357,444	29,041	7.8%
Number of employees	**1,549**	1,530	1,683	19	1.2%

(1) Data is considered to be GAAP except for ROE, book value per diluted common share, figures excluding significant items and number of employees.
(2) Consists of trading costs, premises and equipment, communication and technology, interest, general and administrative, amortization, and development costs.
(3) Transaction costs related to the acquisition of Genuity.
(4) Represents the ABCP fair value adjustment for ABCP held in treasury.
(5) Represents accruals for client relief related to the ABCP held by eligible clients.
(6) Relates to the fair value adjustment of the ABCP purchased by the Company under a client relief program.
(7) Relates to impairment of Canaccord Adams Inc. and Enermarket goodwill and intangibles.
(8) Consists of staff restructuring costs.
(9) Fiscal 2010 data excludes $5.0 million of acquisition-related costs connected to the purchase of Genuity. Fiscal 2009 data excludes an ABCP fair value adjustment of $6.7 million, $2.7 million relief provision, $2.6 million client relief program fair value adjustment, $31.5 million impairment of goodwill and intangibles, and $7.7 million of restructuring costs.
p.p.: percentage points
n.m.: not meaningful

Revenue

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

Revenue for fiscal 2010 was $577.5 million, an increase of 20.9% or $99.8 million from fiscal 2009. Overall, the increase in revenue for the year ended March 31, 2010 is a result of the recovery from the global credit crisis that began in Q2/09.

Commission revenue is principally generated from private client trading activity and institutional sales and trading. Commission revenue was $235.6 million, a 1.1% increase from fiscal 2009 to fiscal 2010.

Investment banking revenue was $254.4 million, up $85.1 million or 50.2%, due to greater financing activity in equity markets across the geographies in which we operate. Principal trading revenue was $46.0 million, an increase of 151.0% or $27.7 million, due partially to growing market-making activities in our UK and Other Foreign Location operations, which contributed $16.2 million to the overall increase in principal trading revenue and benefited from the relatively calm trading conditions. In addition, the sale of our investment in ABCP during the year resulted in a total gain of $5.3 million that was recognized in principal trading. Our Fixed Income group also strengthened its results during the year and reported a $4.1 million increase in principal trading revenue during the year ended March 31, 2010.

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 lower interest rates, interest revenue dropped by $25.3 million or 66.1% from fiscal 2009 to $13.0 million.

Other revenue was $28.5 million, up 53.1% or $9.9 million, mainly due to a significant increase in foreign exchange gain.

Expenses as a percentage of revenue

	Years ended March 31		
	2010	*2009*	*2010/2009 Change*
Incentive compensation	**51.8%**	46.5%	5.3p.p.
Salaries and benefits	**10.3%**	11.9%	(1.6)p.p.
Other overhead expenses (1)	**28.1%**	40.8%	(12.7)p.p.
Acquisition-related costs (2)	**0.9%**	—	0.9p.p.
ABCP fair value adjustment (3)	—	1.4%	(1.4)p.p.
Relief provision (4)	—	0.6%	(0.6)p.p.
CRP fair value adjustment (5)	—	0.5%	(0.5)p.p.
Impairment of goodwill and intangibles (6)	—	6.6%	(6.6)p.p.
Restructuring costs (7)	—	1.6%	(1.6)p.p.
Total	**91.1%**	109.9%	(18.8)p.p.

(1) Consists of trading costs, premises and equipment, communication and technology, interest, general and administrative, amortization and development costs.
(2) Transaction costs related to the acquisition of Genuity.
(3) Represents ABCP fair value adjustment for ABCP held by the Company.
(4) Represents accruals for client relief related to the ABCP held by eligible clients.
(5) Relates to the fair value adjustment of the ABCP purchased by the Company under a client relief program.
(6) Relates to the impairment of Canaccord Adams Inc. and Enermarket goodwill and intangibles.
(7) Consists of staff restructuring costs.
p.p.: percentage points

Expenses for fiscal 2010 were $525.9 million, an increase of 0.2% or $1.0 million from a year ago. Total expenses remained relatively consistent with fiscal 2009.

In fiscal 2010, the Company recorded significant items of $5.0 million related to the expenses incurred for the acquisition of Genuity. In fiscal 2009, the Company recorded an aggregate of $51.2 million of significant items connected to the ABCP fair value adjustment, CRP, impairment of goodwill and intangibles, and restructuring costs. Total expenses excluding significant items for the year ended March 31, 2010 were $520.9 million compared to $473.7 million in the prior year.

Incentive compensation and salaries and benefits

Incentive compensation expense was $299.1 million, an increase of $77.1 million or 34.7%, which was due to an increase in incentive-based revenue, stronger profitability and additional stock-based awards made in connection with our incentive and retention plans. Variable compensation expense increased by $54.7 million or 21.3%, in line with the 20.9% growth in revenue. As profitability increased during fiscal 2010, payments made under certain management and employee incentive compensation programs were $11.7 million. In addition, awards made under our long term incentive plan (LTIP) and Partnership Program also increased incentive compensation expense for the year. The LTIP was introduced during the fourth quarter of fiscal 2007 as an incentive plan designed to further align shareholder and employee interests. Awards under this plan have been made periodically each year since 2007 with the cost of such awards amortized over a three-year vesting period. Accordingly, the amortization expense in fiscal 2010 is associated with awards made from 2007 to 2010. With fiscal 2010 now reflecting a full three-year award cycle the amortization expense for the year increased by $6.1 million compared to fiscal 2009. In addition, a Partnership Program was introduced in our wealth management division as an IA retention program. This program increased incentive compensation expense by $3.7 million over fiscal 2009. Incentive compensation expense as a percentage of revenue was 51.8%, which, for the reasons outlined above, represents an increase of 5.3 percentage points compared to fiscal 2009.

Salaries and benefits expense was $59.4 million, representing an increase of $2.6 million or 4.7% compared to fiscal 2009. Higher salaries and benefits expense largely relates to our Canaccord Wealth Management segment, which hired key management personnel at the end of fiscal 2009 and incurred severance costs in fiscal 2010 as parts of its restructuring.

Total compensation as a % of revenue

Other overhead expenses

(C$ thousands, except % amounts)	Years ended March 31 2010	2009	2010/2009 Change
Trading costs	$ **28,884**	$ 26,311	9.8%
Premises and equipment	**24,402**	24,695	(1.2)%
Communication and technology	**21,868**	25,228	(13.3)%
Interest	**2,581**	11,220	(77.0)%
General and administrative [1]	**52,153**	69,689	(25.2)%
Amortization	**7,609**	8,994	(15.4)%
Development costs	**24,900**	28,773	(13.5)%
Total other overhead expenses	$ **162,397**	$ 194,910	(16.7)%

(1) Includes the pre-tax credit provision of $7.9 million in fiscal 2009.

Other overhead expenses decreased by $32.5 million in fiscal 2010, which as a percentage of revenue decreased by 12.7 percentage points compared to fiscal 2009. General and administrative expense decreased by an aggregate of $17.5 million or 25.2%. This decrease was comprised of a $7.5 million decrease in the provision for credit losses in client accounts due to the recovery in the market environment in fiscal 2010; a $3.2 million decrease in promotion and travel expense from cost reduction initiatives and changes in expense allocations to compensation pools; and a $5.7 million decrease in professional fees due to non-recurring consultancy fees incurred in fiscal 2009. Interest expense also decreased by $8.6 million due to lower interest rates. Development costs decreased $3.9 million mainly due to the reduction in hiring incentives in our US operations, which were partially offset by increases in hiring incentives in our wealth management and UK capital markets segments. Communication and technology expense decreased by $3.4 million as a result of allocation to compensation pools and a firm-wide focus on controlling costs.

An increase in trading costs of $2.6 million or 9.8% was a direct result of the increase in trading volume during the year.

Including significant items, non-compensation expense as a percent of revenue was 29.0% in fiscal 2010, a decrease of 22.5 percentage points year over year. Excluding significant items, non-compensation expense as a percentage of revenue decreased by 12.7 percentage points compared to the prior year.

Net income for fiscal 2010 was $38.5 million compared to a net loss of $47.7 million for fiscal 2009. Diluted earnings per share was $0.69 in fiscal 2010 versus a diluted loss per share of $0.97 in the prior year. For fiscal 2010, ROE was 9.8% compared to (12.4)% in fiscal 2009. Excluding significant items, net income for fiscal 2010 was $42.0 million versus a net loss of $1.4 million in fiscal 2009, and diluted earnings per share was $0.76 compared to a diluted loss per share of $0.03 in fiscal 2009.

Income taxes were $13.1 million for fiscal 2010, an increase of $12.7 million during the year, as a result of profits recorded in 2010 compared to losses in 2009. The effective tax rate was 25.5% compared to (1.0)% a year ago. Valuation allowances recorded in fiscal 2009 resulted in a low effective tax recovery rate. A further discussion of our taxes is provided in the critical accounting estimates section of the MD&A on page 43.

RESULTS BY GEOGRAPHIC SEGMENT

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

Geographic distribution of revenue (1)

(For the year ended March 31)

	Years ended March 31								
	2010				2009				
(C$ thousands, except number of employees and % amounts)	***Canada***	***UK and Other Foreign Location (2)***	***US***	***Total***	*Canada*	*UK and Other Foreign Location (2)*	*US*	*Total*	*2010/2009 Change*
Revenue	**$388,772**	**$ 88,348**	**$100,417**	**$577,537**	$320,364	$ 79,707	$ 77,650	$477,721	20.9%
Expenses	**358,736**	**75,374**	**91,786**	**525,896**	330,163	75,107	119,650	524,920	0.2%
Income (loss) before income taxes	**30,036**	**12,974**	**8,631**	**51,641**	(9,799)	4,600	(42,000)	(47,199)	n.m.
Number of employees	**1,247**	**139**	**163**	**1,549**	1,265	114	151	1,530	1.2%
Excluding significant items (3)									
Total expenses	**353,736**	**75,374**	**91,786**	**520,896**	311,393	73,833	88,461	473,687	10.0%
Income (loss) before income taxes	**35,036**	**12,974**	**8,631**	**56,641**	8,971	5,874	(10,811)	4,034	n.m.

(1) Data is considered to be GAAP except for figures excluding significant items, and number of employees.
(2) Canaccord's UK operations include activities related to Canaccord Genuity Limited (formerly Canaccord Adams Limited), engaging in capital markets activities in the UK. Revenue derived from capital markets activities outside of Canada, the US and the UK is reported as Other Foreign Location, which includes operations for Canaccord International Ltd.
(3) Fiscal 2010 data excludes $5.0 million of acquisition-related costs connected to the purchase of Genuity. Fiscal 2009 data excludes an ABCP fair value adjustment of $6.7 million, $2.7 million relief provision, $2.6 million client relief program fair value adjustment, $31.5 million impairment of goodwill and intangibles, and $7.7 million of restructuring costs.
n.m.: not meaningful

Revenue in Canada was $388.8 million, an increase of $68.4 million or 21.4%. In the UK and Other Foreign Location, revenue was $88.3 million, which was up by $8.6 million or 10.8%, and revenue in the US was $100.4 million, an increase of $22.8 million or 29.3% from the prior year. The overall increase in revenue across geographic segments was related to the market recovery in fiscal 2010.

Expenses for fiscal 2010 in Canada were up $28.6 million or 8.7%, mainly due to the $49.7 million increase in incentive compensation, which is consistent with the growth in revenue and profitability of this geographic segment. Also as a result of the increase in revenue and trading volume, trading costs were 28.6% or $4.2 million higher than the prior year. The overall increase in expense was offset by lower general and administrative, communication and technology, and amortization expense. General and administrative expense dropped by $4.1 million mainly due to the stronger market environment resulting in lower credit provisions recorded in fiscal 2010. Communication and technology expense decreased by $3.7 million or 20.4% due to the changes in expense allocations to compensation pools and a firm-wide focus on reducing costs. Amortization expensed in Canada was $1.2 million or 19.3% less than the prior year as a result of certain impairment charges recorded in fiscal 2009.

In fiscal 2010, the Company recorded significant item in the amount of $5.0 million related to expenses incurred during this period for the acquisition of Genuity, which closed on April 23, 2010. The Company recorded significant items in the amount of $18.8 million in the prior year related to the ABCP fair value adjustment, CRP, impairment of goodwill and intangibles, and staff restructuring costs. Excluding significant items, total expenses in Canada were $353.7 million compared to $311.4 million the previous year, an increase attributed to the growth in revenue.

Expenses in the UK and Other Foreign Location were $0.3 million or 0.4% higher than the prior year. Incentive compensation expense increased by $8.3 million or 20.9% due to higher incentive-based revenue and profitability. This increase was offset by a $9.7 million decrease in general and administrative expense, partially as a result of non-recurring consultancy expenses incurred in the prior year in respect of internal infrastructure development. Credit provisions in fiscal 2010 were lower as a result of the improved market environment and lower promotion and travel expenses also contributed to the decrease in general and administrative expense. An increase in hiring incentives in the UK operations resulted in the $1.7 million increase in development costs in fiscal 2010 compared to the prior year.

Expenses in the US for the period were down $27.9 million, mainly due to a $27.6 million impairment of goodwill and intangibles and $3.6 million of restructuring costs recognized in the prior year. Excluding these significant items, expenses in the US would have increased by 3.8% or $3.3 million. Incentive compensation expense increased by $19.0 million or 52.9% due to the increase in revenue and profitability. Cost reduction initiatives in respect of trading and clearing expenses during the year resulted in a $2.2 million or 25.1% drop in these expenses. A reduction in hiring incentives led to the $7.4 million drop in development costs. General and administrative expense was also $3.7 million lower than the prior year partially due to $1.6 million of compensation pool recoveries for promotion and travel expense.

QUARTERLY FINANCIAL INFORMATION (1)

The following table provides selected quarterly financial information for the eight most recently completed financial quarters ended March 31, 2010. 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.

	Fiscal 2010				*Fiscal 2009*			
(C$ thousands, except per share amounts)	*Q4*	*Q3*	*Q2*	*Q1*	*Q4*	*Q3*	*Q2*	*Q1*
Revenue								
Commission	**$ 62,826**	**$ 60,696**	**$ 56,628**	**$ 55,456**	$ 49,005	$ 51,473	$ 60,630	$ 71,996
Investment banking	**62,514**	**88,417**	**47,620**	**55,886**	39,000	20,198	34,024	76,147
Principal trading	**7,278**	**15,645**	**11,589**	**11,470**	8,540	3,781	87	5,911
Interest	**3,269**	**3,099**	**3,121**	**3,476**	5,116	9,108	11,734	12,329
Other	**7,246**	**5,340**	**4,786**	**11,175**	5,335	2,628	4,354	6,325
Total revenue	**143,133**	**173,197**	**123,744**	**137,463**	106,996	87,188	110,829	172,708
Net income (loss)	**7,526**	**15,113**	**6,746**	**9,112**	3,666	(62,378)	(5,398)	16,459
EPS – basic	**0.15**	**0.31**	**0.14**	**0.19**	0.07	(1.27)	(0.11)	0.35
EPS – diluted	**0.14**	**0.27**	**0.12**	**0.16**	0.07	(1.27)	(0.11)	0.31
Excluding significant items (2)								
Net income (loss)	**11,072**	**15,113**	**6,746**	**9,112**	3,764	(16,242)	(5,398)	16,459
EPS – basic	**0.22**	**0.31**	**0.14**	**0.19**	0.08	(0.33)	(0.11)	0.35
EPS – diluted	**0.21**	**0.27**	**0.12**	**0.16**	0.07	(0.33)	(0.11)	0.31

(1) Data is considered to be GAAP except for figures excluding significant items.
(2) Figures excluding significant items are non-GAAP measures. Q4/10 data excludes $5.0 million acquisition-related costs connected to the purchase of Genuity. Q4/09 data excludes $0.1 million of restructuring costs. Q3/09 data excludes an ABCP adjustment of $6.7 million, $2.7 million relief provision, $2.6 million client relief program fair value adjustment, $31.5 million impairment of goodwill and intangibles, and $7.5 million of restructuring costs.

Quarterly trends and risks

Canaccord's business is cyclical and experiences considerable variations in revenue and income from quarter to quarter and year to year due to factors beyond Canaccord's control and, accordingly, revenue and net income are expected to fluctuate as they have historically. Our business is subject to the overall condition of the North American and the European equity markets, including the seasonal variance in these markets. In general, North American capital markets are slower during the first half of our fiscal year, during which we typically generate 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.

During the first quarter of fiscal 2010, revenue increased by 28.5% from the previous quarter as markets improved following the peak of the financial crisis. Q1/10 revenue was down compared to the first quarter of fiscal 2009, which was prior to the worst of the deterioration in market conditions. In Q1/10 many of the major markets experienced the largest gains of the year, with the TSX up 19%, the TSX Venture up 14%, the NASDAQ up 20% and the LSE up 24% from the subsequent quarter.

The second fiscal quarter is typically Canaccord's least active. Q2/10 followed this pattern, with revenue down approximately 10.0% compared to Q1/10. Compared to the same quarter of fiscal 2009, however, revenue increased by 11.7%.

The strongest quarter of fiscal 2010 for Canaccord was the third quarter. Revenue increased by 40.0% compared to Q2/10, to $173.2 million and was nearly double that of Q3/09. This increase was driven mostly by strong investment banking activity. The high level of liquidity in the market allowed for a resurgence in financing activity as well as an aggressive pursuit by investors of yield-producing vehicles. Investment banking revenue increased 85.7% compared to Q2/10 and was more than four times higher than in the same quarter the year before. Canaccord participated in 115 transactions worldwide during the quarter, leading 40 of them.

During the fourth quarter of fiscal 2010, Canaccord recorded $143.1 million in revenue – a 17.4% decrease from the strong quarter before, but up 33.8% compared to Q4/09. This decrease was due mostly to a decline in capital markets revenue during the quarter, with investment banking activity down from the elevated levels experienced in the third quarter. The fourth quarter was Canaccord Wealth Management's strongest of the fiscal year, with revenue up 47.6% compared to the same quarter of fiscal 2009. Markets experienced only modest gains during Q4/10, with the TSX, TSX Venture and NASDAQ only gaining 2.5%, 3.7% and 5.7%, respectively.

Fourth quarter 2010 performance

Revenue for the quarter was $143.1 million, an increase of $36.1 million or 33.8% compared to the same period a year ago due to stronger investment banking and commission revenue. Investment banking revenue was $23.5 million higher in Q4/10 compared to Q4/09, and there was a $13.8 million increase in commission revenue. Both of our operating segments, Canaccord Genuity and Canaccord Wealth management, increased revenue quarter-over-quarter by $18.5 million and $17.7 million respectively. Revenue growth is consistent with increased market activities in Q4/10.

Expenses were $137.7 million, up $37.3 million or 37.2% from a year ago. This increase was largely attributable to higher incentive compensation expense, which was consistent with the growth in revenue and profitability during the quarter. Salaries and benefits expense was also up by $2.4 million during the quarter due to an increase in number of employees and salary levels.

The Company resumed some of its sales and marketing conferences during the fourth quarter of fiscal 2010, contributing to the $4.0 million increase in general and administrative expense. Other promotion and travel expenses also increased in line with the higher revenue during the fourth quarter of fiscal 2010 compared to fiscal 2009.

Included in Q4/10 was a charge for acquisition-related costs of $5.0 million for the purchase of Genuity, and in Q4/09, the Company recorded $0.1 million of restructuring costs. Excluding these significant items, expenses increased by $32.5 million or 32.4% to 132.7 million in fiscal 2010. Net income for the fourth quarter was $7.5 million, an increase of $3.9 million from a year ago. Diluted EPS in the current quarter was $0.14 compared to $0.07 in the same quarter of fiscal 2009. ROE was 7.6% compared to 4.0% a year ago and book value per diluted share was up by 6.9% to $6.96 from $6.51, mainly due to the increased profitability during the year.

Excluding significant items, net income for Q4/10 was $11.1 million compared to $3.8 million in Q4/09 and diluted EPS was $0.21 compared to $0.07 in Q4/09.

BUSINESS SEGMENT RESULTS (1)

	For the years ended March 31							
	2010				2009			
(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	$177,581	$184,258	$ 26,933	$388,772	$122,850	$169,628	$ 27,886	$320,364
UK	88,348	—	—	88,348	79,707	—	—	79,707
US	97,629	2,788	—	100,417	74,794	2,856	—	77,650
Total revenue	363,558	187,046	26,933	577,537	277,351	172,484	27,886	477,721
Expenses	292,596	159,263	74,037	525,896	298,480	149,777	76,663	524,920
Income (loss) before income taxes	70,962	27,783	(47,104)	51,641	(21,129)	22,707	(48,777)	(47,199)
Number of employees	505	680	364	1,549	474	700	356	1,530
Excluding significant items (2)								
Expenses	287,596	159,263	74,037	520,896	260,985	144,250	68,452	473,687
Income (loss) before income taxes	75,962	27,783	(47,104)	56,641	16,366	28,234	(40,566)	4,034

(1) Data is considered to be GAAP except for figures excluding significant items and number of employees. Detailed financial results for the business segments are shown in Note 14 of the audited consolidated financial statements on page 73.
(2) Fiscal 2010 data excludes $5.0 million of acquisition-related costs connected to the purchase of Genuity. Fiscal 2009 data excludes an ABCP adjustment of $6.7 million, $2.7 million relief provision, $2.6 million client relief program fair value adjustment, $31.5 million impairment of goodwill and intangibles, and $7.7 million of restructuring costs.

