Financial Review

CAUTION REGARDING FORWARD-LOOKING STATEMENTS:

This document may contain "forward-looking statements" (as defined under applicable securities laws). These statements relate to future events or future performance and reflect management's expectations, beliefs, plans, estimates, intentions and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts, including business and economic conditions and Canaccord Genuity Group's growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue", "target", "intend", "could" or the negative of these terms or other comparable terminology. Disclosure identified as an "Outlook" including the section entitled "Fiscal 2019 Outlook" contains forward looking information. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and a number of factors could cause actual events or results to differ materially from the results discussed in the forward-looking statements. In evaluating these statements, readers should specifically consider various factors that may cause actual results to differ materially from any forward-looking statement. These factors include, but are not limited to, market and general economic conditions, the nature of the financial services industry and the risks and uncertainties discussed from time to time in the Company's interim condensed and annual consolidated financial statements and its annual report and Annual Information Form (AIF) filed on www.sedar.com as well as the factors discussed in the sections entitled "Risk Management" in this MD&A and "Risk Factors" in the AIF, which include market, liquidity, credit, operational, legal, cyber and regulatory risks. Material factors or assumptions that were used by the Company to develop the forward-looking information contained in this document include, but are not limited to, those set out in the Fiscal 2019 Outlook section in the annual MD&A and those discussed from time to time in the Company's interim condensed and annual consolidated financial statements and its annual report and AIF filed on www.sedar.com. The preceding list is not exhaustive of all possible risk factors that may influence actual results. Readers are also cautioned that the preceding list of material factors or assumptions is not exhaustive.

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

Management's Discussion and Analysis

Fiscal year 2018 ended March 31, 2018 – this document is dated June 6, 2018.

The following discussion of Canaccord Genuity Group Inc.'s financial condition, financial performance and cash flows is provided to enable a reader to assess material changes in the financial condition, financial performance and cash flows for the year ended March 31, 2018 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 Genuity Group Inc. and its direct and indirect subsidiaries. "Canaccord Genuity" refers to the investment banking and capital markets segment of the Company. The Management's Discussion and Analysis (MD&A) should be read in conjunction with the audited consolidated financial statements for the years ended March 31, 2018 and 2017, beginning on page 60 of this report. The Company's financial information is expressed in Canadian dollars unless otherwise specified. The Company's consolidated financial statements for the years ended March 31, 2018 and 2017 are prepared in accordance with International Financial Reporting Standards (IFRS).

Non-IFRS Measures

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

The Company's capital is represented by common and preferred shareholders' equity and, therefore, management uses return on common equity (ROE) as a performance measure. Also used by the Company as a performance measure is book value per diluted common share, which is calculated as total common shareholders' equity adjusted for assumed proceeds from the exercise of options and warrants and conversion of convertible debentures divided by the number of diluted common shares outstanding including estimated amounts in respect of share issuance commitments including options, warrants, and convertible debentures, as applicable, and adjusted for shares purchased under the normal course issuer bid and not yet cancelled, and estimated forfeitures in respect of unvested share awards under share-based payment plans.

Assets under administration (AUA) and assets under management (AUM) are non-IFRS measures of client assets that are common to the wealth management business. AUA – Canada, AUM – Australia and AUM – UK & Europe are the market value of client assets managed and administered by the Company from which the Company earns commissions and fees. This measure includes funds held in client accounts as well as the aggregate market value of long and short security positions. AUM – Canada includes all assets managed on a discretionary basis under programs that are generally described as or known as the *Complete Canaccord Investment Counselling Program* and the *Complete Canaccord Private Investment Management Program.* Services provided include the selection of investments and the provision of investment advice. The Company's method of calculating AUA – Canada, AUM – Canada, AUM – Australia and AUM – UK & Europe may differ from the methods used by other companies and therefore may not be comparable to other companies. Management uses these measures to assess operational performance of the Canaccord Genuity Wealth Management business segment. AUM – Canada is also administered by the Company and is included in AUA – Canada.

Financial statement items that exclude significant items are non-IFRS measures. Significant items for these purposes include restructuring costs, amortization of intangible assets acquired in connection with a business combination, impairment of goodwill and other assets, acquisition-related expense items, which include costs recognized in relation to both prospective and completed acquisitions, gains or losses related to business disposals including recognition of realized translation gains on the disposal of foreign operations, certain accounting charges related to the change in the Company's long-term incentive plan ("LTIP" or the "Plan") as recorded with effect on March 31, 2018, certain incentive-based payments related to the acquisition of Hargreave Hale, as well as certain expense items, typically included in development costs, which are considered by management to reflect a singular charge of a non-operating nature. See the Selected Financial Information Excluding Significant Items table on page 23.

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

Business Overview

Through its principal subsidiaries, Canaccord Genuity Group Inc. is a leading independent, full-service financial services firm, with operations in two principal segments of the securities industry: wealth management and capital markets. Since its establishment in 1950, the Company 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 Genuity Group has wealth management offices located in Canada, the UK, Guernsey, Jersey, the Isle of Man and Australia. Canaccord Genuity, the Company's international capital markets division, operates in North America, the UK & Europe, Asia, Australia and the Middle East. To us there are no foreign markets™.

Canaccord Genuity Group Inc. is publicly traded under the symbol CF on the TSX. Canaccord Genuity Series A Preferred Shares are listed on the TSX under the symbol CF.PR.A. Canaccord Genuity Series C Preferred Shares are listed on the TSX under the symbol CF.PR.C.

ABOUT CANACCORD GENUITY GROUP INC.'S OPERATIONS

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

Canaccord Genuity

Canaccord Genuity is the global capital markets division of Canaccord Genuity Group Inc. (TSX: CF), offering institutional and corporate clients idea-driven investment banking, merger and acquisition, research, sales and trading services with capabilities in North America, the UK & Europe, Asia, Australia and the Middle East. We are committed to providing valued services to our clients throughout the entire lifecycle of their business and operating as a gold standard independent investment bank – expansive in resources and reach, but targeted in industry expertise, market focus and individual client attention.

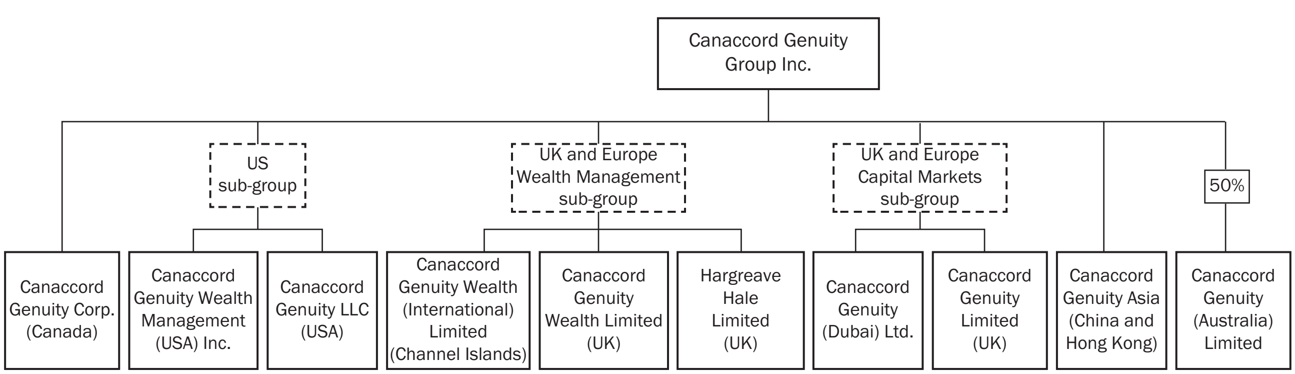
Canaccord Genuity Wealth Management

Canaccord Genuity Wealth Management operations provide comprehensive wealth management solutions and brokerage services to individual investors, private clients, charities and intermediaries through a full suite of services tailored to the needs of clients in each of its markets. The Company's wealth management division now has Investment Advisors (IAs) and professionals in Canada, the UK, Jersey, Guernsey, the Isle of Man and Australia.

Corporate and Other

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

Corporate structure



The chart shows principal operating companies of the Canaccord Genuity Group.

The Company owns 50% of the issued shares of Canaccord Financial Group (Australia) Pty Ltd and Canaccord Genuity (Australia) Limited, but for accounting purposes, as of March 31, 2018, the Company is considered to have a 58% interest because of the shares held in a trust controlled by Canaccord Financial Group (Australia) Pty Ltd [March 31, 2017 – 58%].

BUSINESS ACTIVITY

Our business is affected by the overall condition of the worldwide debt and equity markets.

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

The Company has taken steps 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. To improve recurring revenue streams and offset the inherent volatility of the capital markets business, the Company has taken steps to increase the scale of its global wealth management operations. Historically, the Company's diversification across major financial centres has allowed it to benefit from strong equity markets in certain regions and improve our capability for identifying and servicing opportunities in regional centres and across our core focus sectors.

IMPACT OF CHANGES IN CAPITAL MARKETS ACTIVITY

As a brokerage firm, the Company 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, and to some degree Asia and Australia. Canaccord Genuity Group's long term international business development initiatives over the past several years have laid a solid foundation for revenue diversification. A conservative capital strategy allows the Company to remain competitive in today's changing financial landscape.

During fiscal 2018, the Company's capital markets activities were focused on the following sectors: Metals & Mining, Energy, Technology, Real Estate, Sustainability, Healthcare & Life Sciences, Consumer & Retail, Infrastructure, Aerospace & Defense, Financials and Private Equity. Coverage of these sectors included investment banking, mergers and acquisitions (M&A) and advisory services, and institutional equity activities, such as sales, trading and research.

Key Developments During Fiscal 2018

CORPORATE

- On June 1, 2017, the Company announced that the dividend rate on its Cumulative 5-Year Rate Reset First Preferred Shares, Series C (the "Series C Preferred Shares") for the period from July 1, 2017 to June 30, 2022 would be 4.993% per annum.
- On June 16, 2017, the Company announced that the number of Series C Preferred Shares tendered for conversion into Cumulative Floating Rate First Preferred Shares, Series D (the "Series D Preferred Shares") did not meet the minimum required and, accordingly, no Series D Preferred Shares were issued.
- On July 5, 2017, the Company announced that through its UK & Europe based wealth management business, Canaccord Genuity Wealth Management ("CGWM (UK)"), it had agreed to acquire Hargreave Hale Limited ("Hargreave Hale"), a leading independent UK-based investment and wealth management business. This transaction closed on September 18, 2017. In September 2017, the Company acquired 100% of Hargreave Hale for cash and deferred consideration of £52.1 million (C$86.0 million) and additional contingent consideration of up to £27.5 million (C$45.4 million). The contingent consideration is structured to be payable over a period of up to three years, subject to the achievement of certain performance targets related to the retention and growth of client assets and revenues and an amount determined with reference to the fund management business. The cash consideration was funded in part from a credit facility provided to CGWM (UK) by National Westminster Bank plc and HSBC Bank plc in the amount of £40.0 million (C$72.5 million as of March 31, 2018). Additional contingent consideration, if paid, will be funded from the ongoing cash flow of the business.

  The Company expensed $6.7 million of acquisition-related costs and $2.9 million of restructuring costs for the year ended March 31, 2018. In addition, the Company expensed $1.5 million of incentive-based payments determined with reference to financial targets and other performance criteria that are included as part of development costs. The Company anticipates additional costs related to these incentive-based payments of approximately £13.0 million (C$23.4 million) to be recorded as a significant item over a four-year measurement period.
- On August 1, 2017, Canaccord Genuity Acquisition Corp. ("CGAC"), a newly organized special purpose acquisition corporation formed for the purpose of effecting a qualifying acquisition of one or more businesses, announced the closing of its initial public offering of $30.0 million of Class A Restricted Voting Units. The sponsor of CGAC is a wholly-owned subsidiary of the Company and owns an approximate 26.2% interest in CGAC.
- On August 11, 2017, the Company announced the filing of a normal course issuer bid (NCIB) to purchase common shares of the Company through the facilities of the TSX and on alternative trading systems during the period from August 15, 2017 to August 14, 2018. The purpose of any purchase under this program is to enable the Company to acquire shares for cancellation. The maximum number of shares that may be repurchased represented 5.0% of the Company's outstanding common shares at the time of filing the NCIB. There have been no shares purchased under this and the previous NCIB during the year ended March 31, 2018.
- On April 25, 2018, the Company announced that it has entered into an agreement to acquire Jitneytrade Inc. and Finlogik Inc. directly and through the purchase of Finlogik Capital Inc. Jitneytrade Inc. is a direct access broker and an active trader in futures and equity options in Canada. Finlogik Inc. is in the business of delivering value-added fintech solutions in the Canadian market. The acquisition closed on June 6, 2018.
- At its meeting on June 6, 2018, the Board of Directors approved the grant of 6,220,000 performance share options (PSOs) to senior management of the Company and its operating subsidiaries. The options will be granted under the terms of the Company's Performance Share Option (PSO) plan to be presented to the shareholders for their approval at the Company's annual general meeting to be held on August 2, 2018. The grant is subject to ratification at that meeting. The options will have an exercise price determined within the context of the market at the time of the grant, will have a term of five years and will time-vest rateably over four years (with one third vesting on each of the second, third and fourth anniversaries of the date of grant). PSOs will also be subject to market (stock price) performance vesting conditions, as well as have a three times exercise price cap on payout value.

CANACCORD GENUITY

- Canaccord Genuity generated revenue of $637.6 million in fiscal 2018
- Net income before taxes excluding significant items[1] was $62.5 million, an increase of $16.2 million compared to the prior year
- Canaccord Genuity led 178 transactions globally, each over C$1.5 million, to raise total proceeds of C$6.1 billion during fiscal 2018. Of this:
  - Canada led 131 transactions, which raised C$3.5 billion
  - The UK, Europe & Dubai led 14 transactions, which raised C$1.8 billion
  - The US led 16 transactions, which raised C$650 million
  - Australia led 17 transactions, which raised C$149.1 million

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 14.