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 UK and the US. 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 2010 total revenue was $363.6 million, an increase of $86.2 million or 31.1% from a year ago. Fiscal 2010 expenses for Canaccord Genuity were $292.6 million, down $5.9 million or 2.0% from fiscal 2009. Excluding significant items, expenses were $287.6 million, an increase of 10.2% from fiscal 2009. Significant items in fiscal 2010 included the acquisition-related costs related to the purchase of Genuity. Fiscal 2009 significant items included the impairment of goodwill and intangibles and restructuring costs.

Canaccord Wealth Management provides brokerage services and investment advice to private clients primarily in Canada and, to a lesser degree, in the US. 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 IAs for investment banking and venture capital transactions by private clients. In fiscal 2010 total revenue was $187.0 million, up 8.4% from a year ago. For the year, expenses for Canaccord Wealth Management were $159.3 million, up 6.3% from fiscal 2009. Excluding significant items related to the CRP and restructuring costs recognized in fiscal 2009, expenses were $159.3 million, an increase of 10.4% year over year.

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 2010 revenue for the Corporate and Other segment was $26.9 million, down 3.4% mainly due to a decrease in interest revenue offset by foreign exchange gains. Expenses also decreased by 3.4% to $74.0 million for the year compared to a year ago mainly due to $8.2 million of significant items recognized in fiscal 2009 related to an ABCP fair value adjustment and restructuring costs. Expenses excluding significant items increased by 8.2% to $74.0 million year over year. The increase in expenses excluding significant items was mainly a result of increased incentive compensation related to the higher profitability in fiscal 2010.

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 and internationally. Revenue for this segment is generated from three regions: Canada, the US, and the UK and Other Foreign Location. Canadian operations include revenues generated from the following business centres: Capital Markets, International Trading, Registered Traders and Fixed Income. Canaccord Genuity operates from 11 international offices.

Capital Markets activity improved significantly compared to fiscal 2009, due to growing demand for capital and increased M&A activity. Though the markets were not as receptive to equity offerings as they were prior to the financial crisis, properly priced and well executed transactions were successfully completed. Canaccord Genuity participated in 336 transactions globally for clients, each one over $1.5 million, to raise gross proceeds of $8.7 billion. Of these, Canaccord Genuity led 114 transactions globally, raising total proceeds of $3.0 billion. With our capital markets segment, our Canadian operations participated in the most deals in fiscal 2010, with 84 transactions, which raised $1.8 billion.

Canaccord Genuity's sector diversification remains an integral component of the Company's strategy. Resource-related revenue was 66% of Canaccord Genuity's total revenue in fiscal 2010, versus 76% in fiscal 2009. For comparison purposes, resource-related transactions were 44% of Canaccord Genuity's total transactions in fiscal 2010, versus 45% in fiscal 2009. The addition of a financial team in the UK helped to further diversify Canaccord Genuity's sector coverage during fiscal 2010.

During fiscal 2010, Canaccord Genuity focused its coverage and its investment banking activity on the following sectors:

- Mining and Metals
- Energy
- Technology
- Life Sciences
- Consumer Products
- Real Estate
- Infrastructure
- Sustainability
- Financials
- Support Services
- Investment Trusts

Subsequent to March 31, 2010, Canaccord Genuity substantially expanded its sector expertise to include:

- Agriculture
- Telecommunications
- Transportation

During fiscal 2010, credit conditions improved dramatically. Market dislocations provided opportunities in the fixed income market and Canaccord acted accordingly, adding strength to its Fixed Income platform. This investment in upgrading our fixed income platform has added revenue growth from the primary and secondary fixed income markets as market share has increased.

During fiscal 2010, Canaccord began disclosing business unit profitability after the allocation of support function costs and overhead expenses (referred to as inter-segment allocations in Canaccord's supplementary financial information). This new disclosure provides an enhanced view of Canaccord Genuity's profitability.

Industry profile

Canaccord Genuity is active in stocks listed or quoted on seven exchanges internationally – the TSX, TSX Venture, LSE, AIM, NASDAQ, NYSE and AMEX. 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 2010, financing values were up on all exchanges compared to fiscal 2009, due in large part to the much improved market conditions.

At a time when financial systems in many countries still continue to recover or adjust, Canada's financial system has been recognized as one of the safest and most stable in the world. Canaccord's large Canadian operation has benefited from the relative stability of Canada's regulatory and political environment.

Consolidation continues to be an industry theme, with significant merger and acquisition activity taking place within the financial services sector.

Over the past year fixed income participants have had the opportunity to invest in and profitably capitalize on market dislocations. This has generated increased revenues, and as a result, many capital markets companies have grown their fixed income capabilities. With markets normalizing and capital returning to corporate issuers, margins will likely come under pressure.

Electronic trading and alternative trading systems are growing, enhancing liquidity but compressing commissions and trading margins. We anticipate this trend will grow in coming years.

Negative public perception of investment banks persists, continuing from the financial crisis and the public focus on incentive compensation. Legislative reform in the US and UK may have a substantial impact on how investment banks, and in particular very large institutions, operate their capital markets activities.

Outlook

We remain cautiously optimistic on the global capital markets outlook for fiscal 2011 although turbulence and volatility will likely persist during the year. April showed strong signs of capital markets activity and our current pipeline is robust. However, the beginning of May reflected a drop in risk appetite due to concerns over Greece's debt crisis. We believe markets will continue to be receptive to transactions that are properly priced and appropriately marketed.

Canaccord's acquisition of Genuity Capital Markets has provided increased sector diversification and expanded Canaccord's existing M&A and advisory practice. Both of these factors diversify Canaccord Genuity's revenue streams and better position the Company to capitalize on opportunities, while helping to balance business during market turbulence.

The stabilization of some financially strained countries and heavily indebted economies – especially in Europe – may have far reaching impacts and continue to limit the pace of any global economic recovery. Though efforts are being made to inject liquidity and capital into these strained economies, markets are likely to respond negatively to any further economic disruptions.

In an effort to restrict the banking activities that ultimately fed the financial crisis of 2008, many countries are considering legislating stringent regulatory reform for the financial sector including the US, UK and Canada. Regulatory changes under consideration include segmenting the operations of large financial services firms. This may level the competitive landscape and provide further opportunities for Canaccord to increase market share. It also poses some additional risk to the Company, as we add uncertainty and increased costs in a more regulated business environment.

Though recovering market conditions are expected to reward the Company's focus on revenue generation, we remain committed to operating the business as efficiently as possible. Efforts will continue to be made throughout fiscal 2011 to control our costs while we work to grow revenue.

Canaccord remains committed to continuing operations in all of our geographies, as our international platform will continue to be a key differentiator in the future growth and success of Canaccord Genuity. Canaccord Genuity will continue to focus on strategic growth through client relationships, market share and geographic footprint. While we are committed to growing the strength of our operations in the US and the UK, we will continue to explore additional expansion opportunities, particularly in geographies of high economic growth.

Financial performance [1]

	For the years ended March 31								
	2010				2009				
(C$ thousands, except number of employees)	***Canada***	***UK and Other Foreign Location***	***US***	***Total***	*Canada*	*UK and Other Foreign Location*	*US*	*Total*	*2010/2009 Change*
Revenue	**$177,581**	**$ 88,348**	**$ 97,629**	**$363,558**	$122,850	$ 79,707	$ 74,794	$277,351	31.1%
Expenses									
Incentive compensation	**93,132**	**48,246**	**53,826**	**195,204**	67,023	39,915	34,656	141,594	37.9%
Salaries and benefits	**4,484**	**6,479**	**4,346**	**15,309**	4,289	5,617	5,162	15,068	1.6%
Other overhead expenses	**24,229**	**20,649**	**32,205**	**77,083**	31,287	28,301	44,735	104,323	(26.1)%
Acquisition-related costs	**5,000**	**—**	**—**	**5,000**	—	—	—	—	100.0%
Impairment of goodwill and intangibles	**—**	**—**	**—**	**—**	3,958	—	27,566	31,524	(100.0)%
Restructuring costs					1,074	1,274	3,623	5,971	(100.0)%
Total expenses	**126,845**	**75,374**	**90,377**	**292,596**	107,631	75,107	115,742	298,480	(2.0)%
Income (loss) before income taxes [2]	**$ 50,736**	**$ 12,974**	**$ 7,252**	**$ 70,962**	$ 15,219	$ 4,600	$ (40,948)	$ (21,129)	n.m.
Excluding significant items [3]									
Total expenses	**121,845**	**75,374**	**90,377**	**287,596**	102,599	73,833	84,553	260,985	10.2%
Income (loss) before income taxes	**55,736**	**12,974**	**7,252**	**75,962**	20,251	5,874	(9,759)	16,366	n.m.
Number of employees	**203**	**139**	**163**	**505**	209	114	151	474	6.5%

(1) Data is considered to be GAAP except for figures excluding significant items and number of employees.
(2) See "Intersegment Allocated Costs".
(3) Fiscal 2010 data excludes $5.0 million of acquisition-related costs connected to the purchase of Genuity. Fiscal 2009 data excludes $31.5 million impairment of goodwill and intangibles, and $6.0 million of restructuring costs.
n.m.: not meaningful

Revenue

The gradual market recovery during fiscal 2010 significantly increased revenue in our capital markets segment. For fiscal year 2010, revenue was $363.6 million, which was 31.1% or $86.2 million higher than a year ago.

Participation in number of transactions – Equity offerings of $1.5 million and greater during fiscal 2010 [(1)]

Number of led transactions – Equity offerings of $1.5 million and greater during fiscal 2010 [(1)]

(1) Canaccord transactions include transactions executed by its UK and US operations.
Source: FP Infomart as of March 31, 2010 and Company information

Revenue from Canadian operations

Recovering capital markets activity in North America resulted in an increase in revenue from Canaccord Genuity's capital markets activities in Canada during fiscal 2010 by 55.2% for a total of $148.2 million. On the TSX and TSX Venture, total financing value increased 44.3% between fiscal 2010 and 2009.

Canaccord's International Trading group earns revenue by providing services principally to US brokerage firms, executing orders on their behalf in Canadian listed equities and trading in US equities on behalf of Canadian clients. Revenue in this business was $11.6 million, down $3.0 million or 20.8% from fiscal 2009 due to stronger economic conditions during the first half of fiscal 2009 compared to fiscal 2010. This business is also facing increased margin pressure and competition as the use of alternate trading platforms and electronic trading continues to grow.

Canaccord's Registered Traders operate by taking positions, trading and making markets in equity securities, including securities of companies with small to medium sized market capitalizations and limited liquidity. Revenue is generated through inventory trading gains and losses. Revenue in this business was $5.9 million, a decrease of $0.5 million or 7.4% from fiscal 2009.

Canaccord also trades in fixed income securities, generating revenue through interest income and trading gains and losses. Canaccord's activity in this area is generally limited to higher grade corporate and government debt instruments. Canaccord's focus on expanding this business in fiscal 2010 was evident as revenue increased by 85.7% to $11.9 million during the year.

Revenue from UK and Other Foreign Location operations

Canaccord Genuity's operations in the UK and Europe include providing sales and trading, corporate finance, and research services to its institutional and corporate clients. Canaccord is an approved broker, sponsor and Nominated Adviser (Nomad) for AIM and LSE companies. Revenue derived from capital markets activity outside of Canada, the UK and the US is reported as Other Foreign Location, which includes operations for Canaccord International Ltd. Revenue in these segments was $88.3 million, an increase of $8.6 million or 10.8% from fiscal 2009. This increase was consistent with the gradual global economic recovery in fiscal 2010.

Revenue from US operations

Canaccord Genuity's operations in the US also include providing sales and trading, corporate finance and research services to institutional and corporate clients. Revenue generated by Canaccord Genuity's operations in the US was up for fiscal 2010 as a result of the improving US financial markets. Revenue was $97.6 million, up $22.8 million or 30.5% from fiscal 2009.

Investment banking activity

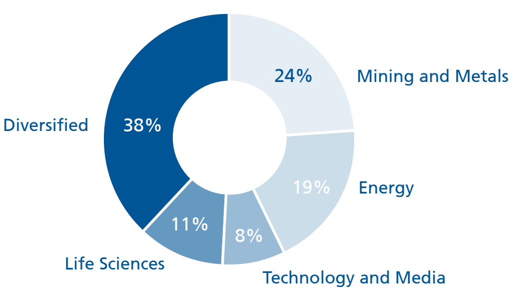
During fiscal 2010, Canaccord participated in raising $8.7 billion in 336 equity offerings of $1.5 million and greater, excluding venture capital. Canaccord Genuity's sector mix in fiscal 2010 showed increasing diversity, with over 60% of the transactions occurring in the Technology, Life Sciences and Diversified sectors, generating over 41% of the Company's investment banking revenues. The Metals and Mining and Energy sectors, traditionally Canaccord's strength, made up nearly 40% of the transactions the Company participated in, and accounted for nearly 65% of investment banking revenue.

Throughout fiscal 2010, key producers were hired in our focus sectors across all of our geographies. The acquisition of Genuity Capital Markets has added significant strength to our Investment Banking team, and further diversified our focus sectors. Following the acquisition, Canaccord Genuity now also has industry expertise in the Agriculture, Transportation and Telecommunication sectors.

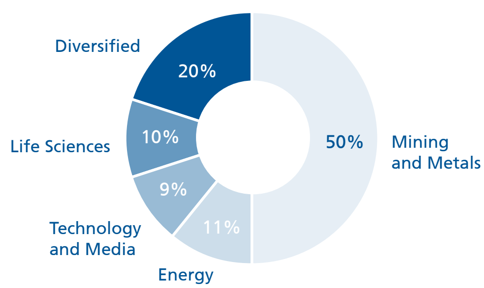
Canaccord Genuity – Overall

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

Transactions by sector

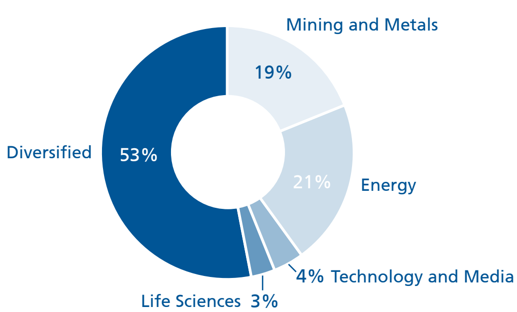


Revenue by sector

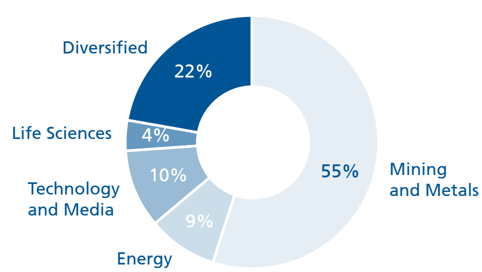


Canaccord Genuity – Canada

Transactions by sector

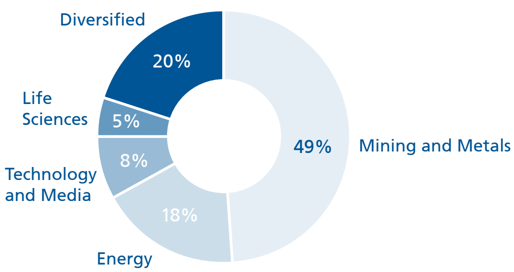


Revenue by sector

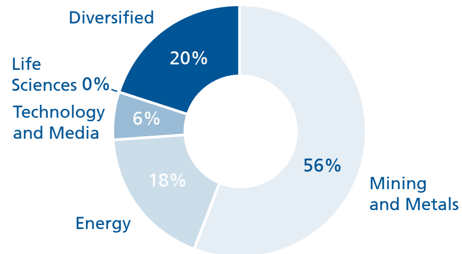


Canaccord Genuity – UK

Transactions by sector

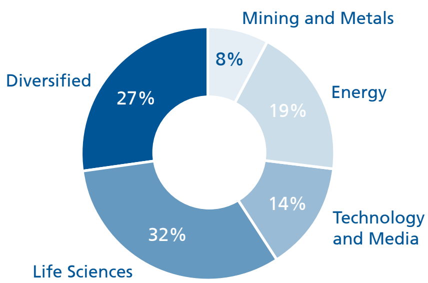


Revenue by sector

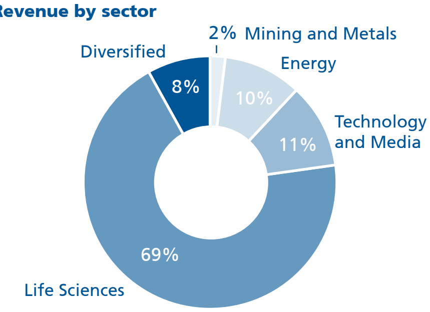


Canaccord Genuity – US

Transactions by sector



Revenue by sector



Equity offerings of $1.5 million and greater

(C$ billions, except number of transactions)	*For the years ended March 31*				
	2010			*2009*	
Market	***Number of transactions***		***Aggregate transaction value***	*Number of transactions*		*Aggregate transaction value*
Canada	**273**	**$**	**3.1**	143	$	13.6
UK	**21**		**1.8**	22		1.5
US	**42**		**3.8**	18		0.7
Total	**336**	**$**	**8.7**	183	$	15.8

Sources: Financial Post Data Group and Company sources

Expenses

Expenses for fiscal 2010 were $292.6 million, a slight decrease of 2.0% year over year. However, in the prior year, Canaccord Genuity recognized $37.5 million of significant items related to the impairment of goodwill and intangibles and restructuring costs. Therefore, excluding significant items, fiscal 2010 total expenses increased by 10.2% or $26.6 million compared to fiscal 2009. There was an increase in incentive compensation expense of $53.6 million or 37.9%, in line with the 31.1% increase in revenue. This increase was offset by decreases in other non-compensation expenses.

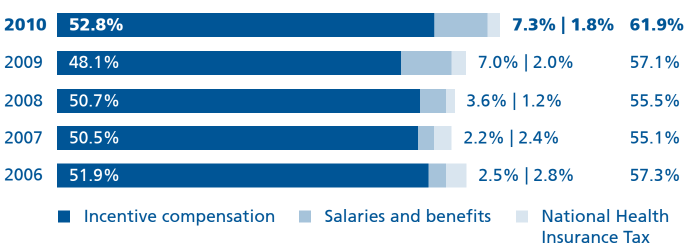
Incentive compensation and salaries and benefits

Incentive compensation expense for fiscal 2010 increased by $53.6 million or 37.9% over fiscal 2009, which was largely linked to the $86.2 million or 31.1% growth in revenue. Salary and benefits expense for fiscal 2010 slightly increased by $0.2 million or 1.6% compared to fiscal 2009. Total compensation expense as a percentage of revenue was up 1.4 percentage points to 57.9% from fiscal 2009, mainly due to increased profitability.

Total compensation as a % of Canaccord Genuity revenue – Overall

Total compensation as a % of Canaccord Genuity revenue – Canada

Total compensation as a % of Canaccord Genuity revenue – UK



Total compensation as a % of Canaccord Genuity revenue – US

Other overhead expenses

Other overhead expenses were $77.1 million, a decrease of $27.2 million. The largest fluctuation in other overhead expenses was a $17.2 million decrease in general and administrative expense. Professional fees decreased by $6.0 million due to non-recurring consultancy expenses incurred in respect of internal infrastructure development in 2009. The recovery of certain expense items from compensation pools which began during fiscal 2009 combined with a firm-wide effort to control costs reduced promotion and travel expense by a total of $5.7 million. The improved market conditions also led to a reduction of the provision for credit losses which resulted in a reduced expense of $2.3 million year over year.

Development costs decreased by $5.0 million year over year largely due to a reduction in hiring incentives offered in our US operations. Partially offsetting this reduction in the US were certain additions to our Sales Trading team in the UK, which increased hiring incentives by $1.7 million. Communication and technology expense declined by $2.4 million or 17.7%, as additional expenses were incurred in fiscal 2009 for certain technological enhancements.

Total expenses in fiscal 2010 included a $5.0 million significant item in respect of the acquisition-related costs in connection with Genuity. Fiscal 2009 results also included $37.5 million in significant items charged for the impairment of goodwill and intangibles and restructuring costs. Excluding significant items, total expenses for Canaccord Genuity were up 10.2% to $287.6 million.

Income before income taxes in fiscal 2010 was $71.0 million compared to a loss before income taxes of $21.1 million in fiscal 2009. Excluding significant items, income before income taxes was $76.0 million versus $16.4 million in fiscal 2009. The increase in income before taxes is attributable to the global economic recovery and an increased focus on controlling costs.

Canaccord Wealth Management

Overview

Canaccord Wealth Management provides a broad range of financial services and investment products to individual investors (private clients). Revenue from Canaccord 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.

During fiscal 2010, Canaccord Wealth Management was rebranded from Canaccord Private Client Services. This new name better reflects the comprehensive wealth management services the Company provides to individual investors.

The Company has implemented several initiatives as part of a five-year strategic plan to better align the investment solutions and services offered by Canaccord Wealth Management 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. As part of this strategy alignment, Canaccord re-aligned its compensation grid for IAs during fiscal 2010.

At the beginning of the fiscal year Canaccord Wealth Management expanded its operations with the launch of the Independent Wealth Management (IWM) platform. 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 Firm. 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. The Company is already seeing success from the launch of this business model, with 10 Canaccord Wealth Management branches now operating on the IWM platform.

During fiscal 2010, Canaccord began disclosing business unit profitability after the allocation of support function costs and overhead expenses (referred to as inter-segment allocations in Canaccord's supplementary financial information). This new disclosure provides an enhanced view of Canaccord Wealth Management's profitability.

Industry profile

While capital markets performance improved substantially compared to last year, retail investors have taken a more cautious approach. Because of this, there was a delayed recovery for the Canadian wealth management sector during the year. According to the Investment Industry Association of Canada (IIAC), industry commission revenues fell 10.0% during calendar 2009 compared to 2008, when revenue levels fell 15.3% from the 2007 peak, due largely to the financial crisis. Revenue derived from fee-based accounts also fell by 10.0% during calendar 2009, the largest decline the industry has experienced for fee-based revenue. According to the IIAC, most areas of the wealth management business, including commission revenues, mutual fund revenues and fee revenues, began gaining traction in the final months of 2009 (during Canaccord's fiscal Q3/10).

Consolidation remains a theme as many Canadian investment dealers try to build scale. During fiscal 2010, two Canadian investment dealers focused primarily on private client services merged with larger securities firms. This has amplified the competition for high-quality IAs, causing recruitment costs to rise substantially.

Outlook

The investments made in Canaccord Wealth Management over the past two years are starting to show early signs of success. Management's focus will remain on improving margins, enhancing our product offering and retaining and attracting high-quality IAs.

Adding scale to our platform will continue to be an important component in growing revenue and increasing margins. We intend to achieve this through increasing assets under administration by expanding and developing our relationships with existing clients and by growing our number of Advisory Teams. The recruiting environment for experienced IAs has become highly competitive and expensive. Recognizing this, Canaccord is committed to hiring Advisory Teams only when it is economically beneficial for the Company to do so. Our recruitment pipeline is robust, and we are optimistic about the number and quality of IAs expressing interest in joining Canaccord Wealth Management. The Company will also continue to evaluate growth opportunities for our wealth management division as they arise.

Financial performance [1]

(C$ thousands, except assets under management and assets under administration, which are in C$ millions, number of employees and Advisory Teams, and % amounts)	*For the years ended March 31* **2010**	*2009*	*2010/2009 Change*	
Revenue	**$ 187,046**	$ 172,484	$ 14,562	8.4%
Expenses				
Incentive compensation	**88,590**	74,383	14,207	19.1%
Salaries and benefits	**18,194**	14,820	3,374	22.8%
Other overhead expenses	**52,479**	55,047	(2,568)	(4.7)%
Relief provision	—	2,700	(2,700)	(100.0)%
Canaccord relief program (CRP) fair value adjustment	—	2,647	(2,647)	(100.0)%
Restructuring costs	—	180	(180)	(100.0)%
Total expenses	**159,263**	149,777	9,486	6.3%
Income before income taxes [2]	**27,783**	22,707	5,076	22.4%
Assets under management (AUM)	**445**	393	52	13.2%
Assets under administration (AUA)	**12,922**	9,184	3,738	40.7%
Number of Advisory Teams	**303**	338	(35)	(10.4)%
Number of employees	**680**	700	(20)	(2.9)%
Excluding significant items [3]				
Total expenses	**159,263**	144,250	15,013	10.4%
Income before income taxes	**27,783**	28,234	(451)	(1.6)%

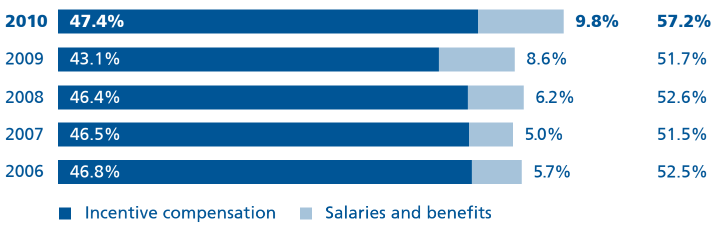
(1) Data is considered to be GAAP except for figures excluding significant items, number of Advisory Teams and employees, and AUA and AUM.
(2) See "Intersegment Allocated Costs".
(3) Fiscal 2009 data excludes $2.7 million relief provision, $2.6 million client relief program fair value adjustment and $0.2 million of restructuring costs.

Notwithstanding the delayed recovery in the Canadian wealth management sector as described above we did experience an increase in wealth management revenue year over year. Fiscal 2010 revenue from Canaccord Wealth Management was $187.0 million, an increase of 8.4% or $14.6 million from fiscal 2009, reflecting the global economic recovery during fiscal 2010 as well as our strategic initiatives in this sector.

Expenses for the year were $159.3 million, up 6.3% or $9.5 million from fiscal 2009. Expenses increased year over year mainly due to the $14.2 million increase in incentive compensation consistent with higher revenue and profitability in fiscal 2010. A retention program was introduced in this segment in fiscal 2010, increasing incentive compensation expense by $3.7 million.

The Company hired key management personnel at the end of fiscal 2009 and incurred severance expense in fiscal 2010 as part of its restructuring in this segment. This resulted in higher salaries and benefits expense by 22.8% and development costs expense by 31.3% in fiscal 2010.

Total compensation as a % of Canaccord Wealth Management revenue



The increase in overall expense was offset by a $7.4 million drop in interest expense mainly as a result of lower interest rates during fiscal 2010 compared to fiscal 2009.

Income before income taxes for Canaccord Wealth Management during fiscal 2010 and 2009 was $27.8 million and $22.7 million, respectively. In fiscal 2009 the Company recognized significant items of $5.5 million related to the client relief program and restructuring costs. Excluding significant items, income before income taxes was $27.8 million for fiscal 2010 compared to net income of $28.2 million in the prior fiscal year. This decrease was mainly due to expenses incurred in connection with the implementation of Canaccord Wealth Management's five-year strategic plan.

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 and Canaccord Wealth Management. Pinnacle provides 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 364 employees in the Corporate and Other segment. The majority of Canaccord's corporate support functions are based in Vancouver, 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 2010	2009	2010/2009 Change	
Revenue	**$ 26,933**	$ 27,886	$ (953)	(3.4)%
Expenses				
Incentive compensation	**15,290**	6,029	9,261	153.6%
Salaries and benefits	**25,912**	26,883	(971)	(3.6)%
Other overhead expenses	**32,835**	35,540	(2,705)	(7.6)%
ABCP fair value adjustment	**—**	6,700	(6,700)	(100.0)%
Restructuring costs	**—**	1,511	(1,511)	(100.0)%
Total expenses	**$ 74,037**	$ 76,663	$ (2,626)	(3.4)%
Loss before income taxes [2]	**(47,104)**	(48,777)	1,673	n.m.
Number of employees	**364**	356	8	2.2%
Excluding significant items [3]				
Total expenses	**$ 74,037**	$ 68,452	$ 5,585	8.2%
Loss before income taxes	**(47,104)**	(40,566)	(6,538)	16.1%

(1) Data is considered to be GAAP except for figures excluding significant items and number of employees.
(2) See "Intersegment Allocated Costs".
(3) Fiscal 2009 data excludes $6.7 million ABCP fair value adjustment and $1.5 million of restructuring costs.
n.m.: not meaningful

Revenue for fiscal 2010 was $26.9 million, a slight decline of $1.0 million or 3.4% from fiscal year 2009. The decrease was mainly due to the $8.7 million drop in interest revenue as a result of lower interest rates during the year. This was offset by an increase in foreign exchange gain of $7.8 million compared to fiscal 2009.

Fiscal 2010 expenses were $74.0 million, a decrease of $2.6 million or 3.4%. The $9.3 million increase in incentive compensation expense resulted from the higher profitability of the consolidated group of companies.

An ABCP fair value adjustment and restructuring costs in the total amount of $8.2 million were significant items in fiscal 2009 that did not recur in fiscal 2010. Total expenses excluding significant items in fiscal 2010 were $74.0 million compared to $68.5 million in fiscal 2009, an increase of $5.6 million.

Loss before income taxes was $47.1 million for fiscal 2010 compared to a loss before income taxes of $48.8 million for the same period a year ago. Excluding significant items, loss before income taxes was $47.1 million compared to $40.6 million in the prior year.

Operational highlights

The strength of Canaccord's back-office team was evident during the integration of Genuity Capital Markets in early May. The seamless transition of Genuity's operations onto the Canaccord platform enabled the Company to focus on creating value for clients and shareholders through the acquisition. 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.

Information technology plays an integral role in almost all of Canaccord's operations. During fiscal 2010, several large applications were implemented to assist Canaccord IAs in delivering best-in-class service:

- Canaccord Compass: *an analytics dashboard that provides detailed reports about IAs' clients and business.*
- Advent: *a portfolio management system for Canaccord Wealth Management Portfolio Managers.*
- Bond One: *a fixed income order management system.*

A newly formed support team, Business Application Support and Training, ensures that our users are equipped to maximize the business value of these applications.

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 $35.8 million for the year ending March 31, 2010 and to Canaccord Genuity such allocable costs were $9.6 million.

FINANCIAL CONDITION

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

	Balance sheet summary as at March 31				
(C$ thousands)	***2010***	*2009*	*2008*	*2007*	*2006*
Assets					
Cash and cash equivalents	**$ 731,852**	$ 701,173	$ 435,649	$ 506,640	$ 370,507
Securities owned	**362,755**	133,691	92,796	348,764	203,020
Accounts receivable	**1,972,924**	1,061,161	1,422,917	1,672,035	1,539,998
Other assets	**56,317**	126,074	114,836	48,570	36,519
Goodwill and other intangibles	**—**	—	32,520	33,933	27,929
Total assets	**3,123,848**	2,022,099	2,098,718	2,609,942	2,177,973
Liabilities and shareholders' equity					
Bank indebtedness	**29,435**	75,600	15,038	—	4,684
Securities sold short	**364,137**	79,426	13,757	41,176	37,169
Accounts payable and accrued liabilities	**2,313,531**	1,469,369	1,687,479	2,171,575	1,848,290
Subordinated debt	**15,000**	25,000	25,000	25,000	—
Shareholders' equity	**401,745**	372,704	357,444	372,191	287,830
Total liabilities and shareholders' equity	**3,123,848**	2,022,099	2,098,718	2,609,942	2,177,973

Assets

Cash and cash equivalents were $731.9 million on March 31, 2010 compared to $701.2 million on March 31, 2009. Refer to the Liquidity and capital resources section for more details.

Securities owned were $362.8 million compared with $133.7 million on March 31, 2009. This increase is mainly attributable to an increase in fixed income activity, holdings in equities and convertible debentures and corporate finance bought deal positions. This increase in fixed income holdings was a result of a corporate initiative to expand the Fixed Income group, which deals in the primary and secondary markets of all fixed income products.

Accounts receivable were $2.0 billion on March 31, 2010 compared with $1.1 billion on March 31, 2009. The increase related to an increase in receivable balances from clients and brokers and investment dealers as a result of increased trading activities and expansion of the Fixed Income group and increased corporate finance activity. Accounts receivable net of accounts payable were $(340.6) million at March 31, 2010 compared to $(408.2) million at March 31, 2009.

Other assets in aggregate were $56.3 million at March 31, 2010 compared with $126.1 million at March 31, 2009. The decrease was due mainly due to a decrease in income taxes receivable and disposal of holdings in ABCP.

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, 2010 Canaccord had available credit facilities with banks in Canada and the UK in the aggregate amount of $411.4 million (March 31, 2009 – $568.7 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, 2010 there was bank indebtedness of $29.4 million compared to $75.6 million on March 31, 2009.

Accounts payable were $2.3 billion compared to $1.5 billion on March 31, 2009, an increase of $0.8 billion mainly related to an increase in payable balances to clients and brokers and investment dealers. As discussed above in "Assets", this increase was due to increased trading activities, expansion of the Fixed Income group and increased corporate finance activity.

Securities sold short were $364.1 million, an increase of $284.7 million compared to $79.4 million at March 31, 2009. This increase was a result of the Company's initiative to expand the Fixed Income group.

Subordinated debt with a total balance of $15.0 million at March 31, 2010 decreased by $10.0 million due to the repayment of subordinated debt during fiscal 2010.

OFF-BALANCE SHEET ARRANGEMENTS

A subsidiary of the Company has entered into secured irrevocable standby letters of credit from a financial institution totalling $2.3 million (US$2.3 million) [March 31, 2009 – $2.9 million (US$2.3 million)] as rent guarantees for its leased premises in Boston, New York and San Francisco.

LIQUIDITY AND CAPITAL RESOURCES

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

On March 31, 2010 cash and cash equivalents net of bank indebtedness were $702.4 million, an increase of $76.8 million from $625.6 million as of March 31, 2009. During the fiscal year ended March 31, 2010 financing activities used cash in the amount of $22.3 million, which was primarily due to the acquisition of common shares for LTIP of $11.7 million and the $10.0 million repayment of subordinated debt. The Company also paid $5.4 million of dividends during the year. The issuance of shares in connection with stock-based compensation plans provided cash of $5.3 million. Investing activities provided cash in the amount of $31.2 million, mainly comprising proceeds from the sale of investment in ABCP offset by additional purchases of investment in ABCP. Operating activities provided cash in the amount of $92.4 million, which was due to net changes in non-cash working capital items and changes in net income excluding items not affecting cash. A further decrease in cash of $24.4 million was attributed 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.

The following table summarizes Canaccord's long-term contractual obligations on March 31, 2010.

		Contractual obligations payments due by period			
(C$ thousands)	*Total*	*Fiscal 2011*	*Fiscal 2012–fiscal 2013*	*Fiscal 2014–fiscal 2015*	*Thereafter*
Premises and equipment operating leases	$ 139,483	$ 23,849	$ 40,253	$ 32,341	$ 43,040

OUTSTANDING SHARE DATA

	Outstanding shares as of March 31	
	2010	*2009*
Issued shares outstanding excluding unvested shares [(1)]	**48,867,709**	49,343,015
Issued shares outstanding [(2)]	**55,571,133**	55,092,844
Issued shares outstanding – diluted [(3)]	**57,766,970**	57,250,972
Average shares outstanding – basic	**48,698,163**	48,929,259
Average shares outstanding – diluted [(4)]	**55,662,420**	54,189,484

(1) Excludes 3,502,150 unvested shares that are outstanding relating to share purchase loans for recruitment and 3,201,274 unvested shares purchased by the employee benefit trust for the LTIP.
(2) Includes 3,502,150 unvested shares relating to share purchase loans for recruitment and 3,201,274 unvested shares purchased by the employee benefit trust for the LTIP.
(3) Includes dilutive earned shares under stock-based compensation plans.
(4) This is the diluted share number used to calculate diluted EPS.

The Company renewed its normal course issuer bid (NCIB) and is currently entitled to acquire up to 2,767,974 of its shares from September 3, 2009 to September 2, 2010; this number represents 5% of its shares outstanding as of August 28, 2009. There were nil shares purchased through the NCIB between September 3, 2009 and March 31, 2010. The Company files a notice to TSX when it has a present intention to acquire shares, and shareholders may obtain this notice, without charge, upon request of the Company.

At May 19, 2010 Canaccord had 82,071,133 common shares issued and outstanding, an increase of 26,978,289 common shares from March 31, 2009 mainly due to shares issued in connection with the acquisition of Genuity Capital Markets and stock-based compensation plans net of shares cancelled.

On March 4, 2010, the Company announced that it signed a definitive agreement to acquire Genuity Capital Markets. Shareholder approval for this transaction was obtained on April 22, 2010 and the acquisition closed on April 23, 2010. The Company acquired 100% of Genuity for consideration consisting of 26.5 million Canaccord common shares and cash of $30 million and up to $28 million working capital adjustment. Refer to Note 19 of the audited consolidated financial statements for additional information regarding this subsequent event.

Issuance of share capital

	Fiscal 2010
Total common shares issued and outstanding as of March 31, 2009	**55,092,844**
Shares issued in connection with stock-based compensation plans	**519,725**
Shares cancelled	**(41,436)**
Total common shares issued and outstanding as of March 31, 2010	**55,571,133**

STOCK-BASED COMPENSATION PLANS

Stock options

The Company grants stock options to purchase common shares of the Company to independent directors and senior managers. The independent directors and senior managers have been granted options to purchase up to an aggregate of 2,449,993 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 stock options is $9.91 per share.

In May 2009 the Company granted an aggregate of 125,000 stock options to five independent directors with an exercise price of $7.21 per share. The options vest over a four-year period and expire seven years after the grant date.

On August 31, 2009 the independent directors of the Company approved the grant of stock options to certain senior managers of the Company and its subsidiaries. An aggregate of 2,099,993 options were granted at an exercise price of $9.47 per share that vests over five years. The options expire at the earliest of: (1) August 31, 2016, (2) three years after death or any other event of termination of employment, (3) after any unvested optioned shares held by the optionee are cancelled for any reason, and (4) 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.

Long term incentive plan

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

INTERNATIONAL FINANCIAL CENTRE

Canaccord is a member of the International Financial Centre British Columbia Society and operates an international financial centre within Montreal, both of which provide certain tax and financial benefits pursuant to the *International Financial Activity Act* of British Columbia and the *Act Respecting International Financial Centres* of Quebec. Accordingly, Canaccord's overall income tax rate is less than the rate that would otherwise be applicable.

FOREIGN EXCHANGE

Canaccord manages its foreign exchange risk by periodically hedging pending settlements in foreign currencies. Realized and unrealized gains and losses related to these transactions are recognized in income during the year. On March 31, 2010 forward contracts outstanding to sell US dollars had a notional amount of US$8.3 million, an increase of $2.3 million compared to the prior year. Forward contracts outstanding to buy US dollars had a notional amount of US$17.0 million, up from US$4.3 million a year ago. The fair value of these contracts was nominal. Some of Canaccord's operations in the US and UK 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

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

CRITICAL ACCOUNTING ESTIMATES

The following is a summary of Canaccord's critical accounting estimates. Canaccord's accounting policies are in accordance with Canadian GAAP and are described in Note 1 to the audited consolidated financial statements for the year ended March 31, 2010. The accounting policies described below require estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses recorded in the financial statements. Because of their nature, estimates require judgment based on available information. Actual results or amounts could differ from estimates and the difference could have a material impact on the financial statements.

Revenue recognition and valuation of securities

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

Provisions

Canaccord records provisions related to pending or outstanding legal matters and doubtful accounts associated with clients' receivables, loans, advances and other receivables. Provisions in connection with legal matters are determined on the basis of management's judgment in consultation with legal counsel, considering such factors as the amount of the claim, the possibility of wrongdoing by an employee of Canaccord and precedents. Clients' receivable balances are generally collateralized by securities and, therefore, any impairment is generally measured after considering the market value of the collateral.

Provisions in connection with other doubtful accounts are generally based on management's assessment of the likelihood of collection and the recoverable amount. Provisions are also recorded utilizing discount factors in connection with syndicate participation.

Tax

Accruals for income tax liabilities require management to make estimates and judgments with respect to the ultimate outcome of tax filings and assessments. Actual results could vary from these estimates. Canaccord operates within different tax jurisdictions and is subject to their individual assessments. Tax filings can involve complex issues, which may require an extended period of time to resolve in the event of a dispute or re-assessment by tax authorities. Accounting standards require a valuation allowance when it is more likely than not that all or a portion of a future income tax asset will not be realized prior to its expiration. Although realization is not assured, Canaccord believes that, based on all evidence, it is more likely than not that all of the future income tax assets, net of the valuation allowance, will be realized. Canaccord believes that adequate provisions for income taxes have been made for all years.

Stock-based compensation

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

RECENT ACCOUNTING PRONOUNCEMENTS

Business Combinations and Consolidated Financial Statements

In January 2009 the CICA issued a new accounting standard, CICA Handbook Section 1582 "*Business Combinations*", which replaces the former Section 1581 "*Business Combinations*". This standard harmonizes Canadian guidance to the International Financial Reporting Standard (IFRS) 3 "*Business Combinations*". This standard requires additional use of fair value measurements, transaction costs to be expensed and increased financial statement notes disclosure. It also provides guidance on the recognition and measurement of goodwill acquired in the business combination. This standard is required to be applied prospectively for business combinations for which the acquisition date is on or after April 1, 2011.

In addition, the CICA has issued Handbook Section 1601 *"Consolidated Financial Statements",* and Handbook Section 1602 *"Non-controlling Interests",* which replace CICA Handbook Section 1600 *"Consolidated Financial Statements"*. CICA Handbook Section 1601 carries forward guidance from CICA Handbook Section 1600 except for the standards relating to the accounting for non-controlling interests, which are addressed separately in Section 1602. Section 1602 harmonizes Canadian standards with amended International Accounting Standard 27 *"Consolidated and Separate Financial Statements"*. This Canadian standard provides guidance on accounting for a non-controlling interest in a subsidiary in the consolidated financial statements subsequent to a business combination. These two standards will be effective for the Company beginning April 1, 2011.

The Company early adopted all three standards concurrently for the acquisition of Genuity Capital Markets beginning April 1, 2010. The impact of early adoption of these standards will be material to the Company but could not be determined as at March 31, 2010.

International Financial Reporting Standards

The Canadian Accounting Standards Board (AcSB) has confirmed that the use of IFRS will be required commencing in 2011 for publicly accountable, profit-oriented enterprises. IFRS will replace Canadian GAAP currently followed by the Company. The purpose of this adoption is to increase the comparability of financial reporting among countries and to improve transparency. The Company will be required to begin reporting under IFRS for its fiscal year ended March 31, 2012 and will be required to provide information that conforms with IFRS for the comparative periods presented.

The Company is currently in the process of evaluating the potential impact of IFRS on the consolidated financial statements. This is an ongoing process as the International Accounting Standards Board (IASB) and the AcSB continue to issue new standards and recommendations. The Company's consolidated financial performance and financial position as disclosed in the current Canadian GAAP financial statements may differ significantly when presented in accordance with IFRS. Some of the significant differences identified between IFRS and Canadian GAAP may have a material effect on the Company's consolidated financial statements.