- During fiscal 2018, including the 178 transactions led globally, Canaccord Genuity participated in a total of 455 transactions globally, each over C$1.5 million, to raise gross proceeds of C$34.5 billion. Of this:
  - Canada participated in 334 transactions, which raised C$21.6 billion
  - The US participated in 67 transactions, which raised C$8.8 billion
  - The UK, Europe & Dubai participated in 22 transactions, which raised C$3.4 billion
  - Australia participated in 32 transactions, which raised C$659.6 million
- Significant investment banking transactions for Canaccord Genuity during fiscal 2018 include:
  - £267.7 million for HICL Infrastructure Company on LSE
  - £200.0 million initial public offering of Triple Point Social Housing REIT plc on LSE
  - US$312.5 million in two transactions for Atara Biotherapeutics on Nasdaq
  - £187.5 million for Aberdeen Standard European Logistics Income plc on LSE
  - US$260.2 million for Xencor Inc. on Nasdaq
  - US$210.7 million in four transactions for Helios + Matheson on Nasdaq
  - C$243.6 million in three transactions for Hydropothecary Corporation on TSXV
  - AUD $250.5 in two transactions for Cooper Energy Limited on ASX
  - C$200.0 million for Cobalt 27 Capital Corp. on TSXV
  - C$125.0 million Initial Public Offering for Cannabis Strategies Acquisition Corp. on TSX
  - AUD$151.0 million for Infigen Energy Limited on ASX
  - £173 million initial public offering for Baillie Gifford US Growth Trust plc on LSE
  - C$489 million in four transactions for Aurora Cannabis Inc. on TSX
  - C$92.4 million for Osisko Mining on TSX
  - £95 million for IQE plc on AIM
  - C$140.0 million for DHX Media Ltd. on TSX
  - C$132.8 million for MedReleaf on TSX
  - £58.8 million for accesso Technology Group plc on AIM
  - US$63.6 million IPO for Zymeworks on NYSE & TSX
  - £90 million equity raise for Oxenwood Real Estate for its purchase of Ultrabox Logistics portfolio
  - C$80.0 million for Brio Gold on TSX
  - C$75.6 million for SolGold plc on TSX and LSE
  - £57.6 million for The Renewables Infrastructure Group Limited on LSE
  - US$47.4 million for Savara Inc. on Nasdaq
  - US$49.1 million for VBI Vaccines on Nasdaq
  - AUD$60.0 million for CANN Group Limited on ASX
  - £52.2 million for Ediston Property Investment Company PLC on LSE
  - US$65.3 million in two tranches for Neovasc Inc. on Nasdaq & TSX
  - US$60.0 million initial public offering for BioXcel Therapeutics Inc
  - C$43.9 million for Global Blockchain Technologies Corp. on TSX-V
- In Canada, Canaccord Genuity participated in raising $838.9 million for government and corporate bond issuances during fiscal 2018
- During fiscal 2018, significant M&A and advisory transactions included:
  - Broken Coast Cannabis Inc. on its C$273 million sale to Aphria
  - Cape plc on its £575 million sale to Altrad Investment Authority SAS
  - Nuuvera on its C$787 million sale to Aphria Inc.
  - Polaris Materials on its sale to U.S. Concrete for C$309 million
  - Sandvine Corporation on its C$562 million sale to Francisco Partners and Procera Networks
  - Aurora Cannabis on its C$1.2 billion acquisition of CanniMed Therapeutics Inc.
  - DCC plc on the £219.0 million sale of DCC Environmental
  - HLD/Dentressangle on its €1.5 billion acquisition of Kiloutou
  - Ardian on its €670 million disposal of Trescal to OMERS Private Equity
  - Thoma Bravo and Motus on Thoma Bravo's acquisition of the premier vehicle management platforms of Motus and Runzheimer
  - Rockspring Property Holdings Limited on its sale to PATRIZIA Immobilien AG
  - Outpatient Imaging Affiliates, LLC on its sale to ICV Partners
  - Monitise plc on its £75 million sale to Fiserv, Inc.
  - OSRAM Licht AG on its acquisition of Digital Lumens
  - Sientra Inc. on its acquisition of Miramar Labs
  - Gaming Nation on its C$44 million sale to Orange Capital

- SignUpGenius Inc. on its majority recapitalization by Providence Equity Partners
- Halt Medical Inc. on its sale to Acessa AssetCo LLC pursuant to §363 of the U.S. bankruptcy code
- DHX Media on its US$345 million acquisition of Peanuts and Strawberry Shortcake

WEALTH MANAGEMENT (GLOBAL)

- Globally, Canaccord Genuity Wealth Management generated $375.2 million in revenue during fiscal 2018
- Total assets under administration, management & management contract ("Client Assets") in Canada, the UK & Europe and Australia were $61.3 billion at March 31, 2018[(2)], an increase of $22.7 billion or 58.7% compared to $38.6 billion at the end of fiscal 2017[(2)]

WEALTH MANAGEMENT (NORTH AMERICA)

- Canaccord Genuity Wealth Management (North America) generated $168.9 million in revenue during fiscal 2018 and, excluding significant items, recorded net income of $20.2 million[(1)]
- Assets under administration were $15.6 billion as of March 31, 2018, an increase of 17.7% from $13.2 billion at the end of fiscal 2017[(2)]
- Assets under management (discretionary) were $2.8 billion as of March 31, 2018, an increase from $2.6 billion at the end of fiscal 2017[(2)]
- At March 31, 2018, Canaccord Genuity Wealth Management had 142 Advisory Teams in Canada[(3)], an increase of one Advisory Team from March 31, 2017

WEALTH MANAGEMENT (UK & EUROPE)

Contributions from Hargreave Hale from September 18, 2017 are included in the operating figures under Canaccord Genuity Wealth Management (UK & Europe) below.

- Canaccord Genuity Wealth Management (UK & Europe) generated $201.4 million in revenue and, excluding significant items, recorded net income of $37.4 million before taxes in fiscal 2018[(1)]
- Assets under management (discretionary and non-discretionary) were $44.9 billion (£24.8 billion) as at March 31, 2018, an increase of 83.0% from $24.5 billion (£14.7 billion) at March 31, 2017[(2)]. In local currency (GBP), assets under management at March 31, 2018 increased 69.0% compared to March 31, 2017. The acquisition of Hargreave Hale Limited in Q2/18 largely contributed to the increase in AUM at March 31, 2018 compared to the prior year.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 14.
(2) See Non-IFRS Measures on page 14.
(3) Advisory teams are normally comprised of one or more IAs and their assistants and associates, who together manage a shared set of client accounts. Advisory teams that are led by, or only include, an IA who has been licensed for less than three years are not included in our advisory team count, as it typically takes a new IA approximately three years to build an average-sized book of business.

Market Environment During Fiscal 2018:

ECONOMIC BACKDROP:

During fiscal 2018, the global economy generally enjoyed positive and synchronized economic growth for the first time since 2007. In the US, the tax reform and infrastructure changes fuelled a long-awaited earnings and corporate capital expenditure recovery. The combination of a weak US dollar, higher commodity prices, a strong labour market and positive earnings/economic momentum pushed inflation and interest rates higher. Against this backdrop, the Federal Reserve and the Bank of Canada continued their monetary tightening. Elsewhere, the European Central Bank and the Bank of Japan maintained highly accommodative policies while low inflation in emerging markets (EMs) provided more headroom for EM central banks to cut policy rates further. Late in the fiscal year, global equity markets experienced the first correction since 2015 on the back of rapidly rising interest rates and fears that US trade tariffs could ignite global trade wars. Overall, despite rising bond yields and policy rates in North America, the recovery in corporate earnings worldwide has allowed world equities to deliver above-average returns to investors throughout fiscal 2018. On a total return basis, US (+14.0%), Canadian (+1.7%), EM (+22.3%) and world equities (+15.4%) all posted positive returns.

INVESTMENT BANKING AND ADVISORY

Capital raising and advisory activity in our core focus areas improved markedly for most of the fourth fiscal quarter and in fiscal 2018. As indicated in the table below, the performance gap between global large cap equities and global small cap equities closed over the 12-month period. The continued strong performance of small cap equities remains an encouraging sign for capital raising and advisory activities in our business.

	Q4/17		Q1/18		Q2/18		Q3/18		Q4/18	
Performance at End of Fiscal Quarter	(Q/Q)	(Y/Y)	(Q/Q)	(Y/Y)	(Q/Q)	(Y/Y)	(Q/Q)	(Y/Y)	(Q/Q)	(Y/Y)
S&P IFCI Global Small Cap	12.1%	14.9%	1.9%	16.5%	8.6%	18.4%	8.4%	34.5%	1.3%	21.5%
S&P IFCI Global Large Cap	11.3%	16.1%	5.7%	22.7%	6.7%	20.5%	7.2%	34.6%	0.8%	22.0%

Source: Thomson Reuters Datastream, Canaccord Genuity estimates

Our capital raising and advisory activities are primarily focused on small- and mid-capitalization companies in specific growth sectors of the global economy, as outlined on page 17. These sectors may experience growth or downturns independent of broader economic and market conditions, and government regulation can also have a more profound impact on capital formation for smaller companies. Volatility in the business environment for these industries or in the market for securities of companies within these industries in the regions where we operate could adversely affect our financial results and ultimately, the market value of our shares. Advisory revenues are primarily dependent on the successful completion of merger, acquisition or restructuring mandates. Weak economic and global financial market conditions and lack of access to capital can result in a challenging business environment for small and mid-market M&A activity, but may provide opportunities for our restructuring business.

TRADING

Trading volumes for small- and mid-cap equities in many of the markets where we operate improved compared to the previous fiscal quarter, and the rebound in new issue activity in small- and mid-cap equities has translated into somewhat stronger trading activity. Heightened market volatility during the fiscal fourth quarter also supported our agency trading activities.

Average Value During Fiscal	Q4/17		Q1/18		Q2/18		Q3/18		Q4/18			FY18	
Quarter/Year	31-Mar-17	(Y/Y)	30-Jun-17	(Y/Y)	29-Sep-17	(Y/Y)	29-Dec-17	(Y/Y)	29-Mar-18	(Y/Y)	(Q/Q)	29-Mar-18	(Y/Y)
Russell 2000	1374.8	32.0%	1390.4	22.7%	1416.1	15.8%	1511.5	17.4%	1554.4	13.1%	2.8%	1467.8	17.0%
S&P 400 Mid Cap	1706.4	27.6%	1729.7	17.8%	1745.6	12.8%	1853.4	16.5%	1914.6	12.2%	3.3%	1810.4	14.7%
FTSE 100	7271.7	21.3%	7388.2	19.1%	7380.7	9.1%	7480.4	8.0%	7359.4	1.2%	–1.6%	7402.3	9.0%
MSCI EU Mid Cap	1003.9	14.1%	1067.4	18.3%	1071.5	15.5%	1107.9	18.0%	1105.0	10.1%	–0.3%	1087.9	15.4%
S&P/TSX	15543.8	21.3%	15472.3	11.7%	15181.4	4.1%	15982.8	7.0%	15752.1	1.3%	–1.4%	15596.5	5.9%

Source: Thomson Reuters Datastream, Canaccord Genuity estimates

GLOBAL WEALTH MANAGEMENT

The low-volatility environment that investors have enjoyed over the past few years ended in our fourth quarter of fiscal 2018, as heightened trade tensions between the US and their world trading counterparts and escalating geopolitical concerns in North Korea and Syria sent most world equity markets lower. Nevertheless, the strong returns enjoyed over the first three quarters of the fiscal year were such that world equities (+15.4%) and commodities (+13.8%) have boosted the performance of investors' portfolios in fiscal 2018.

Total Return (excl. currencies)	Q4/17 Change (Q/Q)	Q1/18 Change (Q/Q)	Q2/18 Change (Q/Q)	Q3/18 Change (Q/Q)	Q4/18 Change (Q/Q)	Fiscal 2017 Change (Y/Y)	Fiscal 2018 Change (Y/Y)
S&P 500	6.1%	3.1%	4.5%	6.6%	-0.8%	17.2%	14.0%
S&P/TSX	2.4%	-1.6%	3.7%	4.5%	-4.5%	18.6%	1.7%
MSCI EM ERGING MARKETS	7.8%	6.7%	7.7%	5.7%	0.6%	15.5%	22.3%
MSCI WORLD	7.0%	4.5%	5.3%	5.8%	-0.9%	15.7%	15.4%
S&P GS COMMODITY INDEX	-5.1%	-5.5%	7.2%	9.9%	2.2%	8.4%	13.8%
US 10-YEAR T-BONDS	0.8%	0.9%	0.6%	-0.2%	-2.5%	-3.0%	-1.2%
CAD/USD	0.9%	2.7%	4.0%	-0.9%	-2.4%	-2.3%	3.3%
CAD/EUR	-0.4%	-4.3%	0.6%	-2.4%	-4.8%	4.4%	-10.5%

Source: Thomson Reuters DataStream, Canaccord Genuity estimates

Fiscal 2019 Outlook

Recent economic data and leading economic indicators confirm that global economic growth is losing steam, albeit from a high level. However, the growth slowdown observed and projected appears to be spreading mainly over developed markets (DMs) where rising interest rates have begun to impact economic conditions. Our view is that this growth lull is temporary. We expect that fiscal reflation and weak currencies should act as shock absorbers in North America while monetary reflation should protect growth in Europe, Australia, Asia and Far East regions. Elsewhere, growth prospects remain upbeat in EM countries, which account for roughly 75% of global GDP growth and expected growth in calendar 2018 and 2019. We expect that disinflationary pressures and strong EM currencies will allow central banks to further cut short-term rates. This positive decoupling between EM/DM monetary policy, leading economic indicators and economic momentum is a key reason why we see no imminent risk of a marked deterioration in global growth into fiscal 2019. However, higher tariffs imposed by the US administration on imported goods increase the uncertainty on our longer-term global economic outlook. We will continue to monitor market trends and if we see a deterioration of the economic outlook we would expect to react quickly to any anticipated changes in market conditions.

US and Canadian equity market valuations remain elevated by historical standards, especially when accounting for debt on corporate balance sheets. However, we believe equity markets will continue to benefit from strong earnings growth within a low, but rising, interest rate and inflationary environment. These conditions should benefit our global wealth management operations. Also, we expect investors to rotate out of expensive growth sectors into cheaper value sectors such as resource cyclicals, supporting agency trading activities in the process. This rotation, however, could mark the late stages of a maturing bull market, hence increased market volatility. Nevertheless, assuming pro-business industry regulations, we expect that financing and advisory activities in the health-care and technology sectors should stay vigorous while higher commodity prices could prompt resource companies to raise capital for M&A or production-related growth objectives.

Overview of Preceding Years – Fiscal 2017 vs. 2016

Total revenue for the year ended March 31, 2017 (fiscal 2017) was $879.5 million, an increase of $91.7 million or 11.6% compared to the year ended March 31, 2016 mainly because of an increase in investment banking and principal trading revenues. Revenue generated from investment banking activities increased by $64.1 million to $196.1 million in fiscal 2017, most notably in our Canadian and Australian capital markets operations. Revenue from principal trading revenue increased by $33.5 million for the year ended March 31, 2017 compared to the prior year due to higher revenue earned across all regions.

Canaccord Genuity Group recorded net income of $43.2 million during fiscal 2017, compared to a net loss of $358.6 million in fiscal 2016 attributable to certain significant items which included goodwill and other asset impairment charges and restructuring costs recorded in fiscal 2016. Excluding significant items[1], net income for fiscal 2017 was $49.2 million compared to a net loss of $6.0 million for fiscal 2016, largely due to the higher revenue earned as a result of increased capital raising activities as well as expansion of our wealth management operations during fiscal 2017.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 14.

Financial Overview

SELECTED FINANCIAL INFORMATION[1,2,3]

(C$ thousands, except per share and % amounts, and number of employees)	2018	2017	2016	2018/2017 change	
	For the years ended March 31				
Canaccord Genuity Group Inc. (CGGI)					
Revenue					
Commissions and fees	**$ 461,937**	$ 396,741	$ 376,817	$ 65,196	16.4%
Investment banking	**282,195**	196,129	132,029	86,066	43.9%
Advisory fees	**122,372**	130,749	160,180	(8,377)	(6.4)%
Principal trading	**113,921**	119,040	85,559	(5,119)	(4.3)%
Interest	**27,875**	16,847	16,830	11,028	65.5%
Other	**14,577**	20,040	16,390	(5,463)	(27.3)%
Total revenue	**1,022,877**	879,546	787,805	143,331	16.3%
Expenses					
Non-share based incentive compensation	**480,369**	414,676	382,851	65,693	15.8%
Share based incentive compensation	**46,245**	40,322	35,025	5,923	14.7%
Salaries and benefits	**99,239**	85,698	92,981	13,541	15.8%
Other overhead expenses[4]	**298,250**	284,966	302,530	13,284	4.7%
Restructuring costs[5]	**7,643**	—	17,352	7,643	n.m.
Acquisition-related costs	**6,732**	—	—	6,732	n.m.
Acceleration of long-term incentive plan expense[6]	**48,355**	—	—	48,355	n.m.
Share of loss of an associate[7]	**298**	—	—	298	n.m.
Impairment of goodwill and other assets[8]	**—**	—	321,037	—	—
Total expenses	**987,131**	825,662	1,151,776	161,469	19.6%
Income (loss) before income taxes	**35,746**	53,884	(363,971)	(18,138)	(33.7)%
Net income (loss)	**$ 17,077**	$ 43,186	$ (358,567)	$ (26,109)	(60.5)%
Net income (loss) attributable to CGGI shareholders	**$ 13,024**	$ 38,103	$ (358,471)	$ (25,079)	(65.8)%
Non-controlling interests	**$ 4,053**	$ 5,083	$ (96)	$ (1,030)	(20.3)%
Earnings (loss) per common share – basic	**$ 0.04**	$ 0.29	$ (4.09)	$ (0.25)	(86.2)%
Earnings (loss) per common share – diluted	**$ 0.03**	$ 0.27	$ (4.09)	$ (0.24)	(88.9)%
Return on common equity (ROE)	**0.9%**	5.0%	(50.4)%	(4.1) p.p.	
Dividends per common share	**$ 0.15**	$ 0.10	$ 0.10	$ 0.05	50.0%
Dividends per Series A Preferred Share	**$ 0.9712**	$ 1.173	$ 1.375	$ (0.20)	(17.2)%
Dividends per Series C Preferred Share	**$ 1.2482**	$ 1.4375	$ 1.4375	$ (0.19)	(13.2)%
Book value per diluted common share[9]	**$ 5.71**	$ 5.08	$ 4.99	$ 0.63	12.3%
Excluding significant items[10]					
Total revenue	**$ 1,022,877**	$ 878,353	$ 787,805	$ 144,524	16.5%
Total expenses	**$ 912,270**	$ 817,096	$ 793,862	$ 95,174	11.6%
Income (loss) before income taxes	**$ 110,607**	$ 61,257	$ (6,057)	$ 49,350	80.6%
Net income (loss)	**$ 81,657**	$ 49,196	$ (5,995)	$ 32,461	66.0%
Net income (loss) attributable to CGGI shareholders	**$ 77,604**	$ 43,903	$ (6,620)	$ 33,701	76.8%
Net income attributable to non-controlling interests	**$ 4,053**	$ 5,293	$ 625	$ (1,240)	(23.4)%
Earnings (loss) per common share – diluted	**$ 0.59**	$ 0.32	$ (0.21)	$ 0.27	84.4%
Balance sheet data					
Total assets	**$ 4,020,736**	$ 5,203,516	$ 3,424,546	$(1,182,780)	(22.7)%
Total liabilities	**3,165,813**	4,426,873	2,665,895	(1,261,060)	(28.5)%
Non-controlling interests	**13,571**	11,858	8,722	1,713	14.4%
Total shareholders' equity	**841,352**	764,785	749,929	76,567	10.0%
Number of employees	**1,956**	1,700	1,795	256	15.1%

(1) Data is in accordance with IFRS except for ROE, book value per diluted common share, figures excluding significant items and number of employees. See Non-IFRS Measures on page 14.
(2) The operating results of the Australian operations have been fully consolidated, and a 42% non-controlling interest has been recognized for the year ended March 31, 2018 [year ended March 31, 2017 – 42% and March 31, 2016 – 40%.].
(3) Data includes the results of Hargreave Hale since the closing date of September 18, 2017.
(4) Consists of trading costs, premises and equipment, communication and technology, interest, general and administrative, amortization of tangible and intangible assets, and development costs.

(5) Restructuring costs for the year ended March 31, 2018 related to termination benefits incurred as a result of the closing of certain trading operations in our UK & Europe capital markets operations, staff reductions in our Canadian and US capital markets operations, as well as real estate costs related to the acquisition of Hargreave Hale. Restructuring costs for the year ended March 31, 2016 were related to staff reductions in our US capital markets operations and the closure of our Barbados office in Other Foreign Locations, as well as charges related to changes in our Corporate and Other segment.
(6) Effective as of March 31, 2018 the Plan was changed to remove certain employment-related conditions for the vesting of RSU awards made as part of the normal course incentive compensation payment cycle. As a result of this change, the costs of RSUs granted as part of the normal course incentive compensation payment cycle will now be expensed in the period in which those awards are deemed to be earned, instead of recognizing the costs over the vesting period. This change led to the acceleration of the remaining expense for certain awards made under the LTIP which had not been fully amortized as of March 31, 2018. The total charge recorded during the year ended March 31, 2018 in respect of awards granted prior to fiscal 2018 was $48.4 million.
(7) Represents the Company's equity portion of the net loss of its investment in Canaccord Genuity Acquisition Corp. for the year ended March 31, 2018.
(8) Impairment of goodwill and other assets for the year ended March 31, 2016 is in connection with our capital markets operations in the UK, US, Canada, Australia, and Other Foreign Locations – Singapore operations.
(9) Book value per diluted common share is calculated as total common shareholders' equity adjusted for assumed proceeds from exercise of options and warrants and conversion of convertible debentures divided by the number of diluted common shares outstanding including estimated amounts in respect of share issuance commitments including options, warrants and convertible debentures, as applicable, and adjusted for shares purchased under the normal course issuer bid and not yet cancelled, and estimated forfeitures in respect of unvested share awards under share-based payment plans.
(10) Net income (loss) and earnings (loss) per common share excluding significant items reflect tax-effected adjustments related to such items. See the Selected Financial Information Excluding Significant Items table below.
p.p.: percentage points
n.m.: not meaningful

SELECTED FINANCIAL INFORMATION EXCLUDING SIGNIFICANT ITEMS(1)

	For the years ended March 31				
(C$ thousands, except per share and % amounts)	**2018**	2017	2016	2018/2017 change	
Total revenue per IFRS	**$ 1,022,877**	$ 879,546	$ 787,805	$ 143,331	16.3%
Total expenses per IFRS	**$ 987,131**	$ 825,662	$ 1,151,776	$ 161,469	19.6%
Revenue					
Significant items recorded in Canaccord Genuity					
Realized translation gains on disposal of Singapore	**—**	1,193	—	(1,193)	(100.0)%
Total revenue excluding significant items	**1,022,877**	878,353	787,805	144,524	16.5%
Expenses					
Significant items recorded in Canaccord Genuity					
Amortization of intangible assets	**2,317**	3,304	5,409	(987)	(29.9)%
Impairment of goodwill and other assets	**—**	—	321,037	—	—
Restructuring costs(2)	**4,704**	—	11,305	4,704	n.m.
Development costs	**—**	—	1,157	—	—
Acceleration of long-term incentive plan expense(3)	**42,399**	—	—	42,399	n.m.
Significant items recorded in Canaccord Genuity Wealth Management					
Amortization of intangible assets	**8,273**	5,262	6,055	3,011	57.2%
Restructuring costs(2)	**2,939**	—	165	2,939	n.m.
Acquisition related costs	**6,732**	—	—	6,732	n.m.
Acceleration of long-term incentive plan expense(3)	**4,058**	—	—	4,058	n.m.
Incentive based payments related to acquisition(4)	**1,541**	—	—	1,541	n.m.
Significant items recorded in Corporate and Other					
Restructuring costs	**—**	—	5,882	—	—
Development costs	**—**	—	6,904	—	—
Acceleration of long-term incentive plan expense(3)	**1,898**	—	—	1,898	n.m.
Total significant items	**74,861**	8,566	357,914	66,295	n.m.
Total expenses excluding significant items	**912,270**	817,096	793,862	95,174	11.6%
Net income (loss) before income taxes – adjusted	**$ 110,607**	$ 61,257	$ (6,057)	$ 49,350	80.6%
Income tax expense (recovery) – adjusted	**28,950**	12,061	(62)	16,889	140.0%
Net income (loss) – adjusted	**$ 81,657**	$ 49,196	$ (5,995)	$ 32,461	66.0%
Net income attributable to common shareholders, adjusted	**68,011**	32,825	(18,612)	35,186	107.2%
Earnings (loss) per common share – basic, adjusted	**$ 0.73**	$ 0.36	$ (0.21)	$ 0.37	102.8%
Earnings (loss) per common share – diluted, adjusted	**$ 0.59**	$ 0.32	$ (0.21)	$ 0.27	84.4%

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 14.
(2) Restructuring costs for the year ended March 31, 2018 related to termination benefits incurred as a result of the closing of certain trading operations in our UK & Europe capital markets operations, staff reductions in our Canadian and US capital markets operations, as well as real estate costs related to the acquisition of Hargreave Hale.
(3) Effective as of March 31, 2018 the Plan was changed to remove certain employment-related conditions for the vesting of RSU awards made as part of the normal course incentive compensation payment cycle. As a result of this change, the costs of RSUs granted as part of the normal course incentive compensation payment cycle will now be expensed in the period in which those awards are deemed to be earned, instead of recognizing the costs over the vesting period. This change led to the acceleration of the remaining expense for certain awards made under the LTIP which had not been fully amortized as of March 31, 2018. The total charge recorded during the year ended March 31, 2018 in respect of awards granted prior to fiscal 2018 was $48.4 million.
(4) Incentive-based payments related to the acquisition of Hargreave Hale determined with reference to financial targets and other performance criteria.
n.m.: not meaningful

FOREIGN EXCHANGE

Revenues and expenses from our foreign operations are initially recorded in their respective functional currencies and translated into Canadian dollars at exchange rates prevailing during the period. The pound sterling depreciated slightly by 0.4% against the Canadian dollar and the US dollar depreciated by 2.2% against the Canadian dollar in fiscal 2018 when compared to fiscal 2017. This change in foreign exchange rates contributed to certain changes in revenue and expense items measured in Canadian dollars when compared to the applicable prior periods and should be considered when reviewing the following discussion in respect of our consolidated results as well as the discussion in respect of Canaccord Genuity and Canaccord Genuity Wealth Management UK & Europe.

GEOGRAPHIES

Commencing in Q3/17, the operating results of our Australian operations were disclosed as a separate geography. Prior to Q3/17 Australia was included as part of Other Foreign Locations. Also, commencing in Q3/17, our Dubai operation, which was previously included in Other Foreign Locations, was included as part of Canaccord Genuity UK & Europe. The Other Foreign Locations geographic segment is now comprised of our Asian-based operations, including China and Hong Kong and prior to their sale or closure also included Singapore and Barbados. These reclassifications reflect the growing contributions from Australia and the working associations between the UK and Dubai. For purposes of the discussion provided herein the Canaccord Genuity operations in the UK, Europe and Dubai are referred to as the "UK".

Operating results of Hargreave Hale are included since the closing date of September 18, 2017 as part of Canaccord Genuity Wealth Management UK & Europe.

GOODWILL

The Company has recorded on its balance sheet as at March 31, 2018 goodwill in the amount of $258.0 million and included in intangible assets is an intangible asset with an indefinite life in the amount of $44.9 million. In determining whether to perform an impairment test, the Company considers factors such as its market capitalization, market conditions generally and overall economic conditions as well as market conditions in the key sectors in which the Company operates and the impact that such conditions are expected to have on the Company's operations.