In order to prepare for the conversion to IFRS, the Company has developed an IFRS conversion plan, which includes the following three phases:

1. Diagnostic phase – This phase involves preparing the high-level impact assessment of the significant differences between IFRS and Canadian GAAP that may have a material impact on the Company's financial statements. The procedures in this phase will prioritize the areas that will be affected.
2. Design and planning – This phase includes identification, evaluation and selection of accounting policies in accordance with IFRS. Mock financial statements will be prepared during this phase and quantitative impacts will be determined. Operational plans will be completed to evaluate the impact of conversion on information technology, internal control over financial reporting, training, and communication to internal and external stakeholders.
3. Implementation and post-implementation review – This phase involves execution of the plans prepared in the phases described above. It will also include collecting information required for IFRS-compliant financial statements, implementing IFRS in business processes, obtaining Audit Committee approval of IFRS financial statements and provide any further training for employees for revised systems.

The Company is in the design and planning phase of the changeover plan. We are currently focusing on the areas that will have the most significant impact on the consolidated financial statements. Assessment of the application of IFRS 1 "*First-Time Adoption of IFRS*" (IFRS 1) is also ongoing. IFRS 1 provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirements for full retrospective application of IFRSs.

It is noted that both the AcSB and the IASB have significant workplans to change certain accounting standards. The AcSB is continuously making changes to converge some standards to align with IASB before the changeover date, while IASB is modifying its standards to meet the needs of the current economic environment. For example, the IASB published discussion papers and exposure drafts proposing significantly different accounting models in the following areas that may materially impact the Company's consolidated financial statements: lease accounting, financial instruments and revenue recognition. The Company will continue to monitor the progress of these changes and assess the impact on the changeover implementation plan. Due to the uncertainties of the proposed standards, the Company has not been able to evaluate the quantitative impacts expected on its consolidated financial statements.

We have identified the following areas below that contain significant differences based on current Canadian GAAP and IFRS as of the date of this MD&A.

Financial instruments

The IASB recently issued IFRS 9 *"Financial Instruments: Recognition and Measurement",* which specifically addresses the recognition and measurement of financial assets. Financial assets are initially measured at fair value and classified as either amortized cost or fair value. This differs from the current CICA Handbook Section 3855 *"Financial Instruments: Recognition and Measurement"* in that financial assets are initially measured at fair value, and they are classified as held for trading, held to maturity, loans and receivables, or available for sale.

Under Canadian GAAP, any gains or losses from available for sale assets are recognized in other comprehensive income; however, this classification does not exist under IFRS. Any changes in fair value or amortization of amortized cost financial assets are recognized into net income directly. This difference between Canadian GAAP and IFRS is not expected to have a significant quantitative impact on the Company's financial statements upon conversion. The Company reviewed the measurement basis for each financial instrument and noted that there is no significant difference in measurement basis between Canadian GAAP and IFRS.

Transaction costs are also required to be capitalized as part of the fair value of the financial asset upon initial recognition under IFRS. Canadian GAAP allows for the option to expense transaction costs as incurred or capitalized as part of the fair value of the financial asset.

Stock-based compensation

IFRS 2 *"Share-Based Payments"* requires that cash-settled share-based payments to employees be measured based on fair values of the awards at initial and subsequent measurement. Under CICA Handbook Section 3870 *"Stock-Based Compensation"*, cash-settled share-based payments are measured at intrinsic value of the awards. As the Company's share-based payments are all equity-settled payments, this difference will not have an impact on the financial statements.

A forfeiture rate is required to be estimated in IFRS while this is optional under Canadian GAAP. As a result, under IFRS, amortization of share-based payments will be different compared to expense under Canadian GAAP. The forfeiture rate under IFRS will be estimated using the historical forfeiture rate of the LTIP since inception. We are currently determining the quantitative impact this will have on our opening balance sheet.

Business Combinations

The CICA recently issued Handbook Section 1582 *"Business Combinations"* which harmonizes Canadian guidance to the IFRS 3 *"Business Combinations"*. This standard requires additional use of fair value measurements, transaction costs to be expensed and increased financial statement notes disclosure. Although this standard is not required to be applied for the Company until business combinations for which the acquisition date is on or after April 1, 2011, the Company will be an early adopter of this standard to reduce the impact of IFRS changeover. This standard was adopted in connection with the acquisition of Genuity Capital Markets in April 2010.

The Company recognized past business combinations in accordance with CICA Handbook Section 1581 *"Business Combinations",* which is significantly different from IFRS 3. However, IFRS 1 *"First-Time Adoption of IFRSs"* permits the Company to elect not to apply IFRS 3 retrospectively to past business combinations.

Revenue recognition

Per CICA Handbook Section 3400 *"Revenue",* revenue is recognized when performance is completed and collectibility is reasonably assured. Performance relating to services rendered and long-term contracts is determined using the percentage completion method or the completed contract method. Per International Accounting Standard (IAS) 18 *"Revenue",* revenue should be recognized based on the stage of completion of the transaction at the end of the reporting period when the following conditions are satisfied: amount of revenue can be reasonably determined, probable that economic benefits of the transaction will flow to the entity, stage of completion of the transaction at the end of the reporting period can be measured reliably, and costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Accounting for revenue under Canadian GAAP and IFRS is similar except for some differences in the accounting for long-term contracts where the completed contract method is permitted under Canadian GAAP but not under IFRS. This may have an impact on the revenue recognition of our investment banking revenue.

IFRS 1 – First-Time Adoption

IFRS 1 "*First-time adoption of IFRS*" states that IFRS is to be applied retrospectively with some optional exemptions and mandatory exceptions to this requirement. The Company has reviewed this section and will be proposing the election of certain relevant exemptions to the Audit Committee for approval in fiscal 2011.

After review of the significant differences between IFRS and Canadian GAAP, there may be some impacts to our information technology and data systems, internal control of financial reporting, or disclosure controls and procedures. Assessment of the impact of our information technology and data systems due to the capitalization of transaction costs to the fair value of financial instruments is yet to be completed. The changeover is not anticipated to significantly change the design of our disclosure controls and procedures or our internal controls of financial reporting based on our operations as of today.

As part of its design and planning stage, we are currently assessing the impact that changes in the financial statements upon changeover to IFRS will have on our business activities. Our considerations include the impact it will have on our debt covenants, risk management, training, and compensation arrangements or other material contracts.

The IFRS implementation team includes senior management, finance personnel and external advisors. The IFRS implementation team routinely attends training conferences and seminars and continuously monitors any IFRS updates to assess any upcoming changes that will affect the Company.

The Audit Committee was provided IFRS updates each quarter during fiscal 2010, and this will continue through fiscal 2011 until date of changeover. The Audit Committee has been kept up to date on the progress of the conversion progress and any significant impacts, including potential quantitative impacts, have been disclosed to the Audit Committee. The Audit Committee will be involved in the approval of accounting policy choices, opening balance sheet adjustments, and changes to presentation and disclosures of financial statements during fiscal 2011.

CHANGE IN ACCOUNTING POLICIES

Goodwill and Intangible Assets

The CICA issued a new accounting standard, CICA Handbook Section 3064 *"Goodwill and Intangible Assets",* which prescribes when expenditures qualify for recognition as intangible assets and provides increased guidance on the recognition and measurement of internally generated goodwill and intangible assets. The Company adopted Section 3064 effective April 1, 2009. The adoption of this new standard had no impact on the Company's financial statements.

Financial Instruments – Disclosures

The AcSB amended CICA Handbook Section 3862 "*Financial Instruments – Disclosures*", to increase disclosure requirements regarding the fair value measurements of financial instruments. The Company adopted these new amendments during fiscal 2010 and this information is included in Note 4 of the audited consolidated financial statements.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure controls and procedures

As of March 31, 2010 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, 2010.

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 Canadian GAAP. 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, 2010 and that there were no material weaknesses in our internal control over financial reporting.

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, 2010 that have materially affected, or are reasonably likely to materially affect, Canaccord's internal control over financial reporting.

RISK MANAGEMENT

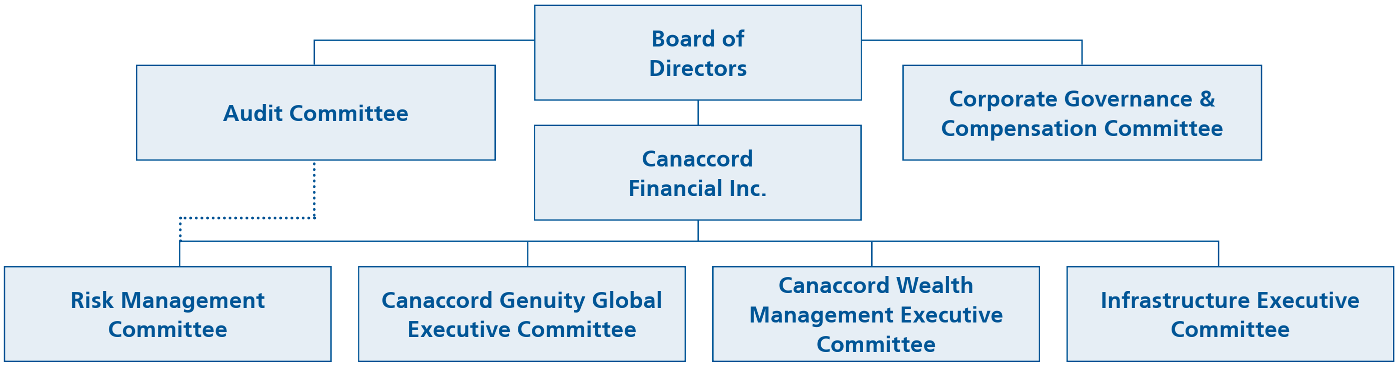
Overview

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. In addition, the Risk Management Committee, which is shown in its organizational context below, is responsible for monitoring risk exposures and for general oversight of the risk management process. The Risk Management Committee is led by the CFO and committee members include the CEO, COO and senior management representation from the key revenue producing businesses and functional areas of Canaccord.

Governance

Canaccord's governance structure includes the following elements:



The segregation of duties and management oversight are important aspects of Canaccord's risk management process. Canaccord has a number of functions that are independent of the revenue producing businesses that perform risk management activities, including the monitoring, evaluating and analyzing of risk. These functions include Enterprise Risk Management, Compliance, Operations, Internal Audit and Financial Analysis, Treasury, Finance and Legal. Canaccord's Audit Committee receives various quarterly and annual updates and reports on key risk metrics and the overall risk management program.

Enterprise Risk Management Framework

For a description of the Enterprise Risk Management process, how it has been implemented, and its progression at Canaccord see "Enterprise Risk Management Framework" in Canaccord's fiscal 2010 Annual Information Form (AIF).

RISK FACTORS

Overview

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

An investment in the common shares of Canaccord involves a number of risks. Some of these, including market risk, credit risk, operational risk and other risks could be substantial and are inherent in Canaccord's business. Risk management at Canaccord is a significant priority due to the importance of its effectiveness on Canaccord's operations. For the discussion on Risk Management, please see page 47 in this MD&A.

Genuity acquisition risks

On April 23, 2010, the Company completed its acquisition of Genuity Capital Markets. The risks related to this acquisition are as follows:

Integration of the combined business

The Company’s ability to maintain and successfully execute its business depends upon the personal reputation, judgment, business generation capabilities and project execution skills of its senior professionals. Any management disruption or difficulties in integrating Canaccord and Genuity’s professionals could result in a loss of clients and customers, or revenues from clients and customers, and could significantly affect the Company’s business and results of operations. The success of the acquisition will depend, in large part, on the ability of management of the Company to realize the anticipated benefits and cost savings from integration of the businesses of Canaccord and Genuity. The integration of the businesses of Canaccord and Genuity may result in considerable challenges. Management of the Company may face difficulties accomplishing the integration smoothly, or successfully, in a timely manner or without spending significant amounts of money. It is possible that the integration process could result in the loss of key employees, the disruption of the respective ongoing businesses or inconsistencies in standards, controls, procedures and policies any of which could adversely affect the ability of management of the Company to maintain relationships with clients, suppliers and/or employees or to achieve the anticipated benefits of the acquisition.

Key executives

Following the completion of the acquisition, the Company will depend heavily on the members of its management team and any management departure could cause the Company’s operating results to suffer. In particular, the Company is relying on management from Genuity for the continued successful operation of the business attributable to Genuity. The future success of the Company will depend on, among other things, its ability to retain the services of these executives and to hire other highly qualified employees at all levels.

A summary of other risk factors related to the Company are listed below. Risks include, but are not necessarily limited to, those set out below. Investors should carefully consider the following information about risks, together with the other information in this document, before making investment decisions. It should be noted that this list is not exhaustive, but contains risks that Canaccord considers to be of particular relevance. Other risk factors may apply.

Summary of other risk factors

1. Risks associated with the financial services business in general
2. Fluctuations in market price of the Company’s shares unrelated to operating performance
3. Extensive regulation – subject to change with little or no notice – of the financial services industry that poses a number of risks such as fines, suspension or litigation
4. Risk of reduced revenue due to declining market volume, prices or liquidity
5. Risk of reduced revenue during periods of declining prices or reduced activity in targeted industries or geographic markets
6. Significant fluctuations in quarterly results can result in interim losses
7. Risk of changes in foreign currency exchange rates causing volatility in Company revenues and income
8. Interest rate risk may affect the value of financial instruments held by the Company
9. Effects of inflation may affect costs, profitability and the value of financial instruments
10. Limitations on access to funding and perceived liquidity issues could limit the Company’s ability to pay dividends, repay debt or continue to operate
11. Risks of underwriting activities could result in losses, regulatory penalties or litigation
12. Credit risk and exposure to losses from trading counterparties, clients, clearing houses, securities issuers or financial intermediaries
13. Employee misconduct could result in losses, regulatory sanctions or reputational harm
14. Risk of reduced revenues due to economic, political and market conditions
15. Risk management policies and procedures may not be adequate or effective in mitigating risk exposure

16. Dependence on information and communication systems whose failure or interruption could result in losses or litigation
17. The inability to retain and recruit highly skilled and specialized personnel could have a materially adverse effect on the Company's operating results
18. Potential conflicts of interest between the Company's executive officers, directors or employees and the Company itself
19. Litigation and potential securities law liabilities due to the very nature of the Company's business
20. Legal proceedings could result in substantial financial loss
21. Asset management revenue is subject to variability based on market and economic factors and the amount of assets under management
22. Significant competition may adversely impact revenues and profits
23. The Company's business activities are dependent on availability of funding or regulatory capital
24. Insufficient management of growth could adversely affect the Company's business

For details on each of the risk factors above that are relevant to Canaccord's business and the industry in which it operates, see "Risk Factors" in Canaccord's fiscal 2010 Annual Information Form (AIF).

Control risks

As of March 31, 2010 senior officers and directors of Canaccord collectively owned approximately 18.05% of the common shares of Canaccord Financial Inc. After the April 23, 2010 Genuity acquisition senior officers and directors of Canaccord collectively owned approximately 29.9% of the 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, 2010 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. The "early warning" report filed by Franklin Templeton Investments Corp. indicates that, as of November 30, 2008, it held 6,176,873 common shares of the Company. This is 11.1% of common shares outstanding on March 31, 2010 and 7.5% of common shares outstanding after the April 23, 2010 Genuity acquisition. 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, in certain cases, could affect the marketability and liquidity of the common shares.

DIVIDEND POLICY

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 18, 2010 the Board of Directors considered the dividend policy and approved a quarterly dividend of $0.05 per share payable on June 15, 2010 with a record date of June 4, 2010.

ADDITIONAL INFORMATION

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

AUDITORS' REPORT

To the Shareholders of **Canaccord Financial Inc. (formerly Canaccord Capital Inc.)**

We have audited the consolidated balance sheets of **Canaccord Financial Inc. (formerly Canaccord Capital Inc.)** as at March 31, 2010 and 2009 and the consolidated statements of operations, comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada
May 7, 2010, except for Note 19[ii] which is as of May 18, 2010.

Ernst & Young LLP

Chartered Accountants

CONSOLIDATED BALANCE SHEETS

As at March 31 (in thousands of dollars)	*2010*	*2009*
Assets		
Current		
Cash and cash equivalents	**$ 731,852**	$ 701,173
Securities owned [note 3]	**362,755**	133,691
Accounts receivable [notes 5 and 13]	**1,972,924**	1,061,161
Income taxes receivable	**—**	23,771
Future income taxes [note 9]	**13,190**	15,680
Total current assets	**3,080,721**	1,935,476
Investment [note 6]	**5,000**	5,000
Investment in asset-backed commercial paper [note 7]	**—**	35,312
Equipment and leasehold improvements [note 8]	**38,127**	46,311
	$ 3,123,848	$ 2,022,099
Liabilities and shareholders' equity		
Current		
Bank indebtedness [note 4]	**$ 29,435**	$ 75,600
Securities sold short [note 3]	**364,137**	79,426
Accounts payable and accrued liabilities [notes 5 and 13]	**2,308,146**	1,469,369
Income taxes payable	**5,385**	—
Subordinated debt [note 10]	**15,000**	25,000
Total current liabilities	**2,722,103**	1,649,395
Commitments and contingencies [note 16]		
Shareholders' equity		
Common shares [note 11]	**185,691**	183,619
Contributed surplus	**57,351**	44,383
Retained earnings	**194,007**	160,868
Accumulated other comprehensive loss	**(35,304)**	(16,166)
Total shareholders' equity	**401,745**	372,704
	$ 3,123,848	$ 2,022,099

See accompanying notes

On behalf of the Board:

Paul D. Reynolds
Director

Terrence A. Lyons
Director

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended March 31 (in thousands of dollars, except per share amounts)	***2010***	*2009*
Revenue		
Commission	**$ 235,606**	$ 233,104
Investment banking	**254,437**	169,369
Principal trading	**45,982**	18,319
Interest	**12,965**	38,287
Other	**28,547**	18,642
	577,537	477,721
Expenses		
Incentive compensation	**299,084**	222,006
Salaries and benefits	**59,415**	56,771
Trading costs	**28,884**	26,311
Premises and equipment	**24,402**	24,695
Communication and technology	**21,868**	25,228
Interest	**2,581**	11,220
General and administrative	**52,153**	69,689
Amortization	**7,609**	8,994
Development costs	**24,900**	28,773
Acquisition-related costs [note 19[i]]	**5,000**	—
Asset-backed commercial paper fair value adjustment [note 7]	**—**	6,700
Canaccord relief program	**—**	5,347
Impairment of goodwill and intangibles	**—**	31,524
Restructuring costs	**—**	7,662
	525,896	524,920
Income (loss) before income taxes	**51,641**	(47,199)
Income taxes (recovery) [note 9]		
Current	**10,533**	(12,805)
Future	**2,611**	13,257
	13,144	452
Net income (loss) for the year	**$ 38,497**	$ (47,651)
Basic earnings (loss) per share [note 11[v]]	**$ 0.79**	$ (0.97)
Diluted earnings (loss) per share [note 11[v]]	**$ 0.69**	$ (0.97)

See accompanying notes

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Years ended March 31 (in thousands of dollars)	***2010***	*2009*
Net income (loss) for the year	**$ 38,497**	$ (47,651)
Other comprehensive loss, net of taxes		
Net change in unrealized losses on translation of self-sustaining foreign operations	**(19,138)**	(5,847)
Comprehensive income (loss) for the year	**$ 19,359**	$ (53,498)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

As at and for the years ended March 31 (in thousands of dollars)	***2010***	*2009*
Common shares, opening	**$ 183,619**	$ 111,142
Shares issued [note 11]	**5,306**	77,080
Shares cancelled [note 11]	**(171)**	(1,461)
Acquisition of common shares for long term incentive plan [note 12]	**(11,691)**	(15,027)
Release of vested common shares from employee benefit trust [note 12]	**12,997**	7,386
Net unvested share purchase loans	**(4,369)**	4,499
Common shares, closing	**185,691**	183,619
Contributed surplus, opening	**44,383**	34,024
Excess on repurchase of common shares [note 11]	**(240)**	(2,466)
Stock-based compensation [note 12]	**8,958**	11,506
Unvested share purchase loans	**4,250**	1,319
Contributed surplus, closing	**57,351**	44,383
Retained earnings, opening	**160,868**	222,597
Net income (loss) for the year	**38,497**	(47,651)
Dividends	**(5,358)**	(14,078)
Retained earnings, closing	**194,007**	160,868
Accumulated other comprehensive loss, opening	**(16,166)**	(10,319)
Other comprehensive loss	**(19,138)**	(5,847)
Accumulated other comprehensive loss, closing	**(35,304)**	(16,166)
Shareholders' equity	**$ 401,745**	$ 372,704

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31 (in thousands of dollars)	*2010*	*2009*
Operating activities		
Net income (loss) for the year	**$ 38,497**	$ (47,651)
Items not affecting cash		
Amortization	**7,609**	8,994
Future income tax expense	**2,611**	13,257
Stock-based compensation expense	**23,986**	17,465
Gain from disposal of ABCP and fair value adjustments [note 7]	**(5,481)**	6,700
Impairment of goodwill and intangibles	**—**	31,524
Changes in non-cash working capital		
Increase in securities owned	**(230,407)**	(41,688)
(Increase) decrease in accounts receivable	**(950,349)**	347,389
Intelli fair value of net assets [note 17]	**5,837**	—
Increase (decrease) in income taxes payable	**27,842**	(9,515)
Increase in securities sold short	**285,809**	65,417
Increase (decrease) in accounts payable and accrued liabilities	**886,425**	(219,132)
Cash provided by operating activities	**92,379**	172,760
Financing activities		
Acquisition of common shares for long term incentive plan	**(11,691)**	(15,027)
Repayment of subordinated debt	**(10,000)**	—
Cash dividends paid	**(5,358)**	(13,457)
Issuance of shares in connection with stock-based compensation plans	**5,306**	12,945
Increase in net unvested share purchase loans	**(119)**	5,818
Repurchase of share capital	**(411)**	(3,927)
Issuance of shares for cash	**—**	66,462
Cash (used in) provided by financing activities	**(22,273)**	52,814
Investing activities		
Purchase of equipment and leasehold improvements	**(1,737)**	(13,024)
Purchase of Intelli [note 17]	**(7,036)**	—
Proceeds on disposal of investment in ABCP [note 7]	**54,413**	(12,152)
Purchase of investment in ABCP [note 7]	**(14,470)**	—
Cash provided by (used) in investing activities	**31,170**	(25,176)
Effect of foreign exchange on cash balances	**(24,432)**	4,564
Increase in cash position	**76,844**	204,962
Cash position, beginning of year	**625,573**	420,611
Cash position, end of year	**$ 702,417**	$ 625,573
Cash position comprises:		
Cash and cash equivalents	**$ 731,852**	$ 701,173
Bank indebtedness	**(29,435)**	(75,600)
	$ 702,417	$ 625,573
Supplemental cash flow information		
Interest paid	**$ 2,331**	$ 11,039
Income taxes paid	**3,603**	6,112

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEARS ENDED MARCH 31, 2010 AND 2009 (IN THOUSANDS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)

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

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

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and principles of consolidation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). The consolidated financial statements include the accounts of the Company, its subsidiaries and variable interest entities (VIEs) where the Company is the primary beneficiary.