Utilizing management's estimates for revenue and operating performance, growth rates and other assumptions typically required in connection with discounted cash flow models the Company determined that there was no impairment in the goodwill and indefinite life intangible assets associated with any of its wealth management business units in the UK & Europe or its remaining goodwill recorded in Canaccord Genuity Canada. Notwithstanding this determination as of March 31, 2018, changes or uncertainty in the economic environment may cause this determination to change. If the business climate changes and the Company is unable to achieve its internal forecasts the Company may determine that there has been impairment and the Company may be required to record a goodwill impairment charge in future periods in respect of the Canaccord Genuity Wealth Management business units in the UK & Europe or in respect of the remaining goodwill recorded in Canaccord Genuity Canada. Adverse changes in the key assumptions utilized for purposes of impairment testing for goodwill and indefinite life intangible assets may result in the estimated recoverable amount of some or all of the applicable business units declining below the carrying value with the result that impairment charges may be required. The amount of any impairment charge would affect some or all of the amounts recorded for goodwill and indefinite life intangible assets. Any such impairment charges would be determined after incorporating the effect of any changes in key assumptions including any consequential effects of such changes on estimated operating income and on other factors. In addition, notwithstanding that there may be no change in the performance estimates used by the Company for purposes of determining whether there has been any impairment in its indefinite life intangible asset related to the Genuity brand name, in the event that the Company changes the way in which it uses that asset the Company may be required to record an impairment charge.

REVENUE

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

Revenue for fiscal 2018 was $1.02 billion, an increase of 16.3% or $143.3 million from fiscal 2017, marking the first time our consolidated revenue has surpassed $1.0 billion. The increase in revenue compared to the prior year was mainly related to an increase of $86.1 million in investment banking revenue as well as an increase of $65.2 million in commissions and fees revenue.

As a result of an improvement in capital raising activity in our core focus areas, particularly during the second half of fiscal 2018, revenue in our Canaccord Genuity segment increased by $39.2 million or 6.6% compared to fiscal 2017. Our investment banking revenue experienced an increase of $65.9 million compared to the past fiscal year, largely related to an increase of $60.1 million recorded in our Canadian operations. Our Canadian business participated in numerous transactions in the blockchain and cannabis sectors leading to the higher investment banking revenue recorded during the year. Our Australian operations recorded a decrease of $2.7 million from our record year in fiscal 2017, but overall revenue was still very strong at $57.0 million for fiscal 2018. Revenue in our UK & Europe operations decreased by $18.4 million or 12.5% as a result of a decrease in advisory mandates completed during the current fiscal year. Our US operations generated revenue of $235.9 million in fiscal 2018, a slight increase of 0.7% from the prior year.

As part of our strategic focus to strengthening contributions from our global wealth management operations, the Company completed its acquisition of Hargreave Hale during the year ended March 31, 2018. Revenue in our wealth management operations in the UK & Europe increased by $66.6 million or 49.4% compared to the year ended March 31, 2017, largely due to revenue generated from our newly acquired Hargreave Hale operations. Measured in local currency (GBP), revenue increased by £38.9 million or 49.2% compared to the year ended March 31, 2017. Our Canadian wealth management operations also generated $168.9 million of revenue in fiscal 2018, representing an increase of $36.6 million or 27.7% over the prior year.

Commissions and fees revenue is primarily generated from private client trading activity and institutional sales and trading. Revenue generated from commissions and fees increased by $65.2 million or 16.4% from fiscal 2017 to $461.9 million in fiscal 2018. As discussed above, the expansion of our wealth management operations was the primary reason for the increase in commissions and fees revenue. Offsetting the increase in our wealth management operations was a decrease of $15.4 million in commissions and fees revenue from our capital markets operations, mainly due to lower revenue earned from our institutional customers in our Canadian and US operations.

As a result of improved market conditions, revenue generated from investment banking activities increased by $86.1 million to $282.2 million in fiscal 2018, compared to $196.1 million in fiscal 2017, most notably in our Canadian wealth management and capital markets operations. As discussed above, the increase in Canada was largely due to increased participation in financing transactions particularly in the cannabis and blockchain sectors. Our UK & Europe and Australian capital markets operations also recorded an increase of $6.9 million and $0.9 million, respectively, in investment banking revenue compared to the prior year. Offsetting these increases was a decrease of $1.7 million in investment banking revenue in our US capital markets operations compared to last year. In both Canada and Australia, investment banking revenue also reflects gains in our warrant and inventory positions earned in respect of investment banking activity in the current and prior periods.

Advisory fees revenue decreased by $8.4 million, or 6.4% compared to the prior year to $122.4 million for fiscal 2018. This was primarily due to a reduction in the number of completed advisory mandates in our capital markets operations in the UK & Europe and Australia. The largest decrease was in our UK & Europe capital markets operations, which experienced a decline of $14.4 million, primarily because of a significant advisory transaction in our Dubai operations recorded in fiscal 2017. Offsetting these decreases were increases of $10.7 million and $1.3 million in our US and Canadian capital markets operations, respectively, compared to last year as a result of an increase in advisory mandates completed in these two operations.

Revenue derived from principal trading decreased by $5.1 million to $113.9 million for the year ended March 31, 2018. Small increases in Canada and the US were offset by lower revenue earned in our UK & Europe capital markets operation as a result of lower market volatility compared to the prior year which reduced opportunities for trading gains.

Interest revenue was $27.9 million in fiscal 2018, an increase of 65.5%, or $11.0 million, from last year due to higher revenue earned in our Canadian operations arising from increased margin loan and stock loan activity. Increased investment banking activity in Canada during the year gave rise to increased opportunities for lending activity and increased interest revenue. Other revenue was $14.6 million, a decrease of $5.5 million from the same period a year ago, partially due to lower foreign exchange gains as well as a realized translation gain recorded on the disposal of our Singapore operations during fiscal 2017.

EXPENSES

Expenses as a percentage of revenue

	For the years ended March 31		
	2018	2017	2018/2017 change
Non-share based incentive compensation	**47.0%**	47.5%	(0.5) p.p.
Share based incentive compensation	**4.5%**	4.2%	0.3 p.p
Salaries and benefits	**9.7%**	9.8%	(0.1) p.p.
Other overhead expenses(1)	**29.2%**	32.4%	(3.2) p.p.
Restructuring costs(2)(3)	**0.7%**	—	n.m.
Acquisition-related costs(2)	**0.7%**	—	n.m.
Acceleration of long-term incentive plan expense(2)(4)	**4.7%**	—	n.m.
Share of loss of an associate(5)	**0.0%**	—	n.m.
Total	**96.5%**	93.9%	2.6 p.p.

(1) Consists of trading costs, premises and equipment, communication and technology, interest, general and administrative, amortization of tangible and intangible assets and development costs.
(2) Refer to the Selected Financial Information Excluding Significant Items table on page 23.
(3) Restructuring costs for the year ended March 31, 2018 related to termination benefits incurred as a result of the closing of certain trading operations in our UK & Europe capital markets operations, staff reductions in our Canadian and US capital markets operations, as well as real estate costs related to the acquisition of Hargreave Hale. Restructuring costs for the year ended March 31, 2017 were related to staff reductions in our US, Canada and UK capital markets operations and the closure of our Barbados office in Other Foreign Locations, as well as charges related to staff reductions and certain executive changes in our Corporate and Other segment.
(4) Effective as of March 31, 2018 the Plan was changed to remove certain employment-related conditions for the vesting of RSU awards made as part of the normal course incentive compensation payment cycle. As a result of this change, the costs of RSUs granted as part of the normal course incentive compensation payment cycle will now be expensed in the period in which those awards are deemed to be earned, instead of recognizing the costs over the vesting period. This change led to the acceleration of the remaining expense for certain awards made under the LTIP which had not been fully amortized as of March 31, 2018. The total charge recorded during the year ended March 31, 2018 in respect of awards granted prior to fiscal 2018 was $48.4 million.
(5) Represents the Company's equity portion of the net loss of its investment in Canaccord Genuity Acquisition Corp. for the year ended March 31, 2018.
p.p.: percentage points
n.m.: not meaningful

Expenses for fiscal 2018 were $987.1 million, an increase of 19.6% or $161.5 million compared to the last fiscal year. Excluding significant items[(1)], total expenses were $912.3 million, up $95.2 million or 11.6% from fiscal 2017. As a result of the increase in revenue during the year and the non-variable nature of certain infrastructure and overhead costs, total expenses excluding significant items[(1)] as a percentage of revenue decreased by 3.8 percentage points compared to the year ended March 31, 2017.

Compensation expenses

Long-term incentive plan

Employees (including senior executives) of the Company receive a component of their overall compensation in the form of share-based awards. Participating employees receive shares as they vest, typically over three years (the "RSUs"). This program is referred to as the Long-Term Incentive Plan (the "LTIP" or the "Plan"). Effective as of March 31, 2018 the Plan was changed to remove certain employment-related conditions for the vesting of RSU awards that were made as part of the normal course incentive compensation payment cycle. With the change, RSUs will continue to vest after termination of employment so long as the employee does not violate certain post-termination restrictions and is not engaged in certain competitive or soliciting activities as provided in the Plan. Because of this change, for accounting purposes, the RSUs granted as part of the normal course incentive compensation payment cycle will now be expensed in the period in which those awards are deemed to be earned, which is generally the fiscal period in which the awards are either made or the immediately preceding fiscal year for those awards made after the end of such fiscal year but were determined and earned in respect of that fiscal year. Accordingly, a charge of $48.4 million in respect of awards granted prior to fiscal 2018 including the acceleration of the remaining expense for certain awards which had not been fully amortized as of March 31, 2018 was recorded in fiscal 2018. This non-cash accounting charge was excluded from the calculation of the total compensation ratio as noted below and included as a significant item[(1)] as it represented a singular charge of a non-operating nature. The costs associated with LTIP awards granted for fiscal 2018 was included as part of incentive compensation expense. Refer to Note 21 of the audited consolidated financial statements for the year ended March 31, 2018 for further information on the share-based payment plans.

Incentive compensation expense was $526.6 million (excluding the accelerated expense related to certain share-based awards referred to above), an increase of $71.6 million or 15.7% from the prior year, in line with the increase in incentive-based revenue. Incentive compensation as a percentage of total revenue was 51.5% for fiscal 2018, a slight decrease of 0.2 percentage points from 51.7% in the prior year. Salaries and benefits expense of $99.2 million for the year ended March 31, 2018 was $13.5 million or 15.8% higher than the prior fiscal year. The increase was largely due to additional costs from our expansion in the UK & Europe wealth management operations including the acquisition of Hargreave Hale. Despite the increase in fixed staff costs, total compensation expense (incentive compensation expense excluding the accelerated expense related to certain share-based awards referred to above plus salaries and benefits) as a percentage of total revenue was 61.2% in fiscal 2018, relatively unchanged from the prior year representing a decrease of 0.4 percentage points.

OTHER OVERHEAD EXPENSES

	For the years ended March 31		
(C$ thousands, except % amounts)	**2018**	2017	2018/2017 change
Trading costs	**$ 68,209**	$ 65,211	4.6%
Premises and equipment	**39,605**	42,286	(6.3)%
Communication and technology	**56,346**	52,381	7.6%
Interest	**18,437**	12,744	44.7%
General and administrative	**83,982**	79,011	6.3%
Amortization[(1)]	**24,007**	21,124	13.6%
Development costs	**7,664**	12,209	(37.2)%
Total other overhead expenses	**$ 298,250**	$ 284,966	4.7%

(1) Includes amortization of intangible assets for the years ended March 31, 2018 and March 31, 2017, respectively. See the Selected Financial Information Excluding Significant Items table on page 23.

Other overhead expenses were $298.3 million or 4.7% higher in fiscal 2018, which as a percentage of revenue was 29.2% compared to 32.4% in fiscal 2017. Most of our other overhead expenses increased as a result of business growth during fiscal 2018, partially offset by lower premises and equipment expense and development costs.

In order to support the higher headcount and expansion of our wealth management business resulting from the completion of the Hargreave Hale acquisition, many of our overhead expenses experienced increases compared to the year ended March 31, 2017. The expanded operations have contributed to increases in our trading costs and communication and technology expense of $3.0 million or 4.6% and $4.0 million or 7.6%, respectively, compared to the prior year. Trading costs also increased partially as a result of higher costs recorded in our UK capital markets operations of $1.1 million compared to fiscal 2017.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 14.

General and administrative expense, which includes reserves, promotion and travel expense, office expense, professional fees and donations, was up by $5.0 million or 6.3%, largely due to the additional costs to support the expanded UK & Europe wealth management operations following the completion of the Hargreave Hale acquisition. In addition, our Canadian capital markets operations also experienced an increase of $8.4 million compared to the prior year as a result of additional costs such as professional fees and promotion and travel expenses required to support the increased level of activity and headcount in this region during fiscal 2018. Our US and UK capital markets operations both recorded decreases in general and administrative expenses, in line with the reduced headcount and our continued focus on cost reductions

Interest expense increased by $5.7 million or 44.7% compared to fiscal 2017 because fiscal 2018 reflects a full year's worth of interest expense for the convertible debentures issued in Q3/17 as well as interest related to the bank loan obtained in Q2/18 in connection with the acquisition of Hargreave Hale.

Amortization expense was $24.0 million, an increase of $2.9 million or 13.6% from fiscal 2017, mainly as a result of the amortization of intangible assets in connection with our acquisition of Hargreave Hale recorded in our UK & Europe wealth management operations.

Offsetting the increases in expenses discussed above, premises and equipment expense decreased by $2.7 million or 6.3% in fiscal 2018 because of the costs associated with the rationalization of our office space in Toronto recorded in our Corporate and Other segment in Q3/17. In addition, development costs decreased by $4.5 million or 37.2% from fiscal 2017 partially because of lower recruitment costs in our US and UK capital markets operations, as well as an impairment charge of $2.4 million related to an investment that was recorded in fiscal 2017 in our Corporate and Other segment. Offsetting these decreases in development costs was $1.5 million of incentive-based payments related to the acquisition of Hargreave Hale determined with reference to financial targets and other performance criteria.

There were $7.6 million of restructuring costs recorded in fiscal 2018 related to staff reductions in our US and Canadian capital markets operations, costs related to the closure of certain trading operations in Dublin, as well as costs associated with the rationalization of office space related to the acquisition of Hargreave Hale. No restructuring costs were recorded during the same period last year.

The Company also recorded $6.7 million of acquisition-related costs in relation to the acquisition of Hargreave Hale for the year ended March 31, 2018. The acquisition-related costs included professional and consulting fees incurred during the year.