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

The Company has established an employee benefit trust [Note 12] to fulfill obligations to employees arising from the Company's stock-based compensation plan. The employee benefit trust has been consolidated in accordance with AcG-15 as it meets the definition of a VIE and a subsidiary of the Company is the primary beneficiary of the employee benefit trust.

All significant intercompany transactions and balances have been eliminated.

Use of estimates and assumptions

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Therefore, actual results may differ from those estimates and assumptions. The significant estimates include income taxes, tax losses available for carryforward, contingent liabilities, fair value of investment in asset-backed commercial paper (ABCP), stock-based compensation, allowance for doubtful accounts and fair value of financial instruments.

Financial instruments

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

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

Available for sale assets are generally measured at fair value with the difference between fair value and amortized cost recorded in other comprehensive income, net of tax, until the assets are sold at which time the difference is recognized in net income for the year. Investments in equity instruments classified as available for sale that do not have a quoted market price in an active market are measured at cost. Other than temporary declines in the value of available for sale financial assets are recognized in net income. The Company's investment described in Note 6 is classified as available for sale and measured at cost.

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

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

Cash and cash equivalents

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

Securities owned and sold short

Securities owned and sold short are recorded at fair value based on quoted market 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 lending and borrowing

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

Revenue recognition

Commission revenue consists of revenue generated through 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 net of commission revenues.

Investment banking revenue consists of underwriting fees, management and advisory fees, and commissions earned on corporate finance activities. Revenue from underwritings, mergers and acquisitions, and other corporate finance activities are recorded when the underlying transaction is substantially completed under the engagement terms and the related revenue is reasonably determinable. Management and advisory fees are recognized on an accrual basis.

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

Interest revenue consists of interest earned on client margin accounts, interest earned on the Company's cash and cash equivalents balances, and net interest earned on cash delivered in support of securities borrowing activity. Interest revenue is recognized on an accrual basis.

The Company introduced registered plan administration fees during the fiscal year ended March 31, 2010. This fee income is received in advance for a one-year period and it is deferred and recognized into income as earned on a straight-line basis.

Equipment and leasehold improvements

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

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

Translation of foreign currency transactions and foreign subsidiaries

The functional currency of the Company is the Canadian dollar. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at historical rates.

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

Revenue and expenses are translated at the average exchange rate prevailing during the period. Foreign currency translation gains and losses are included in income in the period in which they occur.

Income taxes

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

Earnings (loss) per share

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

Pension plan

The Company provides a defined contribution pension plan on behalf of its current employees. The defined contribution pension plan is available to certain administrative employees after a specified period of service. The Company is required to match the employees' contributions up to a certain maximum percentage of the employees' base salary. Costs of the defined contribution plan, representing the Company's required contribution, are charged to income in the year. The amount of the charge for the year was $0.4 million [2009 – $0.8 million].

The Company formerly provided a final pay defined benefit pension plan for certain administrative employees. The plan is closed and has 22 current and retired members. The plan's assets, accrued benefit obligations and related pension expense of the Company are not material to the Company's financial position and results of operations.

Stock-based compensation plans

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

Recent accounting pronouncements

Business Combinations and Consolidated Financial Statements

In January 2009, the CICA issued a new accounting standard, CICA Handbook Section 1582 *"Business Combinations",* which replaces the former Section 1581 *"Business Combinations"*. This standard harmonizes Canadian guidance to the International Financial Reporting Standard (IFRS) 3 *"Business Combinations"*. This standard requires additional use of fair value measurements, transaction costs to be expensed and increased financial statement note disclosure. It also provides guidance on the recognition and measurement of goodwill acquired in the business combination. This standard is required to be applied prospectively by the Company for business combinations for which the acquisition date is on or after April 1, 2011.

In addition, the CICA has issued Handbook Section 1601 *"Consolidated Financial Statements",* and Handbook Section 1602 *"Non-controlling Interests",* which replace CICA Handbook Section 1600 *"Consolidated Financial Statements"*. CICA Handbook Section 1601 carries forward guidance from CICA Handbook Section 1600 except for the standards relating to the accounting for non-controlling interests, which are addressed separately in Section 1602. Section 1602 substantially harmonizes Canadian standards with amended International Accounting Standard (IAS) 27 *"Consolidated and Separate Financial Statements"*. This Canadian standard provides guidance on accounting for non-controlling interest in a subsidiary in the consolidated financial statements subsequent to a business combination. These two standards will be effective for the Company beginning April 1, 2011.

The Company early adopted all three standards concurrently for the acquisition of Genuity Capital Markets (Genuity) [Note 19[i]] beginning April 1, 2010. The impact of adoption of these standards is expected to be material to the Company but could not be fully determined as at March 31, 2010.

International Financial Reporting Standards

The Canadian Accounting Standards Board (AcSB) has confirmed that the use of IFRS will be required commencing in 2011 for publicly accountable, profit-oriented enterprises. IFRS will replace Canadian GAAP currently followed by the Company. The purpose of this adoption is to increase the comparability of financial reporting among countries and to improve transparency. The Company will be required to begin reporting under IFRS for its fiscal year ended March 31, 2012 and will be required to provide information that conforms with IFRS for the comparative periods presented.

The Company is currently in the process of evaluating the potential impact of IFRS on the consolidated financial statements. This is an ongoing process as the International Accounting Standards Board (IASB) and the AcSB continue to issue new standards and recommendations. The Company's consolidated financial performance and financial position as disclosed in the current Canadian GAAP financial statements may differ significantly when presented in accordance with IFRS. Some of the significant differences identified between IFRS and Canadian GAAP will have a material impact on the Company's consolidated financial statements.

2. CHANGE IN ACCOUNTING POLICIES

Goodwill and Intangible Assets

The CICA issued a new accounting standard, CICA Handbook Section 3064 *"Goodwill and Intangible Assets",* which prescribes when expenditures qualify for recognition as intangible assets and provides increased guidance on the recognition and measurement of internally generated goodwill and intangible assets. The Company adopted Section 3064 effective April 1, 2009. The adoption of this new standard had no impact on the consolidated financial statements.

Financial Instruments – Disclosures

The AcSB amended CICA Handbook Section 3862 *"Financial Instruments – Disclosures"* to increase disclosure requirements regarding the fair value measurements and liquidity of financial instruments. The Company adopted these new amendments during fiscal 2010 and this information is included in Note 4.

Revenue recognition

The Company introduced registered plan administration fees during the year ended March 31, 2010. This fee income is received in advance for a one-year period and it is deferred and recognized into income as earned on a straight-line basis.

3. SECURITIES OWNED AND SECURITIES SOLD SHORT

	2010		*2009*	
	Securities owned	***Securities sold short***	*Securities owned*	*Securities sold short*
Corporate and government debt	**$ 282,686**	**$ 342,916**	$ 86,069	$ 72,315
Equities and convertible debentures	**79,098**	**21,221**	47,622	7,111
Investment in ABCP [note 7]	**971**	**—**	—	—
	$ 362,755	**$ 364,137**	$ 133,691	$ 79,426

As at March 31, 2010 corporate and government debt maturities ranged from 2010 to 2060 [March 31, 2009 – 2009 to 2049] and bear interest ranging from 0.50% to 14.00% [March 31, 2009 – 3.00% to 10.75%].

4. 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, 2010 and 2009.

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. It is the Company's policy to provide an allowance against unsecured balances deemed to be uncollectible. As at March 31, 2010 the allowance for doubtful accounts was $11.6 million [March 31, 2009 – $13.6 million].

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 imposing and monitoring individual and aggregate position limits for each counterparty, conducting regular credit reviews to assess creditworthiness, reviewing security and loan concentrations, holding and marking to market collateral on certain transactions and conducting business through clearing organizations with performance guarantees.

As at March 31, 2010 and 2009, 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 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. Client receivables are secured by readily marketable securities and are reviewed daily for impairment in value and collectability. 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 15.

The following table presents the contractual terms to maturity of the financial liabilities owed by the Company as at March 31, 2010:

Financial liability	*Carrying amount*	*Contractual term to maturity*
Bank indebtedness	$ 29,435	Due on demand
Accounts payable and accrued liabilities	2,308,146	Due within one year
Income taxes payable	5,385	Due within one year
Subordinated debt	15,000	Due on demand*

* Subject to Investment Industry Regulatory Organization of Canada's approval.

Market risk

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

Fair value risk

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 and fixed income securities. Securities held for trading are valued based on quoted market prices 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 private client margin accounts. The Company mitigates its fair value risk exposure through controls to limit concentration levels and capital usage within its inventory trading accounts, as well as monitoring procedures of the margin accounts.

The following table summarizes the effect on net income (loss) as a result of a fair value change in financial instruments as at March 31, 2010. 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, 2010			March 31, 2009		
Financial instrument	***Carrying value***	***Effect of a 10% increase in fair value on net income***	***Effect of a 10% decrease in fair value on net income***	*Carrying value*	*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	**$ 80,069**	**$ 2,100**	**$ (2,100)**	$ 47,622	$ 1,356	$ (1,356)
Equities and convertible debentures sold short	**21,221**	**(557)**	**557**	7,111	(202)	202
Investment [1]	**5,000**	**n/a**	**(262)**	5,000	n/a	(285)

(1) Investment [Note 6] is classified as available for sale and carried at cost as the investment does not have a quoted market price and, therefore, there is no impact on other comprehensive income (loss) (OCI) resulting from any temporary fluctuation in the market price of the investment. An other than temporary decline in the value of the investment is recognized in net income (loss), and the table indicates the impact on net income (loss) as a result of a 10% impairment of the investment.

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 inputs based on quoted prices, Level 2 uses observable inputs other than quoted prices and Level 3 uses inputs that are not based on observable market data.

		Estimated fair value March 31, 2010		
	March 31, 2010	***Level 1***	***Level 2***	***Level 3***
Cash and cash equivalents	**$ 731,852**	**$ 731,852**	**$ —**	**$ —**
Securities owned [1]	**362,755**	**358,621**	**3,163**	**971**
Securities sold short	**364,137**	**364,137**	**—**	**—**

(1) Securities owned includes $971 of investment in ABCP and $3,163 of broker warrants.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the fair value or future cash flows of financial instruments held by the Company. The Company incurs interest rate risk on its own cash and cash equivalent balances and bank indebtedness, 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 does not hedge its exposure to interest rate risk as it believes it is minimal.

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 following table provides the effect on net income for the year ended March 31, 2010 if interest rates had increased or decreased by 100 basis points applied to balances as of March 31, 2010. 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, 2010			*March 31, 2009*		
	Carrying value	*Net income effect of a 100 bps increase in interest rates*	*Net income effect of a 100 bps decrease in interest rates*	*Carrying value*	*Net income effect of a 100 bps increase in interest rates*	*Net income effect of a 100 bps decrease in interest rates*
Cash and cash equivalents, net of bank indebtedness	**$ 702,417**	**$ 3,686**	**$ (3,686)**	$ 625,573	$ 3,563	$ (3,563)
Corporate and government debt owned	**282,686**	**1,483**	**(1,483)**	86,069	490	(490)
Corporate and government debt sold short	**(342,916)**	**(1,799)**	**1,799**	(72,315)	(411)	411
Clients' payable, net	**(684,812)**	**(3,593)**	**(2,331)**	(635,025)	(3,617)	(592)
RRSP cash balances held in trust	**475,220**	**2,493**	**(2,493)**	397,011	2,261	(2,261)
Brokers' and investment dealers' payable, net	**(17,187)**	**(1,002)**	**50**	(87,507)	(889)	177
Subordinated debt	**(15,000)**	**(79)**	**79**	(25,000)	(142)	142

Foreign exchange risk

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

All of the subsidiaries may also hold financial instruments in currencies other than their functional currency and, 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, 2010:

Currency	*Effect of a 10% appreciation in foreign exchange rate on net income*	*Effect of a 10% depreciation in foreign exchange rate on net income*	*Effect of a 10% appreciation in foreign exchange rate on OCI*	*Effect of a 10% depreciation in foreign exchange rate on OCI*
US dollar	**$ (3,611)**	**$ 3,611**	**$ 8,737**	**$ (8,737)**
Pound sterling	**(275)**	**275**	**6,320**	**(6,320)**

As at March 31, 2009:

Currency	*Effect of a 10% appreciation in foreign exchange rate on net income*	*Effect of a 10% depreciation in foreign exchange rate on net income*	*Effect of a 10% appreciation in foreign exchange rate on OCI*	*Effect of a 10% depreciation in foreign exchange rate on OCI*
US dollar	$ (5,521)	$ 5,521	$ 2,029	$ (2,029)
Pound sterling	57	(57)	14,644	(14,644)

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.

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, 2010:

	Notional amounts (millions of USD)	***Average price (CAD/USD)***	***Maturity***	***Fair value (millions of USD)***
To sell US dollars	**$ 8.3**	**$ 1.02**	**April 6, 2010**	**$ 0.0**
To buy US dollars	**17.0**	**1.02**	**April 6, 2010**	**0.0**

Forward contracts outstanding at March 31, 2009:

	Notional amounts (millions of USD)	*Average price (CAD/USD)*	*Maturity*	*Fair value (millions of USD)*
To sell US dollars	$ 6.00	$ 1.26	April 3, 2009	$ 0.0
To buy US dollars	4.30	1.26	April 3, 2009	0.0

Bond futures

The Company is involved in futures contracts, which are agreements to buy or sell standardized amounts of bond indices, 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 against interest rate risk, yield curve risk and liquidity risk. The notional amount of futures contracts outstanding at March 31, 2010 was $96.9 million (2009 – nil). The fair value of these bond futures is nominal.

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 margins.

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. 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, 2010 the floating rates for equities and bonds were 0.00%–0.049% and 0.00%, respectively [March 31, 2009 – 0.18% and 0.30%, respectively].

	Cash		*Securities*	
	Loaned or delivered as collateral	*Borrowed or received as collateral*	*Loaned or delivered as collateral*	*Borrowed or received as collateral*
2010	**$ 135,690**	**$ 45,575**	**$ 50,703**	**$ 140,124**
2009	86,291	19,629	2,581	107,494

Credit facilities

Subsidiaries of the Company have credit facilities with banks in Canada and the UK for an aggregate amount of $411.4 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. As of March 31, 2010 there were no outstanding balances under these credit facilities.

A subsidiary of the Company has also entered into secured irrevocable standby letters of credit from a financial institution totalling $2.3 million (US$2.3 million) as rent guarantees for its leased premises in Boston, New York and San Francisco. As of March 31, 2010 and 2009 there were no outstanding balances under these standby letters of credit.

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, 2010 the Company had a balance of $29.4 million outstanding [March 31, 2009 – $75.6 million]. Interest on the bank indebtedness was at a floating rate of 1.70% as at March 31, 2010 [March 31, 2009 – 1.70%].

5. ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts receivable

	2010	*2009*
Brokers and investment dealers	**$ 932,408**	$ 331,930
Clients	**503,733**	288,877
RRSP cash balances held in trust	**475,220**	397,011
Other	**61,563**	43,343
	$ 1,972,924	$ 1,061,161

Accounts payable and accrued liabilities

	2010	*2009*
Brokers and investment dealers	**$ 949,595**	$ 419,437
Clients	**1,188,545**	923,902
Other	**170,006**	126,030
	$ 2,308,146	$ 1,469,369

Accounts payable to clients include $475.2 million [2009 – $397.0 million] due to clients for RRSP cash balances held in trust.

Client security purchases are entered into on either a cash or a margin basis. In the case of a margin account, the Company extends a loan to a client for the purchase of securities, using securities purchased and/or other securities in the client's account as collateral. Amounts loaned to any client are limited by margin regulations of the Investment 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 are based on a floating rate [March 31, 2010 – 5.25%–6.25% and 0.05%–0.00%, respectively; March 31, 2009 – 5.50%–6.25% and 0.20%–0.00%, respectively].

6. INVESTMENT

	2010	*2009*
Available for sale	**$ 5,000**	$ 5,000

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

7. INVESTMENT IN ASSET-BACKED COMMERCIAL PAPER

	2010	*2009*
Investment in asset-backed commercial paper	**$ —**	$ 35,312

In January 2009, the Company received restructured ABCP notes upon the final implementation order issued by the Ontario Superior Court in a plan of arrangement under the *Companies' Creditors Arrangement Act* (Canada) (CCAA) (the Plan).

The Plan as amended provided for a declaratory release that was effective on implementation of the Plan and that, with the closing of the Canaccord Relief Program, resulted in the release of all existing and future ABCP-related claims against the Company. This release has been given effect in the United States under Chapter 15 of the US Bankruptcy Code.

There is no assurance that the validity or effectiveness of the declaratory release will not be challenged in actions commenced against the Company and others. Any determination that the declaratory release is invalid or ineffective could materially adversely affect the Company's business, results of operations and financial condition.

On December 21, 2009 a Hearing Panel of the IIROC accepted a settlement agreement between the IIROC Staff and Canaccord Financial Ltd. regarding matters surrounding ABCP, which resulted in a settlement of $3.1 million. This amount was paid and expensed in full by the Company prior to March 31, 2010.

The Company estimates the fair value of its ABCP by discounting expected future cash flows on a probability weighted basis considering the best available data at the reporting date.

During fiscal 2010, the Company either disposed of or received redemption proceeds for its investment in ABCP that had a carrying value of $49.1 million for proceeds of $54.4 million, resulting in a gain of $5.3 million, which is included in principal trading revenue. A fair value adjustment of $0.3 million was also included in principal trading revenue.

The assumptions used in the valuation model include:

	March 31, 2010	*March 31, 2009*
Weighted average interest rate	**2.29%**	4.72%
Weighted average discount rate	**6.08%**	6.83%
Maturity of notes	**18 years**	8 to 19 years
Credit losses	**0%**	25% to 100%

The following is a summary of ABCP transactions for the year ended March 31, 2010:

	Amount
Balance, March 31, 2009	$ 35,312
Purchases under the client relief program	14,470
Net redemptions	(2,366)
Disposal of investment	(46,743)
Fair value adjustment	298
Balance, March 31, 2010	**$ 971**

The remaining balance of investment in ABCP of $971 was included in securities owned as at March 31, 2010.

8. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

	Cost	***Accumulated amortization***	***Net book value***
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**
2009			
Computer equipment	$ 5,635	$ 4,155	$ 1,480
Furniture and equipment	26,805	14,094	12,711
Leasehold improvements	55,064	22,944	32,120
	$ 87,504	$ 41,193	$ 46,311

9. INCOME TAXES

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

		2010		2009
Assets:				
Legal settlements	$	**1,239**	$	1,845
Deferred revenue		**452**		—
Unpaid remuneration		**—**		87
Unamortized forgivable loans		**4,907**		4,040
Unamortized capital cost of equipment and leasehold improvements over their net book value		**1,559**		1,671
Loss carryforwards		**5,204**		14,072
Share issuance costs		**8**		13
Long term incentive plan		**8,336**		8,811
Lease impairment and deferred rent		**2,585**		3,684
Other		**1,015**		3,738
		25,305		37,961
Liabilities:				
Unrealized gain on marketable securities		**(866)**		22
Deferred charges		**(171)**		(315)
Other intangible assets		**(321)**		(321)
Investment in Limited Partnership		**(268)**		—
		(1,626)		(614)
Valuation allowance		**(10,489)**		(21,667)
Future income tax assets	$	**13,190**	$	15,680

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

Subsidiaries of the Company have accumulated non-capital losses for income tax purposes totalling $12.6 million [2009 – $19.1 million], which are available to reduce taxable income in future years. These losses begin expiring in 2023.

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

		2010		2009
Income taxes at the statutory rate	$	**15,529**	$	(14,729)
Less: International Finance Business recovery of provincial taxes		**(371)**		53
Less: Difference in tax rates in foreign jurisdictions		**295**		(2,686)
Non-deductible items affecting the determination of taxable income		**2,674**		12,581
Other		**851**		—
Change in valuation allowance		**(5,834)**		5,233
Income tax expense – current and future	$	**13,144**	$	452

10. SUBORDINATED DEBT

	2010	2009
Loan payable, interest payable monthly at prime + 4% per annum, due on demand	**$ 15,000**	$ 25,000

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, 2010, the interest rate for the subordinated debt was 6.25%.

11. COMMON SHARES

	2010		2009	
		Number of shares		Number of shares
Share capital				
Common shares [note 19[i]]	**$ 254,553**	**55,571,133**	$ 249,418	55,092,844
Unvested share purchase loans	**(35,280)**	**(4,475,468)**	(30,911)	(2,674,529)
Shares held by employee benefit trust	**(33,582)**	**(3,201,274)**	(34,888)	(3,075,300)
	$ 185,691	**47,894,391**	$ 183,619	49,343,015

Share capital of Canaccord Financial Inc. comprises the following:

[i] Authorized

Unlimited common shares without par value

Unlimited preferred shares without par value

[ii] Issued and fully paid

Common shares	*Number of shares*	*Amount*
Balance, March 31, 2008	47,835,051	$ 173,799
Shares issued for cash	6,733,250	67,341
Shares issued in connection with stock compensation plans [note 12]	849,615	9,739
Shares cancelled	(325,072)	(1,461)
Balance, March 31, 2009	55,092,844	249,418
Shares issued in connection with stock compensation plans [note 12]	519,725	5,306
Shares cancelled	(41,436)	(171)
Balance, March 31, 2010	**55,571,133**	**$ 254,553**

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

On March 4, 2010, the Company announced that it signed a definitive agreement to acquire Genuity. Shareholders' approval for this transaction was obtained on April 22, 2010 and the acquisition closed on April 23, 2010. The Company acquired 100% of Genuity for consideration consisting of 26.5 million Canaccord common shares and cash of $30 million. Refer to Note 19[i] for additional information regarding this subsequent event.

[iii] Excess on repurchase of common shares

The excess on repurchase of common shares represents amounts paid to shareholders, by the Company and its subsidiaries, on repurchase of their shares in excess of the book value of those shares at the time of repurchase. The excess on repurchase of common shares has been charged against contributed surplus.

	2010	2009
Repurchase price	$ 411	$ 3,927
Book value	(171)	(1,461)
Excess on repurchase of common shares	$ 240	$ 2,466

[iv] Common share purchase loans

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

[v] Earnings (loss) per share

	2010	2009
Basic earnings (loss) per share		
Net income (loss) for the year	$ 38,497	$ (47,651)
Weighted average number of common shares (number)	48,698,163	48,929,259
Basic earnings (loss) per share	$ 0.79	$ (0.97)
Diluted earnings (loss) per share		
Net income (loss) for the year	$ 38,497	$ (47,651)
Weighted average number of common shares (number)	48,698,163	48,929,259
Dilutive effect of unvested shares (number)	3,502,150	2,674,529
Dilutive effect of stock options (number)	29,855	—
Dilutive effect of unvested shares purchased by employee benefit trust (number) [note 12]	3,137,411	2,416,746
Dilutive effect of share issuance commitment in connection with long term incentive plan (number) [note 12]	294,841	168,950
Adjusted weighted average number of common shares (number)	55,662,420	54,189,484
Diluted earnings (loss) per share	$ 0.69	$ (0.97)

12. STOCK-BASED COMPENSATION PLANS

Stock options

The Company grants stock options to purchase common shares of the Company to independent directors and senior managers. Stock 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. Stock options to senior managers 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 stock options was $9.91 at March 31, 2010.

In May 2009 the Company granted an aggregate of 125,000 stock options to five independent directors with an exercise price of $7.21 per share. The options 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.

In August 2009 the independent directors of the Company approved the grant of stock options to certain senior managers of the Company and its subsidiaries. An aggregate of 2,099,993 options were granted at an exercise price of $9.47 per share and vest over five years.

The following is a summary of the Company's stock options as at March 31, 2010 and 2009 and changes during the periods then ended.

	Number of options	*Weighted average exercise price*
Balance, March 31, 2008	125,000	$ 23.13
Granted	150,000	9.21
Expired	(50,000)	16.31
Balance, March 31, 2009	225,000	15.37
Granted	2,224,993	9.34
Balance, March 31, 2010	**2,449,993**	**$ 9.91**

The following table summarizes the share options outstanding as at March 31, 2010:

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	1 year	$ 23.13	75,000	$ 23.13
7.21 – 9.48	2,349,993	3.84 years	9.33	93,750	8.51
$ 7.21 – 23.13	**2,449,993**	**3.72 years**	**$ 9.91**	**168,750**	**$ 15.01**

The fair value of each stock option granted in the current year was estimated on the grant date using the Black-Scholes option pricing model with the following assumptions:

	August 2009 grant	*May 2009 grant*
Dividend yield	2.00%	2.30%
Expected volatility	44.00%	44.00%
Risk-free interest rate	2.45%	2.45%
Expected life	5 years	5 years

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

Compensation expense of $1.1 million was recognized for the year ended March 31, 2010 ($0.2 million for the year ended March 31, 2009) in respect of the above stock options.

Long term incentive plan

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

There were 2,649,832 RSUs [March 31, 2009 – 3,078,551 RSUs] granted in lieu of cash compensation to employees during the year ended March 31, 2010. The Trust purchased $11.7 million [March 31, 2009 – $15.0 million] of common shares for the year ended March 31, 2010.

The cost of the RSUs is amortized on a graded basis over the vesting period of three years. Compensation expense of $22.7 million has been recognized for the year ended March 31, 2010 [March 31, 2009 – $14.8 million].

	2010	*2009*
Awards outstanding, beginning of year	**4,602,385**	2,221,578
Grants	**2,649,832**	3,078,551
Vested	**(1,711,779)**	(697,744)
Forfeited	**(222,493)**	—
Awards outstanding, end of year	**5,317,945**	4,602,385

	2010	*2009*
Common shares held by the Trust, beginning of year	**3,075,300**	1,621,895
Acquired	**1,328,700**	1,984,711
Released on vesting	**(1,202,726)**	(531,306)
Common shares held by the Trust, end of year	**3,201,274**	3,075,300

13. RELATED PARTY TRANSACTIONS

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

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

	2010	*2009*
Accounts receivable	**$ 39,534**	$ 38,733
Accounts payable and accrued liabilities	**82,299**	77,334

14. SEGMENTED INFORMATION

The Company operates in two industry segments as follows:

> *Canaccord Adams* – includes investment banking, research and trading activities on behalf of corporate, institutional and government clients as well as principal trading activities in Canada, the UK and Other Foreign Location, and the US. Subsequent to the acquisition of Genuity [Note 19[i]], this segment will be rebranded as Canaccord Genuity.
>
> *Canaccord Wealth Management* – provides brokerage services and investment advice to retail or private clients in Canada and the US. Canaccord rebranded its Private Client Services as Canaccord Wealth Management as announced in September 2009.

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

The Company does not allocate total assets or equipment and leasehold improvements to the segments. Amortization is allocated to the segments based on square footage occupied. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. There are no significant intersegment revenues.

	Canaccord Adams	*Canaccord Wealth Management*	*Corporate and Other*	*Total*
2010				
Revenues	**$ 363,558**	**$ 187,046**	**$ 26,933**	**$ 577,537**
Expenses, excluding undernoted	**278,663**	**146,449**	**68,275**	**493,387**
Amortization	**3,633**	**2,506**	**1,470**	**7,609**
Development costs	**10,300**	**10,308**	**4,292**	**24,900**
Income (loss) before income taxes	**$ 70,962**	**$ 27,783**	**$ (47,104)**	**$ 51,641**
2009				
Revenues	$ 277,351	$ 172,484	$ 27,886	$ 477,721
Expenses, excluding undernoted	247,255	139,986	68,388	455,629
Amortization	4,433	1,938	2,623	8,994
Development costs	15,268	7,853	5,652	28,773
Impairment of goodwill and intangibles	31,524	—	—	31,524
Income (loss) before income taxes	$ (21,129)	$ 22,707	$ (48,777)	$ (47,199)

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

	2010	*2009*
Canada		
Revenue	**$ 388,772**	$ 320,364
Equipment and leasehold improvements	**27,712**	31,694
United Kingdom		
Revenue	**$ 82,454**	$ 72,927
Equipment and leasehold improvements	**4,936**	6,840
United States		
Revenue	**$ 100,417**	$ 77,650
Equipment and leasehold improvements	**5,479**	7,777
Other Foreign Location		
Revenue	**$ 5,894**	$ 6,780

15. 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 common shares, contributed surplus, retained earnings and accumulated other comprehensive income (loss), and is further complemented by subordinated debt. The following tables summarize our capital as at March 31, 2010 and 2009:

Type of capital	*Carrying amount*	*As a percentage of capital*
2010		
Common shares	**$ 185,691**	**44.6%**
Contributed surplus	**57,351**	**13.8%**
Retained earnings	**194,007**	**46.6%**
Accumulated other comprehensive loss	**(35,304)**	**(8.5)%**
Shareholders' equity	**401,745**	**96.5%**
Subordinated debt	**15,000**	**3.5%**
	$ 416,745	**100.0%**
2009		
Common shares	$ 183,619	46.2%
Contributed surplus	44,383	11.1%
Retained earnings	160,868	40.5%
Accumulated other comprehensive loss	(16,166)	(4.1)%
Shareholders' equity	372,704	93.7%
Subordinated debt	25,000	6.3%
	$ 397,704	100.0%

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 Financial Ltd. is subject to regulation in Canada primarily by the IIROC
- Canaccord Adams Limited is regulated in the UK by the Financial Services Authority and is a member of the London Stock Exchange
- Canaccord Adams Inc. is registered as a broker dealer in the US and is subject to regulation primarily by the Financial Industry Regulatory Authority
- Canaccord Financial (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, 2010.

16. COMMITMENTS AND CONTINGENCIES

Commitments

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

2011	$ 23,849
2012	21,311
2013	18,942
2014	16,689
2015	15,652
Thereafter	43,040
	$ 139,483

Contingencies

The Company, in the normal course of business as an investment dealer, is involved in litigation and as of March 31, 2010, 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 indicates 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 Quebec against the Company and other defendants including another investment dealer. Both are class action proceedings in which the plaintiffs make allegations of certain wrongful trading and disclosure practices by the Company and another defendant and that the Company was negligent in respect of a private placement in 2000. The extent of the classes and the quantification of damages have not been determined.

[ii] Canaccord Financial Ltd. was one of the underwriters of a public offering of 13% senior secured notes of Redcorp Ventures Ltd. under a prospectus dated July 5, 2007. The offering was for a total of $142.0 million and Canaccord participated for 12.5% of that amount ($17.8 million). A number of entities have given notice to the underwriters (including Canaccord) alleging that the statements in the prospectus describing the security for Redcorp's obligations under the notes were incorrect and constitute, among other things, negligent misstatements, which were reasonably relied upon by these entities to their detriment in deciding to purchase the notes and, as a result, the underwriters (including Canaccord) are liable to compensate these entities for all of their losses flowing from the misrepresentations. The defences to these claims, third party claims and the quantification of damages are yet to be determined. Canaccord intends to vigorously defend itself against these claims.

[iii] Canaccord Financial Ltd., among others, is a defendant named in a class action proceeding initiated in the Ontario Superior Court of Justice. The plaintiff in the action claims, among other things, damages under the *Securities Act* (Ontario) of $50 million and punitive damages of $5 million alleging certain misrepresentations in a prospectus filed by Allen-Vanguard Inc. for which Canaccord among others, acted as underwriter. The defences to these claims, third party claims and the quantification of damages are yet to be determined. Canaccord intends to vigorously defend itself against these claims.

17. BUSINESS COMBINATION

On October 1, 2009 Canaccord Adams Limited, a wholly owned subsidiary of the Company, acquired Intelli Partners Limited and its wholly owned subsidiary, Intelli Corporate Finance Limited, a corporate advisory and brokerage boutique located in Edinburgh, Scotland, with net tangible assets at fair value of $5.8 million, for cash consideration of $7.0 million resulting in goodwill of $1.2 million. Intelli is focused on investment companies and companies within the asset management sector.

18. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the fiscal 2010 consolidated financial statement presentation.

19. SUBSEQUENT EVENTS

[i] Business combination

On March 4, 2010 the Company announced that it had signed a definitive agreement to acquire Genuity. Shareholders' approval was obtained at the special shareholders' meeting held on April 22, 2010 and the acquisition closed on April 23, 2010. Canaccord acquired 100% of Genuity for consideration consisting of 26.5 million Canaccord common shares with an ascribed value of $291.5 million and cash of $30 million. In addition, the vendors will receive up to $28 million as a working capital adjustment subsequent to closing. 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.

The Company expensed $5.0 million of acquisition-related costs as at March 31, 2010. These acquisition-related costs include professional and consulting fees incurred for this acquisition. These costs also include payments for staff restructuring that resulted due to this acquisition.

The Company is in the process of completing its purchase price allocation for this acquisition and will disclose this information in its unaudited interim consolidated financial statements for the three-month period ending June 30, 2010.

[ii] Dividends

On May 18, 2010 the Board of Directors considered the dividend policy and approved a quarterly dividend of $0.05 per share payable on June 15, 2010 with a record date of June 4, 2010.

SUPPLEMENTAL INFORMATION [1]

ADVISORY NOTE: THIS SUPPLEMENTAL INFORMATION IS NOT AUDITED AND SHOULD BE READ IN CONJUNCTION WITH THE AUDITED FINANCIAL STATEMENTS CONTAINED HEREIN.

FINANCIAL HIGHLIGHTS

(C$ thousands, except for assets under management, assets under administration, common share information and financial ratios)	*For the year ended and as of March 31*				
	2010	*2009*	*2008*	*2007*	*2006*
Financial results					
Revenue	**$ 577,537**	$ 477,721	$ 731,539	$ 756,914	$ 583,415
Expenses	**525,896**	524,920	680,008	618,717	464,385
Income taxes (recovery)	**13,144**	452	20,197	44,741	37,880
Net income (loss)	**38,497**	(47,651)	31,334	93,456	81,150
Business segment					
Income (loss) before income taxes (recovery)					
Canaccord Genuity [2]	**70,962**	(21,129)	88,575	111,270	101,983
Canaccord Wealth Management	**27,783**	22,707	1,205	70,529	61,218
Other	**(47,104)**	(48,777)	(38,249)	(43,602)	(44,171)
Geographic segment					
Income (loss) before income taxes (recovery)					
Canada [3]	**30,036**	(9,799)	24,846	99,218	74,012
UK and Other Foreign Location [4]	**12,974**	4,600	34,044	42,609	41,937
US [5]	**8,631**	(42,000)	(7,359)	(3,630)	3,081
Client assets information ($ millions)					
Assets under management	**445**	393	730	807	613
Assets under administration	**12,922**	9,184	14,295	15,014	14,310
Common share information					
Per share					
Basic earnings (loss)	**$ 0.79**	$ (0.97)	$ 0.70	$ 2.03	$ 1.82
Diluted earnings (loss)	**0.69**	(0.97)	0.64	1.94	1.74
Book value per diluted share [6]	**6.96**	6.51	7.21	7.74	5.99
Share price ($)					
High	**$ 11.87**	$ 11.75	$ 25.92	$ 27.50	$ 21.25
Low	**5.30**	2.87	8.60	15.80	9.00
Close	**11.10**	5.40	9.80	22.12	20.80
Shares outstanding (thousands)					
Basic	**48,868**	49,343	43,873	45,973	45,746
Basic plus unvested	**55,571**	55,093	47,835	47,832	47,827
Diluted	**57,767**	57,251	49,556	48,084	48,017
Average basic	**48,698**	48,929	44,778	45,969	44,606
Average diluted	**55,662**	54,189	48,727	48,081	46,699
Market capitalization (thousands)	**640,259**	309,155	485,649	1,063,625	998,762
Financial measures					
Dividends per share	**$ 0.15**	$ 0.125	$ 0.50	$ 0.36	$ 0.28
Dividend yield (closing share price)	**0.3%**	2.3%	5.1%	1.6%	1.3%
Dividend payout ratio	**22.4%**	(15.1)%	78.3%	18.5%	16.2%
Total shareholder return [7]	**108.3%**	(44.2)%	(55.5)%	8.3%	103.4%
ROE	**9.8%**	(12.4)%	7.9%	28.4%	33.6%
Price to earnings multiple [8]	**16.1**	5.7	15.8	11.4	12.0
Price to book ratio [9]	**1.6**	0.8	1.4	2.9	3.5

(1) Certain non-GAAP measures are utilized by the Company as measures of financial performance. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other companies. Non-GAAP measures included are: return on average common equity (ROE), compensation expenses as % of revenue, book value per diluted share, non-compensation expenses as % of revenue, dividend yield, dividend payout ratio, total shareholder return, price to earnings multiple (P/E) and price to book ratio (P/B).
(2) Includes the global capital markets division of Canaccord Genuity Corp. in Canada; Canaccord Genuity Limited in the UK; and Canaccord Genuity Inc. in the US.
(3) Canada geographic segment includes operations for Canaccord Genuity (a division of Canaccord Genuity Corp.), Canaccord Wealth Management and Other business segments.
(4) Canaccord's UK operations include activities related to Canaccord Genuity Limited, engaged in capital markets activities in the United Kingdom. Revenue derived from capital markets activity outside of Canada, the US and the UK is reported as Other Foreign Location, which includes operations for Canaccord International Ltd.
(5) Canaccord's US operations include activities related to US capital markets operations, delivered through Canaccord Genuity Inc., US wealth management and other operations, delivered through Canaccord Wealth Management (USA), Inc. Income before income taxes includes revenue and expenses not specifically allocable to Canaccord Wealth Management (USA), Inc. and Canaccord Genuity Inc.
(6) Book value per diluted share, a non-GAAP measure, is calculated as total shareholders' equity divided by the number of diluted shares outstanding at the end of the period.
(7) Total shareholder return is calculated as the change in share price including the effects of reinvestment of dividends and special distributions on their payment dates.
(8) The price to earnings multiple is calculated based on the end of period share price and 12-month trailing diluted EPS.
(9) The price to book ratio is calculated based on the end of period share price and book value per diluted share.

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS [1]

(C$ thousands, except per share amounts and financial measures)	*For the year ended March 31* 2010	2009	2008	2007	2006
Revenue					
Commission	$ **235,606**	$ 233,104	$ 296,047	$ 303,672	$ 239,461
Investment banking	**254,437**	169,369	336,874	350,273	266,206
Principal trading	**45,982**	18,319	7,443	31,638	27,388
Interest	**12,965**	38,287	63,168	57,908	36,914
Other	**28,547**	18,642	28,007	13,423	13,446
	577,537	477,721	731,539	756,914	583,415
Expenses					
Incentive compensation [2]	**299,084**	222,006	347,079	382,897	299,188
Salaries and benefits	**59,415**	56,771	54,294	47,608	42,019
Trading costs	**28,884**	26,311	27,090	27,452	20,615
Premises and equipment	**24,402**	24,695	22,745	25,173	15,843
Communication and technology	**21,868**	25,228	23,228	21,472	16,598
Interest	**2,581**	11,220	24,527	20,538	10,914
General and administrative	**52,153**	69,689	69,463	64,182	46,227
Amortization	**7,609**	8,994	8,536	8,151	4,817
Development costs	**24,900**	28,773	32,049	21,244	9,797
Gain on disposal of investments and claims	—	—	—	—	(1,633)
ABCP fair value adjustment	—	6,700	12,797	—	—
Canaccord relief program	—	5,347	54,200	—	—
Impairment of goodwill and intangibles	—	31,524	—	—	—
Acquisition-related costs	**5,000**	—	—	—	—
Restructuring costs	—	7,662	4,000	—	—
	525,896	524,920	680,008	618,717	464,385
Income (loss) before income taxes (recovery)	**51,641**	(47,199)	51,531	138,197	138,197
Income taxes (recovery)	**13,144**	452	20,197	44,741	44,741
Net income (loss) for the year	**38,497**	(47,651)	31,334	93,456	81,150
Retained earnings, beginning of year	**160,868**	222,597	213,659	136,463	72,564
Dividends	**(5,358)**	(14,078)	(16,260)	(14,455)	(13,835)
Excess on redemption of common shares	—	—	—	—	(2,796)
Retained earnings, end of year	$ **194,007**	$ 160,868	$ 222,597	$ 213,659	$ 136,463
Incentive compensation expenses as % of revenue	**51.8%**	46.5%	47.4%	50.6%	51.3%
Total compensation expenses as % of revenue [3]	**62.1%**	58.4%	54.9%	56.9%	58.5%
Non-compensation expenses as % of revenue	**29.0%**	51.5%	38.1%	24.8%	21.1%
Total expenses as % of revenue	**91.1%**	109.9%	93.0%	81.7%	79.6%
Pre-tax profit margin	**8.9%**	(9.9)%	7.0%	18.3%	20.4%
Effective tax rate	**25.5%**	(1.0)%	39.2%	32.4%	31.8%
Net profit margin	**6.7%**	(10.0)%	4.3%	12.3%	13.9%
Basic earnings (loss) per share	$ **0.79**	$ (0.97)	$ 0.70	$ 2.03	$ 1.82
Diluted earnings (loss) per share	**0.69**	(0.97)	0.64	1.94	1.74
Book value per diluted share [4]	**6.96**	6.51	7.21	7.74	5.99
Supplemental Segmented Revenue Information					
Canaccord Genuity	$ **363,558**	$ 277,351	$ 431,642	$ 449,717	$ 333,666
Canaccord Wealth Management	**187,046**	172,484	249,127	272,619	225,194
Corporate and Other	**26,933**	27,886	50,770	34,578	24,555
	$ **577,537**	$ 477,721	$ 731,539	$ 756,914	$ 583,415

(1) Certain non-GAAP measures are utilized by the Company as measures of financial performance. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other companies. Non-GAAP measures included are: compensation expenses as % of revenue, non-compensation expenses as % of revenue, book value per diluted share, total expenses as % of revenue, pre-tax profit margin, net profit margin and book value per diluted share.
(2) Incentive compensation expenses include National Health Insurance Tax applicable to the UK.
(3) Total compensation expenses include incentive compensation and salaries and benefits, but exclude hiring incentives and development group salary and benefits, which are included in development costs.
(4) Book value per diluted share, a non-GAAP measure, is calculated as total shareholders' equity divided by the number of diluted shares outstanding at the end of the period.