NET INCOME

Net income for fiscal 2018 was $17.1 million compared to net income of $43.2 million in fiscal 2017, a decrease of $26.1 million or 60.5%, largely due to the acceleration of LTIP expense related to the change in the Plan as discussed above, offset by the significant increase in revenue in both our capital markets and wealth management operations. Net income attributable to common shareholders was $3.4 million for fiscal 2018 compared to $27.0 million for fiscal 2017. Earnings per common share was $0.03 in fiscal 2018 compared to earnings per common share of $0.27 in the prior fiscal year. Excluding significant items(1), net income for fiscal 2018 was $81.7 million or net income attributable to common shareholders of $68.0 million, compared to net income of $49.2 million or net income attributable to common shareholders of $32.8 million in fiscal 2017. Diluted earnings per share excluding significant items(1) was $0.59 for fiscal 2018 compared to $0.32 for the prior year.

Income tax expense was $18.7 million for fiscal 2018, reflecting an effective tax rate of 52.2% compared to an effective tax rate of 19.9% in the prior year. Non-recognition of deferred tax assets in certain of our foreign operations contributed to a higher effective tax rate for the year ended March 31, 2018.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 14.

Quarterly Financial Information[1][2]

The following table provides selected quarterly financial information for the eight most recently completed financial quarters ended March 31, 2018. 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 presented. Quarter-to-quarter comparisons of financial results are not necessarily meaningful and should not be relied upon as an indication of future performance.

(C$ thousands, except per share amounts)				Fiscal 2018				Fiscal 2017
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue								
Commissions and fees	$ 135,148	$ 125,709	$ 96,125	$ 104,955	$ 105,890	$ 102,637	$ 95,342	$ 92,872
Investment banking	95,514	112,639	33,356	40,696	71,595	46,508	40,901	37,125
Advisory fees	40,930	31,947	30,589	18,896	52,474	17,127	21,554	39,594
Principal trading	36,047	29,138	22,849	25,887	31,066	33,569	26,859	27,546
Interest	10,045	6,861	5,793	5,176	5,217	4,017	4,005	3,608
Other	4,396	3,148	2,835	4,198	5,414	4,250	4,941	5,435
Total revenue	322,080	309,442	191,547	199,808	271,656	208,108	193,602	206,180
Total expenses	324,379	262,559	198,613	201,580	234,251	202,397	192,845	196,169
Net (loss) income before income taxes	(2,299)	46,883	(7,066)	(1,772)	37,405	5,711	757	10,011
Net (loss) income	$ (9,703)	$ 36,598	$ (7,258)	$ (2,560)	$ 30,987	$ 4,544	$ 200	$ 7,455
(Loss) earnings per share – basic[4]	$ (0.15)	$ 0.35	$ (0.11)	$ (0.05)	$ 0.29	0.01	(0.05)	0.04
(Loss) earnings per share – diluted[4]	$ (0.15)	$ 0.29	$ (0.11)	$ (0.05)	$ 0.26	0.01	(0.05)	0.04
Excluding significant items[3]								
Net income	$ 37,312	$ 39,182	$ 3,548	$ 1,615	$ 32,740	$ 6,309	$ 2,008	$ 8,139
Earnings (loss) per share – basic[4]	$ 0.36	$ 0.38	$ 0.01	$ (0.01)	$ 0.31	$ 0.03	$ (0.03)	$ 0.05
Earnings (loss) per share – diluted[4]	$ 0.28	$ 0.31	$ 0.01	$ (0.01)	$ 0.27	$ 0.03	$ (0.03)	$ 0.05

(1) Data is in accordance with IFRS except for figures excluding significant items. See Non-IFRS Measures on page 14.
(2) The operating results of our Australian operations have been fully consolidated and a 42% non-controlling interest has been recognized during fiscal 2018 [fiscal 2017 – 42%].
(3) Figures excluding significant items are non-IFRS measures. See the Quarterly Financial Information Excluding Significant Items table on the next page.
(4) Due to rounding or calculation of the dilutive impact of share issuance commitments in the quarterly and year to date EPS figures, the sum of the quarterly earnings (loss) per common share figures may not equal the year to date earnings (loss) per share figure.

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

(C$ thousands, except per share amounts)	Q4	Q3	Q2	Fiscal 2018 Q1	Q4	Q3	Q2	Fiscal 2017 Q1
Total revenue per IFRS	$ 322,080	$ 309,442	$ 191,547	$ 199,808	$271,656	$208,108	$193,602	$ 206,180
Total expenses per IFRS	324,379	262,559	198,613	201,580	234,251	202,397	192,845	196,169
Revenue								
Significant items recorded in Canaccord Genuity								
Realized translation gains on disposal of Singapore	—	—	—	—	—	—	—	1,193
Total revenue excluding significant items	322,080	309,442	191,547	199,808	271,656	208,108	193,602	204,987
Expenses								
Significant items recorded in Canaccord Genuity								
Amortization of intangible assets	579	579	579	580	830	829	827	818
Restructuring costs[(3)]	—	—	4,256	448	—	—	—	—
Acceleration of long-term incentive plan expense[(4)]	42,399	—	—	—	—	—	—	—
Significant items recorded in Canaccord Genuity Wealth Management								
Amortization of intangible assets	2,867	2,820	1,262	1,324	1,260	1,274	1,323	1405
Restructuring costs	939	—	2,000	—	—	—	—	—
Acquisition-related costs	184	—	4,364	2,184	—	—	—	—
Acceleration of long-term incentive plan expense[(4)]	4,058	—	—	—	—	—	—	—
Incentive payment related to acquisition[(5)]	1,541	—	—	—	—	—	—	—
Significant items recorded in Corporate and Other								
Acceleration of long-term incentive plan expense[(4)]	1,898	—	—	—	—	—	—	—
Total significant items	54,465	3,399	12,461	4,536	2,090	2,103	2,150	2,223
Total expenses excluding significant items	269,914	259,160	186,152	197,044	232,161	200,294	190,695	193,946
Net income before income taxes – adjusted	$ 52,166	$ 50,282	$ 5,395	$ 2,764	39,495	7,814	2,907	11,041
Income tax expense – adjusted	14,854	11,100	1,847	1,149	6,755	1,505	899	2,902
Net income – adjusted	$ 37,312	$ 39,182	$ 3,548	$ 1,615	$ 32,740	$ 6,309	$ 2,008	$ 8,139
Net income (loss) attributable to common shareholders	$ 33,003	$ 34,665	$ 970	$ (627)	$ 28,099	$ 2,907	$ (2,481)	$ 4,300
Earnings (loss) per share – basic – adjusted[(6)]	$ 0.36	$ 0.38	$ 0.01	$ (0.01)	$ 0.31	$ 0.03	$ (0.03)	$ 0.05
Earnings (loss) per share – diluted – adjusted[(6)]	$ 0.28	$ 0.31	$ 0.01	$ (0.01)	$ 0.27	$ 0.03	$ (0.03)	$ 0.05

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 14.
(2) The operating results of our Australian operations have been fully consolidated and a 42% non-controlling interest has been recognized during fiscal 2018 [fiscal 2017 – 42%].
(3) Restructuring costs recorded in Q2 fiscal 2018 related to termination benefits incurred as a result of the closing of certain trading operations in our UK & Europe capital markets operations and staff reductions in our Canadian and US capital markets operations. There were also real estate costs related to the acquisition of Hargreave Hale recorded in Q2 and Q4 of fiscal 2018.
(4) Effective as of March 31, 2018 the Plan was changed to remove certain employment-related conditions for the vesting of RSU awards made as part of the normal course incentive compensation payment cycle. As a result of this change, the costs of RSUs granted as part of the normal course incentive compensation payment cycle will be expensed in the period in which those awards are deemed to be earned, instead of recognizing the costs over the vesting period. This change led to the acceleration of the remaining expense for certain awards made under the LTIP which had not been fully amortized as of March 31, 2018. The total charge recorded during Q4/18 in respect of awards granted prior to fiscal 2018 was $48.4 million.
(5) Incentive-based payments related to the acquisition of Hargreave Hale determined with reference to financial targets and other performance criteria.
(6) Due to rounding or calculation of the dilutive impact of share issuance commitments in the quarterly and year to date EPS figures, the sum of the quarterly earnings (loss) per common share figures may not equal the year to date earnings (loss) per share figure.

Quarterly trends and risks

Our quarterly results are generally not significantly affected by seasonal factors. However, the Company's revenue and income can experience considerable variations from quarter to quarter and year to year due to factors beyond the Company's control. The business is affected by the overall condition of the global capital markets and activity in our core focus sectors as well as growth company activity. The Company's revenue from an underwriting transaction is recorded only when a transaction has been substantially completed or closed. Consequently, the timing of revenue recognition can materially affect Canaccord Genuity Group Inc.'s quarterly results.

With the increase in capital raising and advisory activity in our core focus areas over the recent quarters and higher contribution from our global wealth management operations, revenue and net income excluding significant items(1) generated in fiscal 2018 have shown marked improvements over the past fiscal year. Revenue for Q4/18 was $322.1 million, an increase of 18.6% over the same quarter in the prior year and 4.1% over Q3/18. Our fiscal 2018 revenue was $1.02 billion, marking the first time our consolidated revenue has surpassed $1.0 billion. Over 61.7% of total revenue for fiscal 2018 was generated in the second half of fiscal 2018, which have historically been our stronger quarters.

The Canaccord Genuity division, which had been positively impacted by the increased market activity during the recent quarters, experienced an increase in revenue of 3.7% compared to Q4/17 and an increase of 2.3% from the prior quarter. Revenue in our Canadian capital markets operations increased significantly in the last two quarters of fiscal 2018 compared to the first six months of fiscal 2018 and the prior year. This increase was largely driven by an increase in investment banking and advisory fees, reflecting our active involvement with numerous transactions in the cannabis and blockchain sectors. The increase in investment banking revenue in Q3/18 and Q4/18 also reflects gains in our warrant and inventory positions earned from transactions in the current and prior year. As a result of the increase in revenue, commitment to our cost containment efforts and the fixed nature of certain expenses, overhead expenses as a percentage of revenue excluding significant items(1) have decreased in recent quarters, leading to higher pre-tax margins, with Q4/18 reaching 17.9% excluding significant items.(1)

Revenue in our US capital markets operations was $68.2 million in Q4/18, an increase of 5.3% compared to Q4/17, and the highest revenue in this operating segment over the past eight quarters. Our International Equities Group continued to perform well, with principal trading revenue increasing by $4.4 million in Q4/18 for this region compared to the prior year. This increase in principal trading revenue was driven by increased trading volumes in smaller emerging companies in new and developing industry sectors. Profitability in our US capital markets operations has strengthened from our efforts in the first half of fiscal 2018 to realign and strengthen our core capabilities in this region. Excluding significant items(1), pre-tax income for this region was $6.8 million in Q4/18, more than double the $2.8 million pre-tax profit generated in Q4/17.

Our Australian operations generated higher revenue in the second half of fiscal 2018 and have recovered from weakened market conditions in that region in the first half of the current fiscal year, with revenue reaching a record high of $22.1 million for Q3/18 and $20.1 million for Q4/18. Contributing to the increase in revenue in this region were profits and gains recorded in certain inventory and warrant positions earned in respect of investment banking activity in the current and prior periods.

Our Canaccord Genuity Wealth Management North America operations have been positively impacted by stabilizing market conditions, improved transaction activity and a growth in managed assets. Revenue increased by 27.8% during Q4/18 compared to the same period a year ago and by 6.3% compared to Q3/18. In addition to an increase in commissions and fees revenue, revenue attributable to investment banking activity in this segment also increased significantly in the second half of fiscal 2018 compared to the early part of fiscal 2018 and fiscal 2017, reflecting the increased private client participation in new issue activity in our Canadian operations because of the increased activity by companies in new and developing industry sectors such as cannabis. Excluding significant items(1), pre-tax income for Q4/18 was $8.5 million, the highest in the past eight quarter, reflecting the growth in revenue discussed above. Assets under management increased in Q4/18 by 6.8% compared to Q4/17 to $2.8 billion as a result of additional client assets with the hiring of new investment advisors as well as generally higher market values. Our fee related revenue continued to grow, but fee related revenue as a percentage of total revenue in Q4/18 decreased by 4.2 percentage points compared to Q4/17 primarily as a result of an increase in transactional-based revenue during the year which was led by an increase in investment banking revenue attributable to private client activity.

The Canaccord Genuity Wealth Management UK & Europe operations were expanded during fiscal 2018 with the completion of the Hargreave Hale acquisition at the end of Q2/18. Revenue generated in this region increased from $37.5 million in Q2/18 to $64.9 million in Q4/18, reflecting the immediate contribution of Hargreave Hale to our operating results. Although this region incurred higher operating expenses resulting from the expansion of this business and our increased headcounts, profit margins continued to be strong at 15.1% in Q4/18 on an excluding significant items basis(1). At the end of Q4/18, fee-related revenue was at 67.3%, a 3.2 percentage point decrease from Q4/17 due to an increase in transaction activity during the year. Assets under management for this group increased by $20.4 billion reaching $44.9 billion as of the end of Q4/18, compared to $24.5 billion at the end of Q4/17. While a significant portion of this growth is attributable to the addition of Hargreave Hale, net new assets and market gains also contributed to the overall increase in AUM.

The movement in revenue in the Corporate and Other segment was mainly due to foreign exchange gains or losses resulting from fluctuations in the Canadian dollar.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 14.

Fourth quarter 2018 performance

Revenue for the fourth quarter was $322.1 million, an increase of $50.4 million or 18.6% compared to the same period in the previous year. Our global wealth management operations generated an increase in revenue of $43.0 million or 58.7% compared to Q4/17, largely due to the acquisition of Hargreave Hale in Q2/18. In addition to an increase in commissions and fees revenue, investment banking fees generated in our wealth management operations also increased by $6.9 million or 70.4%, reflecting the increased private client participation in new issue activity in our Canadian operations.

Our Canaccord Genuity segment also recorded an increase of $7.2 million or 3.7% compared to Q4/17, with the largest increase being generated by our Canadian capital markets division due to an increase in investment banking revenue and advisory fees, as a result of the completion of large transactions such as Nuuvera Inc. and Aurora Cannabis. Our US operations also recorded an increase of $3.4 million or 5.3% compared to Q4/17, driven mainly by higher principal trading revenue resulting from increased market volatility. These revenue increases were offset by a decrease in our UK capital markets operations of $27.4 million or 44.0% compared to the same period in the previous year, of which $12.8 million of the decrease was attributable to a large advisory transaction completed in our Dubai operations during Q4/17 which caused advisory fee revenue during that quarter to be substantially higher than a typical quarter. Revenue for the fourth quarter in our Australian operations was $20.1 million, a slight decrease of $0.2 million or 1.2% compared to Q4/17. In our Other Foreign Locations, now comprised of only our Asian-based operations, no significant changes were reported compared to the same quarter last year.

On a consolidated basis, commissions and fees revenue increased by $29.3 million or 27.6% to $135.1 million compared to the same period in the previous year, predominantly attributable to our expanded UK & Europe wealth management operations as discussed above. Investment banking revenue increased by $23.9 million or 33.4% to $95.5 million in Q4/18, largely attributable to our Canadian capital markets operations as a result of increased financing activity in this region. Principal trading revenue increased by $5.0 million during the three months ended March 31, 2018 compared to the same period last year, mostly due to higher trading revenue generated in our International Equities Group in our US operations. Interest revenue for Q4/18 was $10.0 million, an increase of $4.8 million over Q4/17, mainly attributable to our Canadian capital markets operations arising from increased margin loan and stock loan activity. Advisory fees revenue decreased by $11.5 million or 22.0% to $40.9 million compared to the same period in the previous year, predominantly attributable to our UK & Europe capital markets operations as Q4/17 reflected the completion of a large advisory transaction as discussed above.

Expenses were $324.4 million, up $90.1 million or 38.5% from Q4/17. Total expenses excluding significant items(1) were $269.9 million, an increase of $37.8 million or 16.3% from the same period last year.

Effective March 31, 2018, the LTIP Plan was changed to remove certain employment-related conditions for the vesting of certain RSU awards made as part of the normal course incentive compensation payment cycle. As a result of this change, the costs of RSUs granted as part of the normal course incentive compensation payment cycle will be expensed in the period in which those awards are deemed to be earned, instead of recognizing the costs over the vesting period. This change led to the acceleration of the remaining expense for certain awards which had not been fully amortized as of March 31, 2018, resulting in a charge of $48.4 million recorded during Q4/18. The total charge recorded during Q4/18 in respect of awards granted prior to fiscal 2018 was $48.4 million.

Incentive compensation expense excluding the accelerated expense related to certain share-based awards referred to above increased by $24.0 million compared to the same period last year, in line with the increase in incentive-based revenue. Salaries and benefits expense was $6.5 million higher compared to the same period in the prior year largely due to higher headcount from our Hargreave Hale acquisition. Total compensation expense (incentive compensation expense excluding the accelerated expense related to certain share-based awards referred to above plus salaries and benefits) as a percentage of revenue increased slightly by 0.3 percentage point to 58.7% in Q4/18 compared to Q4/17 as a result of higher fixed staff costs offset by the increase in revenue.

Other overhead expenses were $87.0 million compared to $75.8 million in Q4/17, an increase of 14.8% compared to Q4/17 largely due to the restructuring and acquisition related costs recorded during Q4/18. Excluding significant items(1), overhead expenses as a percentage of revenue decreased by 2.0 percentage points, reflecting the increase in revenue and the fixed nature of certain expenses. As a result of our expanded operations and higher headcount, particularly in our global wealth management operations, most of our overhead expenses increased compared to Q4/17. The largest increases in overhead expenses compared to the same period in the prior year were general and administrative expense of $4.9 million or 25.2%, trading costs of $1.9 million or 10.0%, interest expense of $2.2 million or 56.8%, communication and technology of $1.7 million or 12.7%, as well as amortization of $1.8 million or 36.1%.

General and administrative costs, which increased by $4.9 million, were largely affected by higher costs to support the expanded UK & Europe wealth management operations following the completion of the Hargreave Hale acquisition. In addition, our Canadian capital markets operations also contributed to the increase as a result of higher costs in promotion and travel and professional fees to support the growth in business activity in this region. Trading costs increased across our capital markets operations as a result of increased trading activity. Communication and technology expense increased by $1.7 million due to the higher headcount in our wealth management operations. There was also an increase of $2.2 million in interest expense partially related to the bank

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 14.

loan obtained in connection with the acquisition of Hargreave Hale during Q2/18. In addition, in connection with the acquisition of Hargreave Hale, amortization related to intangible assets led to an increase in amortization expense recorded in Q4/18 compared to the same period in the prior year.

Offsetting these increases was a decrease of $2.2 million in development costs, due to a decline in hiring incentives in our US and UK operations, as well as an impairment charge related to an investment recorded in our Corporate and Other segment in Q4/17.

There were restructuring costs of $0.9 million and acquisition related expenses of $0.2 million recorded in Q4/18 in connection with the acquisition of Hargreave Hale. The restructuring costs related to rationalization of office space as part of our integration efforts of the Hargreave Hale operations into our existing UK wealth management operations. There were no restructuring or acquisition-related costs recorded in Q4/17.

Net loss for the fourth quarter of fiscal 2018 was $9.7 million compared to net income of $31.0 million in Q4/17, largely due to the acceleration of LTIP expense discussed above. Net loss attributable to common shareholders was $14.0 million for Q4/18 compared to net income attributable to common shareholders of $26.3 million in Q4/17. Loss per common share in the current quarter was $0.15, compared to diluted EPS of $0.26 in Q4/17. Excluding significant items(1), net income for Q4/18 was $37.3 million compared to $32.7 million in Q4/17, an increase of $4.6 million or 14.0%, primarily due to the increase in revenue. Net income attributable to common shareholders excluding significant items(1) was $33.0 million compared to $28.1 million in the same period of the prior year. Diluted EPS excluding significant items(1) was $0.28 in Q4/18 compared to $0.27 in Q4/17.

Income tax expense was $7.4 million in Q4/18 compared to income tax expense of $6.4 million for the three months ended March 31, 2017. The effective tax rate was 322.1% in Q4/18, largely driven by the non-recognition of deferred tax assets in certain of our foreign operations in Q4/18 compared to Q4/17. Excluding significant items(1), the effective tax rate for Q4/18 was 28.5% compared to 17.1% in Q4/17.

Business Segment Results(1)(2)

	For the years ended March 31							
				2018				2017
(C$ thousands, except number of employees)	**Canaccord Genuity**	**Canaccord Genuity Wealth Management**	**Corporate and Other**	**Total**	Canaccord Genuity	Canaccord Genuity Wealth Management	Corporate and Other	Total
Revenue								
Canada	**$ 216,106**	**$ 165,891**	**$ 15,056**	**$ 397,053**	$ 155,411	$ 129,361	$ 14,044	$ 298,816
UK & Europe	**128,458**	**201,383**	**—**	**329,841**	146,812	134,819	—	281,631
US	**235,942**	**2,991**	**—**	**238,933**	234,211	2,931	—	237,142
Australia	**57,022**	**—**	**—**	**57,022**	59,693	—	—	59,693
Other Foreign Locations	**28**	**—**	**—**	**28**	2,264	—	—	2,264
Total revenue	**637,556**	**370,265**	**15,056**	**1,022,877**	598,391	267,111	14,044	879,546
Expenses	**607,906**	**320,737**	**58,488**	**987,131**	535,913	226,048	63,701	825,662
Intersegment allocations	**16,524**	**15,529**	**(32,053)**	**—**	18,210	16,796	(35,006)	—
Income (loss) before income taxes (recovery)	**$ 13,126**	**$ 33,999**	**$ (11,379)**	**$ 35,746**	$ 44,268	$ 24,267	$ (14,651)	$ 53,884
Excluding significant items(3)								
Revenue	**637,556**	**370,265**	**15,056**	**1,022,877**	597,198	267,111	14,044	878,353
Expenses	**558,486**	**297,194**	**56,590**	**912,270**	532,609	220,786	63,701	817,096
Intersegment allocations	**16,524**	**15,529**	**(32,053)**	**—**	18,210	16,796	(35,006)	—
Income (loss) before income taxes (recovery)	**$ 62,546**	**$ 57,542**	**$ (9,481)**	**$ 110,607**	$ 46,379	$ 29,529	$ (14,651)	$ 61,257
Number of employees	**730**	**938**	**288**	**1,956**	749	672	279	1,700

(1) Data is in accordance with IFRS except for figures excluding significant items and number of employees. See Non-IFRS Measures on page 14. Detailed financial results for the business segments are shown in Note 23 of the Audited Consolidated Financial Statements on page 101.
(2) The operating results of Canaccord Genuity (Australia) Limited have been consolidated and a 42% non-controlling interest has been recognized and included in the Canaccord Genuity business segment in fiscal 2018 [fiscal 2017 – 42%].
(3) See the Selected Financial Information Excluding Significant Items table on page 23.

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

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 14.

CANACCORD GENUITY

Overview

Canaccord Genuity provides investment banking, advisory, equity research, and sales and trading services to corporate, institutional and government clients as well as conducting principal trading activities in Canada, the US, the UK & Europe and the Asia-Pacific region. Canaccord Genuity has offices in 21 cities in 9 countries worldwide.

Our operating results demonstrate the strength of our global business and the success of our efforts to diversify our revenue streams and improve alignment across our businesses and regions. For fiscal 2018, 66.1% of total Canaccord Genuity revenue was earned outside of Canada.

Canaccord Genuity's global alignment efforts are helping to firmly position the Company as a leading global independent investment bank focused on the mid-market.

During fiscal 2018, Canaccord Genuity participated in 455 transactions to raise gross proceeds of $34.5 billion(1). Of these, Canaccord Genuity led 178 transactions globally, raising total proceeds of $6.1 billion. Sector diversification remains a core component of the Company's strategy. Resource-related revenue accounted for 18.0% of Canaccord Genuity's total investment banking revenue in fiscal 2018, versus 30.5% in fiscal 2017. Resource-related transactions comprised 25.8% of the total number of Canaccord Genuity's investment banking transactions in fiscal 2018, down from 29.3% in fiscal 2017.

Outlook

Canaccord Genuity continues to be very well positioned in many of the Company's key markets. In the fiscal year ahead, management intends to focus on capturing operating efficiencies and improving profitability through further integration of its global capital markets platform and encouraging further cross-border coordination among our global offices.

We believe Canaccord Genuity's integrated global platform provides a competitive advantage for our business compared to many of the domestically focused firms we compete with. Smaller regional or local investment dealers are increasingly under pressure to diversify, and larger international competitors dedicate limited resources to servicing growth companies. We believe this competitive landscape provides a significant opportunity for Canaccord Genuity in the global mid-market, as this space is currently relatively underserviced by other global investment banks. Canaccord Genuity's mid-market strategy and focus on key growth sectors differentiate the firm from its competition.

The continued shift towards electronic trading, and trading on alternative platforms, is expected to move some trading market share away from the main stock exchanges. In response to this, Canaccord Genuity is active in offering trading services on many of the alternative exchanges (Chi-X, CX2, Alpha, Aequitas, Pure, CSE (Canadian Stock Exchange), Omega, Lynx, Triact). The Company has also developed a strong presence in the US with its American Depositary Receipts (ADR) and foreign equity trading capabilities from its International Equities Group. The Company continues to actively monitor shifts and trends in the capital markets and regulatory environment.

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

While we are optimistic about our prospects for the future, the Company has made the prudent decision to balance investments in growth with our ability to generate profit in the current market environment. The dynamic nature of our operating environment requires us to maintain a level of agility in our business mix that allows us to stay competitive and meet the evolving needs of our clients. For this reason, the Company will continue to make disciplined investments with the addition of small teams in specific sector verticals or key service offerings to further strengthen our operations in areas where we believe we can capture additional market share.

The management team believes the investments that the Company has made to improve Canaccord Genuity's global presence and refine its service offering have positioned the business very well for the future.

(1) Transactions over C$1.5 million

FINANCIAL PERFORMANCE[1][2]

	For the years ended March 31											
	2018						2017					
(C$ thousands, except number of employees)	Canada	UK[5]	US	Australia	Other Foreign Locations	Total	Canada	UK[5]	US	Australia	Other Foreign Locations	Total
Revenue	$216,106	$128,458	$235,942	$57,022	$ 28	$637,556	$155,411	$146,812	$234,211	$59,693	$ 2,264	$598,391
Expenses												
Non-share based incentive compensation	96.653	72,081	115,049	29,452	3	313,238	66,802	85,746	113,086	30,583	1,092	297,309
Share based incentive compensation	16,002	7,942	12,974	1,302	—	38,220	13,227	4,792	13,882	1,102	0	33,003
Salaries and benefits	5,381	5,672	11,890	1,881	688	25,512	5,381	5,520	12,551	1,649	997	26,098
Other overhead expenses	45,875	40,621	87,565	9,195	577	183,833	35,721	43,165	89,811	9,232	1,574	179,503
Acceleration of long term incentive plan expense[6]	11,657	12,870	17,872	—	—	42,399	—	—	—	—	—	—
Restructuring costs	2,366	448	1,890	—	—	4,704	—	—	—	—	—	—
Total expenses	177,934	139,634	247,240	41,830	1,268	607,906	121,131	139,223	229,330	42,566	3,663	535,913
Intersegment allocations[3]	10,159	2,969	3,113	283	—	16,524	12,271	2,946	2,993	—	—	18,210
Income (loss) before income taxes (recovery)[3]	$ 28,013	$ (14,145)	$ (14,411)	$14,909	$(1,240)	$ 13,126	$ 22,009	$ 4,643	$ 1,888	$17,127	$(1,399)	$ 44,268
Excluding significant items[4]												
Total revenue	216,106	128,458	235,942	57,022	28	637,556	155,411	146,812	234,211	59,693	1,071	597,198
Total expenses	161,599	126,316	227,473	41,830	1,268	558,486	118,818	139,223	229,328	41,577	3,663	532,609
Intersegment allocations[3]	10,159	2,969	3,113	283	—	16,524	12,271	2,946	2,993	—	—	18,210
Income (loss) before income taxes (recovery)[3]	$ 44,348	$ (827)	$ 5,356	$14,909	$(1,240)	$ 62,546	$ 24,322	$ 4,643	$ 1,890	$18,116	$(2,592)	$ 46,379
Number of employees	189	214	256	68	3	730	178	225	275	69	2	749

(1) Data is in accordance with IFRS except for figures excluding significant items and number of employees. See Non-IFRS Measures on page 14.
(2) The operating results of Canaccord Genuity (Australia) Limited have been consolidated and a 42% non-controlling interest has been recognized and included in the Canaccord Genuity segment during fiscal 2018 [fiscal 2017 – 42%].
(3) Income (loss) before income taxes includes intersegment allocations. See the Intersegment Allocated Costs section on page 43.
(4) Refer to the Selected Financial Information Excluding Significant Items table on page 23.
(5) Includes our Dubai based operations
(6) Effective as of March 31, 2018 the Plan was changed to remove certain employment-related conditions for the vesting of RSU awards made as part of the normal course incentive compensation payment cycle. As a result of this change, the costs of RSUs granted as part of the normal course incentive compensation payment cycle will be expensed in the period in which those awards are deemed to be earned, instead of recognizing the costs over the vesting period. This change led to the acceleration of the remaining expense for certain awards made under the LTIP which had not been fully amortized as of March 31, 2018. The total charge recorded during the year ended March 31, 2018 in respect of awards granted prior to fiscal 2018 was $42.4 million in the Canaccord Genuity segment.