CONDENSED CONSOLIDATED BALANCE SHEETS

	As at March 31				
(C$ thousands)	***2010***	*2009*	*2008*	*2007*	*2006*
Assets					
Cash and cash equivalents	**$ 731,852**	$ 701,173	$ 435,649	$ 506,640	$ 370,507
Securities owned, at market	**362,755**	133,691	92,796	348,764	203,020
Accounts receivable [1]	**1,972,924**	1,061,161	1,422,917	1,672,035	1,539,998
Income taxes recoverable	**—**	23,771	11,083	—	—
Future income taxes	**13,190**	15,680	28,207	11,021	10,769
Investments	**5,000**	5,000	5,000	—	—
Investment in asset-backed commercial paper	**—**	35,312	29,860	—	—
Equipment and leasehold improvements	**38,127**	46,311	40,686	37,549	25,750
Goodwill and other intangibles	**—**	—	32,520	33,933	27,929
	$ 3,123,848	$ 2,022,099	$ 2,098,718	$ 2,098,718	$ 2,609,942
Liabilities and shareholders' equity					
Bank indebtedness	**$ 29,435**	$ 75,600	$ 15,038	$ —	$ 4,684
Securities sold short, at market	**364,137**	79,426	13,757	41,176	37,169
Accounts payable and accrued liabilities	**2,308,146**	1,469,369	1,687,479	2,156,540	1,832,956
Income taxes payable	**5,385**	—	—	15,035	15,334
Subordinated debt	**15,000**	25,000	25,000	25,000	—
Shareholders' equity	**401,745**	372,704	357,444	372,191	287,830
	$ 3,123,848	$ 2,022,099	$ 2,098,718	$ 2,609,942	$ 2,177,973

(1) In fiscal 2006, deferred charges have been combined with accounts receivable.

MISCELLANEOUS OPERATIONAL STATISTICS [1]

	As at March 31				
	2010	*2009*	*2008*	*2007*	*2006*
Number of employees in Canada					
Number in Canaccord Genuity	**203**	209	253	246	233
Number in Canaccord Wealth Management	**680**	700	762	728	689
Number in Other	**364**	356	380	360	335
Total Canada	**1,247**	1,265	1,395	1,334	1,257
Number of employees in UK					
Number in Canaccord Genuity	**139**	114	125	93	81
Number of employees in US					
Number in Canaccord Genuity	**163**	151	163	163	150
Number of employees firm-wide	**1,549**	1,530	1,683	1,590	1,488
Number of Investment Advisor Teams [2]	**303**	338	354	368	365
Number of licenced professionals	**718**	790	852	817	763
Number of Canaccord Wealth Management clients	**162,546**	167,659	175,570	156,003	155,404
Assets under management ($ millions)	**$ 445**	$ 393	$ 730	$ 807	$ 613
Assets under administration (AUA) ($ millions)	**12,922**	9,184	14,295	15,014	14,310
AUA per Investment Advisor Team ($ millions) [2]	**43**	27	40	41	39
Number of companies with Canaccord Genuity Limited as Broker					
London Stock Exchange (LSE)	**23**	9	5	1	1
Alternative Investment Market (AIM)	**43**	51	60	58	53
Total Broker	**66**	60	65	59	54
Number of companies with Canaccord Genuity Limited as Financial Advisor/Nomad [3]					
LSE	**1**	—	1	—	1
AIM	**35**	42	51	50	49
Total Financial Advisors/Nomad	**36**	43	52	50	50

(1) These miscellaneous operational statistics are non-GAAP measures.
(2) Investment Advisors (IAs) reported as IA Teams excluding IAs licenced three years or less. Historical statistics have been reclassified accordingly.
(3) A company listed on AIM is required to retain a Nominated Adviser (commonly referred to as a Nomad) during the company's life on the market. Nominated Advisers are responsible, amongst other duties, for warranting that a company is appropriate for joining AIM. The Nomad is similar to a Financial Advisor on the LSE, but is specific to AIM.

QUARTERLY FINANCIAL HIGHLIGHTS [(1)]

(C$ thousands, except for assets under management, assets under administration, common share information and financial ratios)	*Fiscal 2010* Q4	Q3	Q2	Q1	*Fiscal 2009* Q4	Q3	Q2	Q1
Financial results								
Revenue	$ 143,133	$ 173,197	$ 123,744	$ 137,463	$ 106,996	$ 87,188	$ 110,829	$ 172,708
Expenses	137,658	150,887	115,883	121,468	100,311	159,625	115,805	149,179
Income taxes (recovery)	(2,051)	7,197	1,115	6,883	3,019	(10,059)	422	7,070
Net income (loss)	7,526	15,113	6,746	9,112	3,666	(62,378)	(5,398)	16,459
Business segment								
Income (loss) before income taxes								
Canaccord Genuity [(2)]	9,460	27,980	14,457	16,365	10,432	(46,520)	(4,814)	19,773
Canaccord Wealth Management	(1,070)	9,686	4,925	5,017	8,288	(6,684)	7,933	13,170
Other	(2,915)	(15,356)	(11,521)	(5,387)	(12,035)	(19,233)	(8,095)	(9,414)
Geographic segment								
Income (loss) before income taxes								
Canada [(3)]	245	17,106	3,518	9,167	6,761	(32,776)	4,047	12,169
UK and Other Foreign Location [(4)]	3,882	4,612	(107)	4,587	3,094	(3,694)	(5,142)	10,342
US [(5)]	1,348	592	4,450	2,241	(3,170)	(35,967)	(3,881)	1,018
Client assets ($ millions)								
Assets under management	445	423	453	443	393	454	609	747
Assets under administration	12,922	12,210	11,386	10,341	9,184	9,030	11,584	14,695
Common share information								
Per share ($)								
Basic earnings (loss)	0.15	0.31	0.14	0.19	0.07	(1.27)	(0.11)	0.35
Diluted earnings (loss)	0.14	0.27	0.12	0.16	0.07	(1.27)	(0.11)	0.31
Book value per diluted share [(6)]	6.96	7.00	6.78	6.73	6.51	6.37	7.15	7.66
Share price ($)								
High	11.34	11.87	10.71	8.41	5.53	8.19	9.33	11.75
Low	8.27	9.50	6.70	5.30	3.50	2.87	6.68	7.60
Close	11.10	10.37	10.20	6.95	5.40	4.04	7.98	7.95
Shares outstanding (thousands)								
Issued shares excluding unvested shares	48,868	48,106	48,681	49,118	49,343	49,108	48,274	50,069
Issued and outstanding	55,571	55,405	55,359	55,234	55,093	54,636	54,553	54,591
Diluted	57,681	57,267	57,226	57,245	57,251	56,210	57,981	57,466
Average basic	48,697	48,147	48,536	48,165	49,352	49,073	49,021	47,519
Average diluted	56,071	56,274	55,590	55,331	54,748	55,219	55,139	52,720
Market capitalization (thousands)	640,259	593,859	583,705	397,853	309,155	227,088	462,688	456,855
Financial measures								
Dividends per share	$ 0.05	$ 0.05	$ 0.05	$ —	$ —	$ —	$ —	$ 0.125
Dividend yield (closing share price) [(6)]	1.8%	1.9%	2.0%	—	—	—	—	6.3%
Dividend payout ratio [(6)]	38.4%	18.9%	42.4%	—	—	—	—	43.6%
Total shareholder return [(7)]	7.5%	1.7%	46.8%	28.7%	33.7%	(49.4)%	0.4%	(17.8)%
Annualized ROE	7.6%	15.2%	6.9%	9.7%	4.0%	(64.3)%	(5.0)%	15.7%
Price to earnings multiple [(8)]	16.1	16.7	(11.1)	(6.0)	5.7	(10.9)	8.1	7.3
Price to book ratio [(9)]	1.6	1.5	1.5	1.0	0.8	0.6	1.1	1.0

(1) Certain non-GAAP measures are utilized by the Company as measures of financial performance. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other companies. Non-GAAP measures included are: return on average common equity (ROE), assets under administration (AUA), assets under management (AUM), compensation expenses as % of revenue, non-compensation expenses as % of revenue, book value per diluted share, dividend yield, dividend payout ratio, total shareholder return, pre-tax profit margin, price to earnings multiple (P/E) and price to book ratio (P/B).

(2) Includes the global capital markets division of Canaccord Genuity Corp. in Canada; Canaccord Genuity Limited in the UK; Canaccord Genuity Inc. in the US.

(3) Canada geographic segment includes operations for Canaccord Genuity (a division of Canaccord Financial Ltd.), Canaccord Wealth Management and Other business segments.

(4) Canaccord's UK operations include activities related to Canaccord Genuity Limited, engaged in capital markets activities in the United Kingdom. Revenue derived from capital markets activity outside of Canada, the US and the UK is reported as Other Foreign Location, which includes operations for Canaccord International Ltd.

(5) Canaccord's US operations include activities related to US capital markets operations, delivered through Canaccord Genuity Inc., US wealth management and other operations, delivered through Canaccord Wealth Management (USA), Inc. Income before income taxes includes revenue and expenses not specifically allocable to Canaccord Wealth Management (USA), Inc. and Canaccord Genuity Inc.

(6) Book value per diluted share, a non-GAAP measure, is calculated as total shareholders' equity divided by the number of diluted shares outstanding at the end of the period.

(7) Total shareholder return is calculated as the change in share price including the effects of reinvestment of dividends and special distributions on their payment dates.

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

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

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS [1]

(C$ thousands, except per share amounts and financial measures)	*Fiscal 2010*				*Fiscal 2009*			
	Q4	*Q3*	*Q2*	*Q1*	*Q4*	*Q3*	*Q2*	*Q1*
Revenue								
Commission	$ **62,826**	$ **60,696**	$ **56,628**	$ **55,456**	$ 49,005	$ 51,473	$ 60,630	$ 71,996
Investment banking	**62,514**	**88,417**	**47,620**	**55,886**	39,000	20,198	34,024	76,147
Principal trading	**7,278**	**15,645**	**11,589**	**11,470**	8,540	3,781	87	5,911
Interest	**3,269**	**3,099**	**3,121**	**3,476**	5,116	9,108	11,734	12,329
Other	**7,246**	**5,340**	**4,786**	**11,175**	5,335	2,628	4,354	6,325
	143,133	**173,197**	**123,744**	**137,463**	106,996	87,188	110,829	172,708
Expenses								
Incentive compensation [2]	**72,783**	**93,872**	**63,966**	**68,463**	45,003	43,299	50,977	82,727
Salaries and benefits	**16,685**	**14,945**	**13,983**	**13,802**	14,316	12,817	14,195	15,443
Trading costs	**7,418**	**7,140**	**7,002**	**7,324**	6,565	6,708	6,717	6,321
Premises and equipment	**6,188**	**6,228**	**6,104**	**5,882**	6,404	6,549	5,957	5,785
Communication and technology	**5,296**	**5,838**	**5,245**	**5,489**	6,249	6,277	6,539	6,163
Interest	**613**	**631**	**492**	**845**	1,339	2,568	3,354	3,959
General and administrative	**14,958**	**13,609**	**11,698**	**11,888**	10,974	19,827	19,611	19,277
Amortization	**1,878**	**1,904**	**1,906**	**1,921**	2,129	2,751	2,072	2,042
Development costs	**6,839**	**6,720**	**5,487**	**5,854**	7,190	7,738	6,383	7,462
ABCP fair value adjustment	**—**	**—**	**—**	**—**	—	6,700	—	—
Canaccord relief program	**—**	**—**	**—**	**—**	—	5,347	—	—
Impairment of goodwill and intangibles	**—**	**—**	**—**	**—**	—	31,524	—	—
Acquisition-related costs	**5,000**	**—**	**—**	**—**	—	—	—	—
Restructuring costs	**—**	**—**	**—**	**—**	142	7,520	—	—
	137,658	**150,887**	**115,883**	**121,468**	100,311	159,625	115,805	149,179
Income (loss) before income taxes	**5,475**	**22,310**	**7,861**	**15,995**	6,685	(72,437)	(4,976)	23,529
Income taxes (recovery)	**(2,051)**	**7,197**	**1,115**	**6,883**	3,019	(10,059)	422	7,070
Net income (loss) for the period	$ **7,526**	$ **15,113**	$ **6,746**	$ **9,112**	$ 3,666	$ (62,378)	$ (5,398)	$ 16,459
Incentive compensation expenses as % of revenue	**50.8%**	**54.2%**	**51.7%**	**49.8%**	42.1%	49.7%	46.0%	47.9%
Total compensation expenses as % of revenue [3]	**62.5%**	**62.8%**	**63.0%**	**59.8%**	55.4%	64.4%	58.8%	56.8%
Non-compensation expenses as % of revenue	**33.7%**	**24.3%**	**30.7%**	**28.5%**	38.3%	118.7%	45.7%	29.6%
Total expenses as % of revenue	**96.2%**	**87.1%**	**93.7%**	**88.3%**	93.8%	183.1%	104.5%	86.4%
Pre-tax profit margin	**3.8%**	**12.9%**	**6.4%**	**11.6%**	6.2%	(83.1)%	(4.5)%	13.6%
Effective tax rate	**(37.5)%**	**32.3%**	**14.2%**	**43.0%**	45.2%	13.9%	(8.5)%	30.0%
Net profit margin	**5.3%**	**8.7%**	**5.5%**	**6.6%**	3.4%	(71.5)%	(4.9)%	9.5%
Basic earnings (loss) per share	$ **0.15**	$ **0.31**	$ **0.14**	$ **0.19**	$ 0.07	$ (1.27)	$ (0.11)	$ 0.35
Diluted earnings (loss) per share	**0.14**	**0.27**	**0.12**	**0.16**	0.07	(1.27)	(0.11)	0.31
Book value per diluted share [4]	**6.96**	**7.00**	**6.78**	**6.73**	6.51	6.37	7.15	7.66
Supplemental Segmented Revenue Information								
Canaccord Genuity	$ **83,496**	$ **116,090**	$ **78,475**	$ **85,492**	$ 64,972	$ 49,250	$ 58,336	$ 104,793
Canaccord Wealth Management	**54,990**	**51,733**	**40,138**	**40,185**	37,255	33,532	43,844	57,853
Corporate and Other	**4,647**	**5,374**	**5,131**	**11,781**	4,769	4,406	8,649	10,062
	$ **143,133**	$ **173,197**	$ **123,744**	$ **137,463**	$ 106,996	$ 87,188	$ 110,829	$ 172,708

(1) Certain non-GAAP measures are utilized by the Company as measures of financial performance. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other companies. Non-GAAP measures included are: compensation expenses as % of revenue, non-compensation expenses as % of revenue, total expenses as % of revenue, pre-tax profit margin, net profit margin and book value per diluted share.

(2) Incentive compensation expenses include National Health Insurance Tax applicable to the UK.

(3) Total compensation expenses include incentive compensation and salaries and benefits, but exclude hiring incentives and development group salary and benefits, which are included in development costs.

(4) Book value per diluted share, a non-GAAP measure, is calculated as total shareholders' equity divided by the number of diluted shares outstanding at the end of the period.

CONDENSED CONSOLIDATED BALANCE SHEETS

	Fiscal 2010				Fiscal 2009			
(C$ thousands)	*Q4*	*Q3*	*Q2*	*Q1*	*Q4*	*Q3*	*Q2*	*Q1*
Assets								
Cash and cash equivalents	**$ 731,852**	**$ 782,576**	**$ 709,455**	**$ 734,268**	$ 701,173	$ 684,463	$ 521,322	$ 555,017
Securities owned, at market	**362,755**	**404,537**	**517,070**	**169,030**	133,691	72,938	56,055	117,013
Accounts receivable	**1,972,924**	**1,311,144**	**2,085,356**	**1,166,610**	1,061,161	806,402	1,227,426	1,525,096
Income taxes recoverable	**—**	**—**	**2,107**	**17,740**	23,771	29,887	19,772	19,040
Future income taxes	**13,190**	**11,890**	**12,019**	**13,358**	15,680	13,657	11,566	10,725
Investments	**5,000**	**5,000**	**5,000**	**5,000**	5,000	5,000	5,000	5,000
Investment in asset-backed commercial paper	**—**	**28,239**	**34,280**	**34,418**	35,312	23,160	29,860	29,860
Equipment and leasehold improvements	**38,127**	**40,471**	**41,718**	**44,366**	46,311	44,178	39,254	39,575
Goodwill and other intangibles	**—**	**—**	**—**	**—**	—	—	31,815	32,167
	$3,123,848	**$2,583,857**	**$3,407,005**	**$2,184,790**	$2,022,099	$1,679,685	$1,942,070	$2,333,893
Liabilities and shareholders' equity								
Bank indebtedness	**$ 29,435**	**$ 44,600**	**$ 85,600**	**$ 105,788**	$ 75,600	$ 39,040	$ 6,854	$ —
Securities sold short, at market	**364,137**	**324,877**	**382,209**	**56,318**	79,426	62,151	15,194	32,227
Accounts payable and accrued liabilities	**2,308,146**	**1,794,123**	**2,535,971**	**1,622,288**	1,469,369	1,195,533	1,480,714	1,836,764
Income taxes payable	**5,385**	**4,590**	**—**	**—**	—	—	—	—
Subordinated debt	**15,000**	**15,000**	**15,000**	**15,000**	25,000	25,000	25,000	25,000
Shareholders' equity	**401,745**	**400,667**	**388,225**	**385,396**	372,704	357,961	414,308	439,902
	$3,123,848	**$2,583,857**	**$3,407,005**	**$2,184,790**	$2,022,099	$1,679,685	$1,942,070	$2,333,893

MISCELLANEOUS OPERATIONAL STATISTICS (1)

	Fiscal 2010				Fiscal 2009			
	Q4	*Q3*	*Q2*	*Q1*	*Q4*	*Q3*	*Q2*	*Q1*
Number of employees in Canada								
Number in Canaccord Genuity	**203**	**204**	**200**	**204**	209	211	248	251
Number in Canaccord Wealth Management	**680**	**707**	**698**	**688**	700	725	744	760
Number in Other	**364**	**360**	**359**	**352**	356	365	393	393
Total Canada	**1,247**	**1,271**	**1,257**	**1,244**	1,265	1,301	1,385	1,404
Number of employees in UK								
Number in Canaccord Genuity	**139**	**137**	**125**	**118**	114	117	127	125
Number of employees in US								
Number in Canaccord Genuity	**163**	**162**	**157**	**152**	151	152	176	169
Number of employees firm-wide	**1,549**	**1,570**	**1,539**	**1,514**	1,530	1,570	1,688	1,698
Number of Investment Advisor Teams (2)	**303**	**327**	**334**	**335**	338	347	341	354
Number of licenced professionals	**718**	**753**	**763**	**773**	790	809	818	832
Number of Canaccord Wealth Management clients	**162,546**	**162,934**	**163,197**	**166,747**	167,659	171,199	173,949	175,976
Assets under management ($ millions)	**$ 445**	**$ 423**	**$ 453**	**$ 443**	$ 393	$ 454	$ 609	$ 747
Assets under administration ($ millions)	**12,992**	**12,210**	**11,386**	**10,341**	9,184	9,030	11,584	14,695
AUA per Investment Advisor Team ($ millions) (2)	**43**	**37**	**34**	**31**	27	26	34	42
Number of companies with Canaccord Genuity Limited as Broker								
London Stock Exchange (LSE)	**23**	**23**	**9**	**9**	9	7	5	5
Alternative Investment Market (AIM)	**43**	**45**	**44**	**49**	51	55	55	58
Total Broker	**66**	**68**	**53**	**58**	60	62	60	63
Number of companies with Canaccord Genuity Limited as Financial Advisor/Nomad (3)								
LSE	**1**	**—**	**—**	**—**	—	—	—	—
AIM	**35**	**37**	**36**	**41**	42	46	45	48
Total Financial Advisors/Nomad	**36**	**37**	**36**	**41**	42	46	45	48

(1) These miscellaneous operational statistics are non-GAAP measures.
(2) Investment Advisors (IAs) reported as IA Teams excluding IAs licenced three years or less. Historical statistics have been reclassified accordingly.
(3) A company listed on AIM is required to retain a Nominated Adviser (commonly referred to as a Nomad) during the company's life on the market. Nominated Advisers are responsible, amongst other duties, for warranting that a company is appropriate for joining AIM. The Nomad is similar to a Financial Advisor on the LSE, but is specific to AIM.

GLOSSARY

Advisory Teams (IA Teams)
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 licenced 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 (IWM) branches are led by one IA (with a team), each IWM branch is counted as an Advisory Team.

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

Asset-backed commercial paper (ABCP)
A short-term investment vehicle with a maturity date that is typically between 90 and 180 days. The notes are backed by physical assets such as trade receivables, and are generally used for short-term financing needs. Also see "Restructured notes" and "Canaccord Relief Program".

Assets under administration (AUA)
AUA is the market value of client assets administered by Canaccord, for which Canaccord earns commissions or fees. This measure includes funds held in client accounts, as well as the aggregate market value of long and short security positions. Management uses this measure to assess operational performance of the Canaccord Wealth Management business segment. This measure is non-GAAP.

Assets under management (AUM)
AUM consists of assets that are beneficially owned by clients and managed on a discretionary basis by Canaccord as part of the Complete Canaccord Investment Counselling Program and Complete Canaccord Managed Accounts. Services provided include the selection of investments and the provision of investment advice. AUM is also administered by Canaccord and is therefore included in AUA. This measure is non-GAAP.