REVENUE

REVENUE BY GEOGRAPHY AS A PERCENTAGE OF CANACCORD GENUITY REVENUE

	For the years ended March 31		
	2018	2017	2018/2017 change
Revenue generated in:			
Canada	33.9%	26.0%	7.9 p.p.
UK & Europe[1]	20.2%	24.5%	(4.3) p.p.
US	37.0%	39.1%	(2.1) p.p.
Australia	8.9%	10.0%	(1.1) p.p.
Other Foreign Locations	0.0%	0.4%	(0.4) p.p.
	100.0%	100.0%	

p.p.: percentage points
(1) Includes our Dubai based operations

Canaccord Genuity generated revenue of $637.6 million, an increase of 6.6% or $39.2 million compared to fiscal 2017 as a result of improved market activity. Revenue increased most notably in Canada, where revenue increased by $60.7 million or 39.1% compared to the prior year. The increase in revenue in our Canadian capital markets operations was driven largely by higher investment banking revenue and advisory fees, partially as a result of our active involvement with numerous transactions in the cannabis and blockchain sectors. Revenue in our UK operations decreased by $18.4 million to $128.5 million in fiscal 2018 largely due to a decrease of $12.8 million in our Dubai operations related to a large advisory transaction completed in fiscal 2017. Our Australian operations generated revenue of $57.0 million, which represents a decrease of $2.7 million or 4.5% from fiscal 2017. Our Australian operations was impacted by slower market activity in the first half of fiscal 2018. However, a return to strong activity levels for small cap equities in our focus sectors has largely improved our revenue performance in this region in the second half of the fiscal year. Revenue in our US operations remained the same as in prior year, a slight increase of 0.7 percentage points over fiscal 2017. In our Other Foreign Locations, now comprised of only our Asian-based operations, revenue decreased by 98.8% or $2.2 million compared to the year ended March 31, 2017 due to the realized translation gain on disposal of our Singapore operations recorded in the prior year. In both our Canadian and Australian operations, investment banking revenue also reflect profits and gains recorded in certain warrant and inventory positions earned in respect of investment banking activity in the current and prior periods.

Investment banking activity

The Company's focus sector mix in fiscal 2018 showed increasing diversity, with 74.2% of total transactions occurring in sectors outside of Metals & Mining and Energy, which have traditionally been a higher component of the Company's revenue.

Canaccord Genuity's transactions and revenue by focus sectors are detailed below.

CANACCORD GENUITY – OVERALL

Investment banking transactions and revenue by sector

	For the year ended March 31, 2018	
Sectors	as a % of investment banking transactions	as a % of investment banking revenue
Healthcare & Life Sciences	9.5%	44.9%
Technology	12.0%	16.9%
Metals & Mining	19.1%	15.3%
Real Estate & Hospitality	12.2%	7.2%
Infrastructure	0.9%	2.8%
Energy	6.7%	2.7%
Financials, Diversified and Investment Trusts	27.0%	4.1%
Other	5.7%	2.1%
Media & Telecommunications	0.2%	1.4%
Sustainability	0.9%	1.0%
Consumer & Retail	3.5%	1.0%
Aerospace & Defense	0.2%	0.3%
Ag & Fertilizers	2.1%	0.2%
Structured Products	—	0.1%
Total	100.0%	100.0%

CANACCORD GENUITY – BY GEOGRAPHY

Investment banking transactions by sector (as a % of the number of investment banking transactions for each geographic region)

	For the year ended March 31, 2018				
Sectors	Canada	UK	US	Australia	Other Foreign Locations
Healthcare & Life Sciences	3.3%	—	48.2%	11.4%	—
Technology	7.9%	18.8%	31.5%	17.1%	—
Metals & Mining	20.1%	6.3%	—	45.7%	—
Real Estate & Hospitality	13.1%	31.3%	9.3%	—	—
Infrastructure	0.9%	6.3%	—	—	—
Energy	5.8%	12.3%	—	22.9%	—
Financials, Diversified and Investment Trusts	34.4%	25.0%	—	—	—
Other	7.5%	—	—	—	—
Media & Telecommunications	0.3%	—	—	—	—
Sustainability	—	—	7.4%	—	—
Consumer & Retail	4.0%	—	1.7%	2.9%	—
Aerospace & Defense	—	—	1.9%	—	—
Ag & Fertilizers	2.7%	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%	—

Investment banking revenue by sector (as a % of investment banking revenue for each geographic region)

	For the year ended March 31, 2018				
Sectors	Canada	UK	US	Australia	Other Foreign Locations
Healthcare & Life Sciences	59.4%	—	47.2%	31.1%	—
Technology	11.0%	16.7%	44.5%	3.8%	—
Metals & Mining	11.2%	1.6%	0.1%	54.6%	—
Real Estate & Hospitality	5.2%	34.1%	1.5%	—	—
Infrastructure	0.6%	19.8%	—	0.1%	—
Energy	2.1%	2.8%	0.2%	7.4%	—
Financials, Diversified and Investment Trusts	1.8%	25.0%	—	0.3%	—
Other	4.1%	—	—	0.3%	—
Media & Telecommunications	2.7%	—	—	—	—
Sustainability	—	—	4.0%	1.4%	—
Consumer & Retail	1.3%	—	0.7%	1.0%	—
Aerospace & Defense	—	—	1.8%	—	—
Ag & Fertilizers	0.3%	—	—	—	—
Structured Products	0.2%	—	—	—	—
Transportation	0.1%	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%	—

Note for reference in the tables above: transactions with companies in the cannabis sector in Canada are included under the Healthcare & Life Sciences sector.

EXPENSES

Expenses for fiscal 2018 were $607.9 million, an increase of 13.4% or $72.0 million compared year over year. Excluding significant items[(1)], total expenses for fiscal 2018 were $558.5 million, an increase of 4.9% or $25.9 million compared to fiscal 2017, and decreased by 1.6 percentage points as a percentage of revenue.

Incentive compensation and salaries and benefits

Long-term incentive plan

Effective as of March 31, 2018 the Plan was changed to remove certain employment-related conditions for the vesting of RSU awards that were made as part of the normal course incentive compensation payment cycle. With the change, RSUs will continue to vest after termination of employment so long as the employee does not violate certain post-termination restrictions and is not engaged in certain competitive or soliciting activities as provided in the Plan. Because of this change, for accounting purposes, the RSUs granted as part of the normal course incentive compensation payment cycle will now be expensed in the period in which those awards are deemed to be earned, which is generally the fiscal period in which the awards are either made or the immediately preceding fiscal year for those awards made after the end of such fiscal year but were determined and earned in respect of that fiscal year. Accordingly, a charge of $42.4 million was recorded for the Canaccord Genuity segment in respect of awards granted prior to fiscal 2018 including the acceleration of the remaining expense for certain awards which had not been fully amortized as of March 31, 2018. This charge was excluded from the calculation of the total compensation ratios noted below and included as a significant item[(1)] for purposes of our adjusted earnings (i.e. excluding significant items). The costs associated with LTIP awards granted for fiscal 2018 was included as part of incentive compensation expense.

Incentive compensation expense excluding the accelerated expense related to certain share-based awards referred to above for fiscal 2018 increased by $21.1 million or 6.4% compared to fiscal 2017. Incentive compensation expense as a percentage of revenue was 55.1%, a slight decrease of 0.1 percentage point from fiscal 2017. Salaries and benefits expense for fiscal 2018 decreased by $0.6 million or 2.3% compared to fiscal 2017. Total compensation expense (incentive compensation expense excluding the accelerated expense related to certain share-based awards referred to above plus salaries and benefits) as a percentage of revenue was 0.4 percentage points lower than fiscal 2017, at 59.1% for the year ended March 31, 2018.

Across all regions, total compensation expense as a percentage of revenue has remained fairly consistent with fiscal 2017, in line with our efforts to monitor all compensation costs closely. In Canada, total compensation as a percentage of revenue decreased slightly by 0.4 percentage point compared to fiscal 2017. Our US operations recorded a compensation ratio of 59.3% in fiscal 2018, also a slight decrease of 0.3 percentage points compared to the prior year. In our UK operations, total compensation expense as a percentage of revenue increased by 1.3 percentage points compared to fiscal 2017 as a result of the decline in revenue relative to fixed staff costs. Total compensation expense as a percentage of revenue in our Australian operations was 57.2%, an increase of 1.4 percentage points due to the decrease in revenue and the non-variable nature of certain staff costs.

Canaccord Genuity total compensation expense (incentive compensation plus salaries and benefits) as a percentage of revenue by geography

	For the years ended March 31		
	2018	2017	2018/2017 change
Canada	**54.6%**	55.0%	(0.4) p.p.
UK & Europe	**66.7%**	65.4%	1.3 p.p.
US	**59.3%**	59.6%	(0.3) p.p.
Australia	**57.2%**	55.8%	1.4 p.p.
Other Foreign Locations	**n.m.**	92.3%	n.m.
Canaccord Genuity (total)	**59.1%**	59.6%	(0.4) p.p.

p.p.: percentage points
n.m.: not meaningful

Other overhead expenses

Other overhead expenses were $183.3 million for fiscal 2018 compared to $179.5 million in fiscal 2017, an increase of $3.8 million or 2.1%. As a percentage of revenue, other overhead expenses excluding significant items[(1)] was 1.0 percentage point lower compared to fiscal 2017, reflecting the increase in revenue as well as the fixed nature of certain overhead expenses. The most significant increases in overhead costs compared to the prior year include trading costs and general and administrative expense, offset by decreases in amortization expense and development costs.

The increase in trading costs was mainly due to higher execution and settlement charges in connection with our UK operations.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 14.

General and administrative expense increased by $5.3 million compared to fiscal 2017. Our Canadian operations experienced an increase of $8.4 million compared to fiscal 2017 as a result of additional professional and promotion and travel expenses to support the growth in business activity and higher headcount in this region. Offsetting this increase in Canada were decreases in both our US and UK capital markets operations, in line with the reduced headcount in these two regions and restructuring efforts undertaken during fiscal 2018.

Amortization expense decreased by $1.2 million to $9.5 million compared to the prior year due to a decrease in amortization of intangible assets in our Australian operations.

Communication and technology expense increased by $0.7 million to $36.5 million for the year ended March 31, 2018, primarily attributable to an increase in our Canadian operations due to higher headcount.

Development costs decreased by $1.9 million from last year to $0.7 million in fiscal 2018, partially due to lower hiring incentives and recruitment costs in all regions.

During the year ended March 31, 2018, there were restructuring costs incurred of $4.7 million related to staff reductions in our US and Canadian capitals markets operations, as well as costs related to certain trading operations in Dublin. No restructuring costs were recorded in the prior year.

INCOME BEFORE INCOME TAXES

Income before income taxes in fiscal 2018 was $13.1 million, a decrease of $31.1 million or 70.3% compared to fiscal 2017. Excluding significant items(1), income before income taxes, including allocated overhead expenses, increased from $46.4 million to income before income taxes of $62.5 million in fiscal 2018. The increase in income before income tax excluding significant items(1) was attributable to higher revenue generated in our Canadian and US operating segments combined with a reduction in overhead expenses.

CANACCORD GENUITY WEALTH MANAGEMENT

Overview

Canaccord Genuity Group's wealth management division provides a range of comprehensive financial services and investment products to individual investors (private clients), institutions and intermediaries, and charities. Revenue from wealth management operations 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 Investment Advisors (IAs) from investment banking and venture capital transactions. The Company has wealth management operations in Canada, the UK & Europe, and Australia. During the year ended March 31, 2018, the Company completed its acquisition of Hargreave Hale, expanding its wealth management operations in the UK & Europe.

In the UK & Europe, Canaccord Genuity Wealth Management has 12 offices in the UK, Guernsey, Jersey and the Isle of Man. Revenue earned by this business is largely generated through fee-based accounts and portfolio management activities. With 68.5% of its fiscal 2018 revenue generated from recurring fee-based activity, this geography has a significantly higher proportion of fee-based revenue than the Company's Canadian wealth management businesses. The business offers services to both domestic (UK) and international and European clients and provides clients with investing options from both third party and proprietary financial products, including 18 funds managed by Canaccord Genuity Wealth Management portfolio managers.

At March 31, 2018 Canaccord Genuity Wealth Management had 15 offices located across Canada, including five Independent Wealth Management (IWM) locations. The Company is focused on actively recruiting established Advisory Teams to accelerate growth in this business.

Outlook

Our strategic shift to strengthening contributions from our global wealth management performance will continue to be a main focus for the Company. Management's priorities for Canaccord Genuity Wealth Management will be focused on growing assets under administration and management, and increasing the proportion of fee-based revenue as a percentage of total revenue. By increasing recurring revenue streams, we expect to meaningfully reduce our reliance on transaction-based revenue over the coming years, making our business less sensitive to changes in market conditions.

With 68.5% of the division's revenue derived from recurring, fee-based activities, the revenue stream generated through Canaccord Genuity Wealth Management's UK & European wealth management business helps to improve the stability of its overall performance. Client holdings in our in-house investment management products exceed $1 billion and are attracting growing interest from domestic intermediaries and international fund companies. The Company will continue to pursue strategic opportunities to increase the scale of its UK wealth management business.