Basel II
Basel II is the second of the Basel Accords, which are recommendations on banking laws and regulations issued by the Basel Committee on Banking Supervision. Basel II attempts to create international standards for financial institution capital requirements by setting up rigorous risk and capital management requirements designed to ensure that a financial institution holds capital reserves appropriate to the risks that it exposes itself to through its activities. Basel II includes a comprehensive framework for capital regulation around "three pillars": Pillar I – minimum capital requirements; Pillar II – supervisory review; and Pillar III – market discipline (which primarily involves transparency and disclosure).

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

Canaccord Adams
Canaccord's capital markets division was rebranded from Canaccord Adams to Canaccord Genuity on May 10, 2010, following the acquisition of Genuity Capital Markets. All transactions completed by Canaccord's capital markets division during fiscal 2010 were done under the Canaccord Adams name.

Canaccord Genuity
Refer to Canaccord Adams.

Canaccord Relief Program (CRP)
The Canaccord Relief Program was announced in April 2008 to repurchase up to $152 million of restructured ABCP at par value from clients who held $1 million or less. It combined a third party market bid for eligible clients' ABCP with a Canaccord-funded top-up to achieve par value for the restructured notes. The Canaccord Relief Program also provided clients with their pro-rated portion of any interest accrued on their ABCP investment, as well as compensation for any client-allocated costs associated with the restructuring process. Restructuring of the affected non-bank ABCP was fully implemented on January 21, 2009. The Canaccord Relief Program closed on January 30, 2009.

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 shareholders must be paid to preferred shareholders before being paid to common stock shareholders.

Correspondent brokerage services
The provision of secure services to other brokerage firms through the use of the Company's existing technology and operations infrastructure (Pinnacle Correspondent Services) including administrative, clearing, settling, custody, recordkeeping, trade execution and research 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 average number of shares outstanding adjusted for the dilutive effects of stock options and other convertible securities.

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

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

Fair value adjustment
An adjustment to reflect the estimated 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.

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

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

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

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

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

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 paid through awards of restricted share units (RSUs). RSUs represent the right to receive shares in the Company over a vesting period. The RSUs are topped up by the firm and vest over three years.

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

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

Non-cash charges
Charges booked by a company that do not impact its cash balance or working capital.

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

Restructured notes (also referred to as restructured ABCP)
Notes provided to investors and the Company as a result of the restructuring of Canadian non-bank asset-backed commercial paper, in return for their initial ABCP investment.

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

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

Separately managed accounts (SMAs)
Investment portfolios available to clients which 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 the Genuity acquisition-related costs, ABCP fair value adjustment, accrual for client relief program, fair value adjustment of ABCP purchased by the Company under the client relief program, impairment of goodwill and intangibles, and restructuring costs.

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

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

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

Wrap accounts
A type of brokerage account where a single or flat fee covers all administrative, research, advisory and management expenses.

CORPORATE GOVERNANCE

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

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

Communication with independent directors 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 406 – 815 Hornby Street, Vancouver, BC V6Z 2E6.

Strategic planning process

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

Identification and management of risks

The Board's Mandate includes:

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

Succession planning and evaluation

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

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

Communications and public disclosure

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

- The DCP is reviewed annually by the Board.
- The DCP, public securities regulatory filings, press releases and investor presentations are posted on the Company's 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 on the Company's internal controls and information systems.

As of March 31, 2010 an evaluation was carried out, under the supervision of and with the participation of management, including the President & CEO and the Executive Vice President & CFO, of the effectiveness of our disclosure controls and procedures as defined under *National Instrument 52-109*. Based on that evaluation, the President & CEO and the Executive Vice President & CFO concluded that the design and operation of these disclosure controls and procedures were effective as of March 31, 2010.

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 13 directors, 6 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.
- New directors are provided with substantial reference material on the Company's strategic focus, financial and operating history, corporate governance practices and corporate vision.

SUMMARY OF CHARTERS AND COMMITTEES

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

Audit Committee

The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities by monitoring the Company's financial reporting practices and financial disclosure. It comprises 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 all of them on a regular basis.

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

Corporate Governance and Compensation Committee

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

BOARD OF DIRECTORS

Charles Bralver (2010)
Mr. Bralver has over 30 years of experience in the global financial services industry. As a founding partner and Vice Chairman of Oliver Wynam & Company, he led that firm's Global Capital Markets practice with a focus on traded products, exchange-traded market infrastructure strategy and product development. Mr. Bralver currently serves as the Senior Associate Dean of International Business and Finance at Tufts University, where he is also the Executive Director of the Centre for Emerging Market Enterprises.

Peter M. Brown, O.B.C., LL.D. (1997)
Mr. Peter Brown is the Chairman and Founder of Canaccord Financial and a director of Canaccord Financial Inc. and Canaccord Genuity Corp. In 1968 he joined Hemsworth, Turton & Co., Ltd., which subsequently became known as Canaccord Genuity Corp.

Since 1968, Mr. Brown has been involved in the Canadian capital markets. Mr. Brown is currently a member of the board of directors of the Investment Industry Regulatory Organization of Canada (IIROC), and is a past member of the board and of the executive committee of the Investment Dealers Association. He is a past Chairman of the Board of the University of British Columbia, the Vancouver Stock Exchange, BC Place Corporation and BC Enterprise Corporation. He was also the Vice Chairman of Expo '86 Corporation.

He is currently on the board of trustees for The Fraser Institute, a Canadian research organization. He is a past member of the Chief Executives Organization and the Young Presidents Organization. He is a former member of the board of governors of the Atlantic Institute for International Affairs, the CICA Accounting Research Advisory Board and the Council for Business and the Arts in Canada.

Mr. Brown is a past recipient of the BC Chamber of Commerce Businessman of the Year award. He was awarded the BC & Yukon Chamber of Mines Financier Award for 2000, the Ernst & Young Pacific Entrepreneur of the Year Award for 2001 and in 2002 the Distinguished Service Award by the Prospectors and Developers Association of Canada.

In January 2003, Mr. Brown received a Commemorative Medal for the Golden Jubilee of Her Majesty Queen Elizabeth recognizing his community service. In June 2003, he was awarded the Order of British Columbia recognizing his fundraising efforts for various charities and organizations in British Columbia as well as the vital role he has played in financing hundreds of British Columbia businesses.

In February 2004, Mr. Brown was named "Person of the Year" by the Brotherhood Inter-Faith Society of British Columbia and in 2007 he was named Distinguished Graduate by St. George's Private School. In 2005 Mr. Brown received an honorary Doctor of Laws from the University of British Columbia. He was also on the board of directors of the Vancouver Organizing Committee of the 2010 Olympic and Paralympic Winter Games (VANOC).

Massimo Carello (2008)
AUDIT COMMITTEE
Mr. Carello was the Audit Committee 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 of Uranium One Inc. and Orsu Metals Corporation.

William J. Eeuwes (2002)
AUDIT COMMITTEE
CORPORATE GOVERNANCE AND COMPENSATION COMMITTEE
Mr. Euewes is Vice President of Manulife Capital, and has more than 29 years of experience in underwriting and the management of a broad range of asset classes, including private equity, mezzanine loans, structured and project finance and corporate loans. Mr. Eeuwes is a Fellow of the Institute of Canadian Bankers and has an honours degree in business from the University of Western Ontario. He is also a director of Seamark Asset Management Limited.

Philip Evershed (2010)
Mr. Evershed was a principal of Genuity Capital Markets, the Canadian investment bank acquired by Canaccord Financial Inc. in April 2010. Prior to co-founding Genuity, Mr. Evershed spent 14 years at CIBC World Markets, most recently as Co-Head of Investment Banking and Head of Mergers and Acquisitions. Prior to joining CIBC, Mr. Evershed was Chief of Staff to the Deputy Prime Minister of Canada. Mr. Evershed

sits on the boards of directors of Canadian Satellite Radio Holdings Inc. and Iogen Corporation. Mr. Evershed has an MA (Economics) from the University of Toronto and a BA (School of Business and Economics) from Wilfrid Laurier University.

Michael D. Harris (2004)
CORPORATE GOVERNANCE AND COMPENSATION COMMITTEE
Mr. Harris is an advisor with the law firm Cassels Brock & Blackwell LP and the President of his own consulting firm, Steane Consulting Ltd. Previously he was a senior business advisor with the law firm of Goodmans LLP. Between the years of 1995 and 2002, Mr. Harris was the Premier of the Province of Ontario. Mr. Harris is also a director of a number of other public companies, and serves as a director of the Tim Horton Children's Foundation and the Mount Royal College Foundation. Mr. Harris received his ICD.D certification from the Institute of Corporate Directors.

Timothy J.D. Hoare (2005)
Mr. Hoare is the Chairman & Chief Executive Officer of Canaccord Genuity Limited. In 1990 Mr. Hoare became a director of Credit Lyonnais Laing International. In 1993 Mr. Hoare established T. Hoare & Co. Limited, an investment dealer based in London, England. Canaccord acquired a minority interest in T. Hoare & Co. Limited in 1996 and in 1999 it became a wholly owned subsidiary of Canaccord Genuity Limited.

David Kassie (2010)
David Kassie is the Group Chairman of Canaccord Financial Inc. He was the Principal, Chairman and CEO of Genuity Capital Markets, the Canadian investment bank acquired by Canaccord Financial Inc. in April 2010. Prior to 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. Mr. Kassie sits on a number of corporate boards including ACE Aviation Holdings Inc. and AIM Health Group Inc. and he was a director of Alliance Atlantis Communications Inc. from 1992 to 2007. Mr. Kassie is actively involved in community and charitable organizations and is on the boards of directors of the Hospital for Sick Children, the Ivey School of Business and the Toronto International Film Festival Group. Mr. Kassie holds a B.Comm. (Honours) in Economics from McGill University, and an MBA from the University of Western Ontario.

Terrence A. Lyons (2004)
AUDIT COMMITTEE
CORPORATE GOVERNANCE AND COMPENSATION COMMITTEE
Mr. Lyons has over 36 years of experience in the financing, development and management of natural resource, manufacturing, real estate and merchant banking companies with an extensive background in corporate restructuring activities. Terry completed a Bachelor of Applied Sciences in Civil Engineering from the University of British Columbia and graduated with a Master of Business Administration from the University of Western Ontario. He is currently Chairman of Northgate Minerals Corporation and a director and officer of several public and private corporations. In 1986, he became Senior Vice President of Versatile Corporation and presided over the restructuring of the corporation, which is now known as B.C. Pacific Capital Corporation, a senior merchant and investment banking company, which is part of Brookfield Asset Management. In 2004 Mr. Lyons retired from Brookfield Asset Management to pursue other opportunities. Mr. Lyons has been active in Junior Achievement, the United Way, Special Olympics and other charitable and sports organizations. He is past Chairman of the Mining Association of B.C., a past Governor of the Olympic Foundation of Canada, former Chairman of Sport B.C., a past President of Shaughnessy Golf and Country Club and is a member of the Advisory Board of the Richard Ivey School of Business at the University of Western Ontario. In 2007 Mr. Lyons was awarded the Inco Medal by the Canadian Institute of Mining and Metallurgy for distinguished service to the mining industry.

Mark G. Maybank (2006)
Mr. Maybank is the Chief Operating Officer of Canaccord Financial Inc. and the President & Chief Operating Officer of Canaccord Genuity Corp. He joined Canaccord in 2001 and was responsible for its research activity. Before joining Canaccord, Mr. Maybank was an executive vice-president at a technology services and software development firm. Before that, he was a technology analyst with Yorkton Securities and chief financial officer of a US-based cellular services company. Before that, he held various positions with a large multinational accounting and consulting firm. Mr. Maybank has earned both his Chartered Accountant and Chartered Business Valuator designations.

Paul D. Reynolds (2005)
Paul Reynolds was named as President of Canaccord Financial Inc. in August 2006, and CEO in August 2007. Mr. Reynolds has also been Vice Chair, Global Head of Canaccord Genuity since April 2005. He is very active in investment banking operations and leads the Firm from Canaccord's Toronto and Vancouver offices.

Mr. Reynolds has over 25 years of experience in the securities industry beginning as a floor trader. He joined Canaccord Financial Inc. in 1985, working as an Investment Advisor in Vancouver. Mr. Reynolds specialized in financing emerging and developing companies in the resource, technology and biotechnology sectors.

Between 1999 and 2008, he managed Canaccord's London, England office as President and COO of European operations. Mr. Reynolds has been integral to the development of our business in Europe and a primary contributor to our successful position as an active participant in the European equity markets, specializing in small to medium sized emerging companies.

Michael A. Walker (2006)
Dr. Walker is a Senior Fellow at the Fraser Institute and President of The Fraser Institute Foundation. From its inception in 1974, until September 2005, Dr. Walker directed the activities of The Fraser Institute, an independent public policy organization. Prior to this, he taught at Carleton University and the University of Western Ontario. He has previously worked at the Bank of Canada and then subsequently joined the Federal Department of Finance. He received his Ph.D. at the University of Western Ontario and his B.A. at St. Francis Xavier University, Nova Scotia.

John B. Zaozirny, Q.C. (2004)
Mr. Zaozirny joined Canaccord Genuity Corp. in January 1996 as a director and Vice-Chairman of its Board and is a member of its capital markets group. Until his retirement in December 2008, he also served as counsel to McCarthy Tétrault LLP and is a member of the Law Societies of Alberta and British Columbia. Mr. Zaozirny served in the Alberta legislature as minister of energy from 1982 to 1986. He is also a director of a number of other public companies.

The date appearing after the name of each director indicates the year in which he became a director. The term of office is subject to voting at the Annual General Meeting in 2010.

LOCATIONS

CANACCORD GENUITY

Canada

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

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

Montreal
Suite 2000
1250 René-Lévesque Boulevard West
Montreal, QC
Canada H3B 4W8
Telephone: (514) 844-5443
Toll Free: 1-800-361-4805

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

United Kingdom

London
7th Floor, Cardinal Place
80 Victoria Street
London, UK
SW1E 5JL
Telephone: 44 20 7050 6500

Edinburgh
29 Rutland Square
Edinburgh, UK
EH1 2BW
Telephone: 44 0 131 222 9400

Barbados

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

United States

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

New York
2nd Floor
535 Madison Avenue
New York, NY
USA 10022
Telephone: (212) 849-3900
Toll Free: 1-800-818-2196

San Francisco
Suite 2000
101 Montgomery Street
San Francisco, CA
USA 94104
Telephone: (415) 229-7171
Toll Free: 1-800-225-6104

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

CANACCORD WEALTH MANAGEMENT
Corporate branches

British Columbia

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

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

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

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

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

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

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

Ontario

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

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

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

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

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

Thunder Bay
Suite 202
1001 William Street
Thunder Bay, ON
Canada P7B 6M1
Telephone: (807) 622-9633
Toll Free: 1-877-889-2233

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

Alberta

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

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

Quebec

Montreal
Suite 2000
1250 René-Lévesque Boulevard West
Montreal, QC
Canada H3B 4W8
Telephone: (514) 844-5443
Toll Free: 1-800-361-4805

Mont St-Hilaire
717 Boul. de Montenach
Mont St-Hilaire, QC
Canada J3H 2P1
Telephone: (450) 467-8294
Toll Free: 1-866-467-8294

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

Nova Scotia

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

United States

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

INDEPENDENT WEALTH MANAGEMENT BRANCHES

Ontario

Toronto
P.O. Box 2039
Suite 1500
20 Eglinton Avenue West
Toronto, ON
Canada M4R 1K8
Telephone: (416) 222-7003
Toll Free: 1-866-852-6740

Cobourg
7941 County Road #2
Cobourg, ON
Canada K9A 4J7
Telephone: (905) 372-1300
Toll Free: 1-866-536-3702

Orangeville
Unit 1 & 2
14 Stewart Court
Orangeville, ON
Canada L9W 3Z9
Telephone: (519) 938-8332

British Columbia

Campbell River
Suite 1
1170 Shoppers Row
Campbell River, BC
Canada V9W 2C8
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
Suite 101
1840 Third Avenue
Prince George, BC
Canada V2M 1G4
Telephone: (250) 614-0888
Toll Free: 1-866-614-0888

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

Quebec

Gatineau
Suite 501
160, boulevard de l'Hôpital
Gatineau, QC
Canada J8T 8J1
Telephone: (819) 568-5967
Toll Free: 1-800-595-5025

Saskatchewan

Saskatoon
Suite 100
333 – 25th Street East
Saskatoon, SK
Canada S7K 0L4
Telephone: (306) 665-2133
Toll Free: 1 (866) 665-2121

Yukon

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

OTHER LOCATIONS

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

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

REGISTERED TRADING [1]

Ancaster
Suite 3
240 Wilson Street East
Ancaster, ON
Canada L9G 2B7
Telephone: (905) 648-5584

(1) Registered Trading is not exclusive to this location.

SHAREHOLDER INFORMATION

CORPORATE HEADQUARTERS

Street address
Canaccord Financial Inc.
Suite 2200 – 609 Granville Street
Vancouver, BC, Canada

Mailing address
P.O. Box 10337
Pacific Centre
Suite 2200 – 609 Granville Street
Vancouver, BC, V7Y 1H2, Canada

STOCK EXCHANGE LISTING

TSX: CF
AIM: CF.

GENERAL SHAREHOLDER INQUIRIES AND INFORMATION

Jamie Kokoska
Manager, Investor Relations & Communications
Suite 3000 – 161 Bay Street
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

Scott Davidson
Managing Director, Global Head of Marketing & Communications
Telephone: (416) 869-3875
Email: scott.davidson@canaccord.com

This Canaccord Financial 2010 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 2010)

Stock exchange	*Ticker*	*Diluted shares outstanding at March 31, 2010*	*Year-end price March 31, 2010*	*High*	*Low*	*Total volume of shares traded*
Toronto TSX	CF	57,681,345	$ 11.10	$ 11.87	$ 5.30	28,084,858
London AIM	CF.	57,681,345	£ 7.00	£ 7.13	£ 2.75	11,891

FISCAL 2010 DIVIDEND DATES AND AMOUNTS

Quarter end date	*Record date*	*Payment date*	*Dividend*
June 30, 2009	Suspended	Suspended	—
September 30, 2009	November 20, 2009	December 10, 2009	$ 0.05
December 31, 2009	February 26, 2010	March 10, 2010	$ 0.05
March 31, 2010	June 4, 2010	June 15, 2010	$ 0.05
		Total dividends	$ 0.15

QUALIFIED FOREIGN CORPORATION

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

FISCAL 2011 EXPECTED DIVIDEND [(1)] EARNINGS RELEASE DATES

	Expected earnings release date	*Dividend record date*	*Dividend payment date*
Q1/11	August 5, 2010	August 27, 2010	September 10, 2010
Q2/11	November 4, 2010	November 19, 2010	December 10, 2010
Q3/11	February 10, 2011	March 4, 2011	March 15, 2011
Q4/11	May 18, 2011	June 3, 2011	June 15, 2011

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

SHAREHOLDER ADMINISTRATION

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

Computershare Investor Services Inc.
100 University Avenue, 9th Floor
Toronto, ON, M5J 2Y1
Telephone toll free (North America):
1-800-564-6253
International: (514) 982-7555
Fax: 1-866-249-7775
Toll free fax (North America) or
International fax: (416) 263-9524
Email: service@computershare.com
Internet: www.computershare.com
Offers enrolment for self-service account management for registered shareholders through the Investor Centre.

FINANCIAL INFORMATION

For present and archived financial information, please visit www.canaccordfinancial.com

AUDITOR

Ernst & Young LLP
Chartered Accountants
Vancouver, BC

FEES PAID TO SHAREHOLDERS' AUDITORS

For fees paid to shareholders' auditors, see page 44 of the fiscal 2010 Annual Information Form.

PRINCIPAL SUBSIDIARIES

Canaccord Genuity Corp.
Canaccord Genuity Limited
Canaccord Genuity Inc.
Canaccord International Ltd.
Canaccord Wealth Management (USA) Inc.

CORPORATE WEBSITE

www.canaccordfinancial.com

EDITORIAL SERVICES

Tudhope & Company, Inc.

ANNUAL GENERAL MEETING

The Annual General Meeting of shareholders will be held on Friday, June 25, 2010 at 11:00 am (Eastern time) at the King Edward Hotel, Sovereign Ballroom
37 King Street East
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.

Interbrand Printed in Canada

ECOSYNTHETIX®
ADVANCED POLYMERS FROM PLANET EARTH®

Portions of this annual report (pages 1 through 14) use a paper product supplied by EcoSynthetix Inc. – a Canaccord Genuity client. This paper is coated with EcoSphere Biolatex®, is chlorine-free and FSC certified. Biolatex® binders have a carbon footprint that is 73% lower than petroleum latex binders.

www.ecosynthetix.com

CANACCORD GENUITY

Toronto
Vancouver
London
Barbados
Boston
Calgary
Edinburgh
Houston
Montreal
New York
San Francisco

CANACCORD WEALTH MANAGEMENT

CORPORATE BRANCHES

Vancouver
Toronto
Abbotsford
Calgary
Edmonton
Halifax
Kelowna
Kingston
London
Mont St-Hilaire
Montreal
Ottawa
Prince George
Quebec City
Simcoe
Thunder Bay
Victoria
Waterloo
White Rock

INDEPENDENT WEALTH MANAGEMENT

Campbell River
Cobourg
Gatineau
Nanaimo
Orangeville
Prince George
Saskatoon
Toronto
Vernon
Whitehorse

CANACCORD Financial

WWW.CANACCORDFINANCIAL.COM