In Canada, the Company continues to focus on enhancing margins, managing costs, and growing the business through targeted recruitment and training. While the recruiting environment remains competitive, we expect the benefits of our independent global platform to help drive continued recruiting success in select markets. The Company also intends to invest further in training

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 14.

programs for new and existing Investment Advisors to continue developing the skills of our Advisory Teams and to support the growth of fee-based services offered through the Canadian business. We maintain a strong focus on attracting and retaining high quality advisors, investing in training programs and building a comprehensive suite of premium products targeted at attracting high net worth investors and helping advisors grow their businesses.

In Australia, the Company still has a relatively small wealth management operation; however, expansion is expected to occur through targeted recruiting, and through the build-out of wealth management services and products in this market.

FINANCIAL PERFORMANCE – NORTH AMERICA(1)(2)

(C$ thousands, except AUM and AUA (in C$ millions), number of employees, Advisory Teams and % amounts)	For the years ended March 31 2018	2017	2018/2017 change	
Revenue	$ 168,882	$ 132,292	$ 36,590	27.7%
Expenses				
Non-share based incentive compensation	85,430	65,909	19,521	29.6%
Share based incentive compensation	952	824	128	15.5%
Salaries and benefits	11,315	11,335	(20)	(0.2)%
Other overhead expenses	36,795	36,756	39	(0.1)%
Acceleration of long term incentive plan expense(6)	668	—	668	n.m.
Restructuring costs	—	—	—	—
Total expenses	135,160	114,824	20,336	17.7%
Intersegment allocations(3)	14,200	15,504	(1,304)	(8.4)%
Income before income taxes(3)	$ 19,522	$ 1,964	$ 17,558	n.m.
AUM – Canada (discretionary)(4)	2,815	2,637	178	6.8%
AUA – Canada(5)	15,567	13,228	2,339	17.7%
Number of Advisory Teams – Canada	142	141	1	0.7%
Number of employees	379	359	20	5.6%
Excluding significant items(7)				
Total expenses	$ 134,492	$ 114,824	$ 19,668	17.1%
Intersegment allocations(3)	14,200	15,504	(1,304)	(8.4)%
Income before income taxes(3)	20,190	1,964	18,226	n.m.

(1) Data is in accordance with IFRS except for figures excluding significant items, AUA, AUM, number of Advisory Teams and number of employees. See Non-IFRS Measures on page 14.
(2) Includes Canaccord Genuity Wealth Management operations in Canada and the US.
(3) Income (loss) before income taxes includes intersegment allocations. See the Intersegment Allocated Costs section on page 43.
(4) AUM represents assets managed on a discretionary basis under our programs generally described as or known as the *Complete Canaccord Investment Counselling Program* and the *Complete Canaccord Private Investment Management Program*.
(5) AUA is the market value of client assets administered by the Company, for which the Company earns commissions or fees. AUA includes AUM.
(6) Effective as of March 31, 2018 the Plan was changed to remove certain employment-related conditions for the vesting of RSU awards made as part of the normal course incentive compensation payment cycle. As a result of this change, the costs of RSUs granted as part of the normal course incentive compensation payment cycle will be expensed in the period in which those awards are deemed to be earned, instead of recognizing the costs over the vesting period. This change led to the acceleration of the remaining expense for certain awards made under the LTIP which had not been fully amortized as of March 31, 2018. The total charge recorded during the year ended March 31, 2018 in respect of awards granted prior to fiscal 2018 was $0.7 million for the Canaccord Genuity Wealth Management North America segment.
(7) Refer to the Selected Financial Information Excluding Significant Items table on page 23.
n.m.: not meaningful

Revenue from Canaccord Genuity Wealth Management North America was $168.9 million, an increase of $36.6 million or 27.7% from fiscal 2017, as a result of stabilizing market conditions and improved client and corporate finance activities. We continue to focus on growth in our fee-based and proprietary asset management offerings. As a key distribution channel for our capital markets business, the increased investment banking activity contributed to the overall increases in revenue in fiscal 2018 compared to fiscal 2017 in our Canadian wealth management business.

AUA in Canada increased by 17.7% to $15.6 billion at March 31, 2018 from $13.2 billion at March 31, 2017, reflecting our development initiatives in this sector as well as higher market values over the year. There were 142 Advisory Teams in Canada, an increase of one from a year ago. The fee-based revenue in our North American operations was 1.2 percentage points lower than in the prior year and accounted for 33.5% of the wealth management revenue earned in Canada during the year ended March 31, 2018. The slight decrease in fee-based revenue as a percentage of revenue was primarily a result of strong transaction-based revenue during the year which was led by a 74.1% increase in investment banking revenue attributable to private client activity primarily in companies in new and developing industries.

Expenses for fiscal 2018 were $135.2 million, an increase of $20.3 million or 17.7% from fiscal 2017. As a result of the revenue increase in the current fiscal year compared to fiscal 2017 and the relatively fixed nature of expenses other than incentive compensation, total expenses as a percentage of revenue decreased by 6.8 percentage points compared to last year.

Effective as of March 31, 2018 the LTIP was changed to remove certain employment-related conditions for the vesting of RSU awards that were made as part of the normal course incentive compensation payment cycle. With the change, RSUs will continue to vest after termination of employment so long as the employee does not violate certain post-termination restrictions and is not engaged in certain competitive or soliciting activities as provided in the Plan. Because of this change, for accounting purposes, the RSUs granted as part of the normal course incentive compensation payment cycle will now be expensed in the period in which those awards are deemed to be earned, which is generally the fiscal period in which the awards are either made or the immediately preceding fiscal year for those awards made after the end of such fiscal year but were determined and earned in respect of that fiscal year. Accordingly, a charge of $0.7 million in respect of awards granted prior to fiscal 2018 including the acceleration of the remaining expense for certain awards which had not been fully amortized as of March 31, 2018 was recorded in fiscal 2018. This non-cash accounting charge was excluded from the calculation of the total compensation ratio as noted above below and included as a significant item(1) as it represented a singular charge of a non-operating nature. The costs associated with the LTIP awards granted for fiscal 2018 was included as part of incentive compensation expense.

Incentive compensation expense excluding the accelerated expense related to certain share-based awards referred to above increased by $19.6 million or 29.4% compared to prior year, consistent with the increase in incentive-based revenue. Salaries and benefits expense remained consistent with the prior year. Total compensation expense (incentive compensation expense excluding the accelerated expense related to certain share-based awards referred to above plus salaries and benefits) as a percentage of revenue decreased by 1.2 percentage points compared to last year to 57.8% in fiscal 2018, reflecting the increase in revenue in fiscal 2018.

Other overhead expenses remained consistent with the prior year despite the increase in revenue. Trading costs decreased by $0.9 million as a result of a change in the re-allocation of certain trading, clearing and settlement charges from our Corporate and Other segment. Premise and equipment expense also decreased by $0.6 million compared to fiscal 2017 as a result of the rationalization of office space. These decreases in overhead expenses were partially offset by higher development costs recorded in fiscal 2108 as a result of increased new-hire incentive payments.

Income before income taxes increased by $17.6 million in fiscal 2018 to $19.5 million as a result of the net increase in revenue after variable costs and continued expense containment efforts in this operating segment.

FINANCIAL PERFORMANCE – UK & EUROPE(1)(5)

(C$ thousands, except AUM (in C$ millions), number of employees, investment professionals and fund managers, and % amounts)	For the years ended March 31 2018	2017	2018/2017 change	
Revenue	$ 201,383	$ 134,819	$ 66,564	49.4%
Expenses				
Non-share based incentive compensation	73,222	45,755	27,467	60.0%
Share based incentive compensation	4,081	1,884	2,197	116.6%
Salaries and benefits	36,214	21,711	14,503	66.8%
Other overhead expenses	58,999	41,874	17,125	40.9%
Acceleration of long term incentive plan expense(6)	3,390	—	3,390	n.m.
Restructuring costs	2,939	—	2,939	n.m.
Acquisition-related costs	6,732	—	6,732	n.m.
Total expenses	185,577	111,224	74,353	66.8%
Intersegment allocations(2)	1,329	1,292	37	2.9%
Income before income taxes(2)	$ 14,477	$ 22,303	$ (7,826)	(35.1)%
AUM – UK & Europe(3)	44,877	24,526	20,351	83.0%
Number of investment professionals and fund managers – UK & Europe	188	118	70	59.3%
Number of employees	559	313	246	78.6%
Excluding significant items(4)				
Total expenses	$ 162,702	$ 105,962	$ 56,740	53.5%
Intersegment allocations(2)	1,329	1,292	37	2.9%
Income before income taxes(2)	37,352	27,565	9,787	35.5%

(1) Data is in accordance with IFRS except for figures excluding significant items, AUM, number of investment professionals and fund managers, and number of employees. See Non-IFRS Measures on page 14.
(2) Income before income taxes includes intersegment allocations. See the Intersegment Allocated Costs section on page 43.
(3) AUM in the UK & Europe is the market value of client assets managed and administered by the Company, for which the Company earns commissions or fees. This measure includes both discretionary and non-discretionary accounts.
(4) Refer to the Selected Financial Information Excluding Significant Items table on page 23.
(5) Includes the operating results of Hargreave Hale since the closing date of September 18, 2017.
(6) Effective as of March 31, 2018 the Plan was changed to remove certain employment-related conditions for the vesting of RSU awards made as part of the normal course incentive compensation payment cycle. As a result of this change, the costs of RSUs granted as part of the normal course incentive compensation payment cycle will be expensed in the period in which those awards are deemed to be earned, instead of recognizing the costs over the vesting period. This change led to the acceleration of the remaining expense for certain awards made under the LTIP which had not been fully amortized as of March 31, 2018. The total charge recorded during the year ended March 31, 2018 in respect of awards granted prior to fiscal 2018 was $3.4 million in the Canaccord Genuity Wealth Management (UK & Europe) segment.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 14.

Operating results of Hargreave Hale are included under Canaccord Genuity Wealth Management (UK & Europe) since the closing date of September 18, 2017.

Revenue generated by our UK & Europe operations is largely produced through fee-based accounts and portfolio management activities, and, as such, is less sensitive to changes in market conditions. Revenue for fiscal 2018 was $201.4 million, an increase of 49.4% compared to fiscal 2017. Measured in local currency (GBP), revenue was £118.0 million during fiscal 2018, an increase of £38.4 million or 49.2% compared to the previous year. Hargreave Hale contributed £30.8 million or 79.2% of the total increase in revenue compared to fiscal 2017.

AUM in the UK & Europe as of March 31, 2018 was $44.9 billion, an increase of 83.0% compared to $24.5 billion as of March 31, 2017. Measured in local currency (GBP), AUM increased by 69.0% when compared to March 31, 2017, with Hargreave Hale contributing 96.0 percentage points of this increase. The fee-related revenue in our UK & European wealth management operations accounted for 68.5% of total revenue in this geography in fiscal 2018, a decrease of 0.7 percentage points compared to last year as a result of the increase in transactional revenue.

As discussed above, effective as of March 31, 2018, the LTIP Plan was changed to remove certain employment-related conditions for the vesting of RUS awards made as part of the normal course incentive compensation payment cycle. As a result of this change, the costs of RSUs granted as part of the normal course incentive compensation payment cycle are expensed in the period in which those awards are deemed to be earned, instead of recognizing the costs over the vesting period. This change led to the acceleration of the remaining expense for certain awards which had not been fully amortized as of March 31, 2018. The total amount of LTIP expense in respect of awards granted prior to fiscal 2018 including the acceleration of the remaining expense for certain awards which had not been fully amortized as of March 31, 2018 was $3.4 million for our UK & Europe wealth management operations. This non-cash accounting charge was excluded from the calculation of the total compensation ratio and included as a significant item(1) as it represented a singular charge of a non-operating nature. The costs associated with LTIP awards granted for fiscal 2018 was included as part of incentive compensation expense.

Incentive compensation expense (excluding the accelerated expense related to certain share-based awards referred to above) was $77.3 million, a $29.7 million increase from $47.6 million in fiscal 2017, in line with the increase in incentive-based commissions and fees revenue. Salaries and benefits expense increased by $14.5 million compared to fiscal 2017 to $36.2 million primarily as a result of a larger team required to support the growth in the existing UK & Europe wealth management business as well as the newly acquired Hargreave Hale operations. Total compensation expense (incentive compensation expense excluding the accelerated expense related to certain share-based awards referred to above plus salaries and benefits) as a percentage of revenue increased by 4.9 percentage points from 51.4% in fiscal 2017 to 56.4% in fiscal 2018 mainly due to the increase in fixed staff costs as discussed above.

Other overhead expenses for the year ended March 31, 2018 increased by $17.1 million or 40.9% compared to last year. The increased headcount and expanded operations resulting from the acquisition of Hargreave Hale in Q2/18 led to an increase in most of our overhead expenses, particularly in communication and technology as well as general and administrative expense. Amortization expense for fiscal 2018 also increased by $3.5 million mainly as a result of the intangible assets amortization in connection with the acquisition of Hargreave Hale. Partially offsetting these increases was a $0.4 million decrease in development costs compared to the prior year as a result of lower hiring incentives.

Included in development costs were $1.5 million of incentive-based payments related to the acquisition of Hargreave Hale.

There were $2.9 million of restructuring costs recorded in fiscal 2018 related to the rationalization of office space due to the acquisition of Hargreave Hale. No restructuring costs were recorded during the same period last year.

The Company also recorded $6.7 million of acquisition-related costs in relation to the acquisition of Hargreave Hale for the year ended March 31, 2018. The acquisition-related costs included professional and consulting fees incurred during the year.

Income before income taxes was $14.5 million compared to $22.3 million in the same period a year ago mainly as a result of the restructuring and acquisition-related costs incurred during fiscal 2018, as well as the acceleration of LTIP expense, as discussed above. Excluding significant items(1), income before income taxes was $37.4 million, an increase of $9.8 million or 35.5% from the prior year, reflecting the net contribution from our expanded operations.

CORPORATE AND OTHER SEGMENT

Overview

The Corporate and Other segment includes Pinnacle Correspondent Services, interest, foreign exchange revenue, and expenses not specifically allocable to Canaccord Genuity or Canaccord Genuity Wealth Management.

Pinnacle Correspondent Services provides trade execution, clearing, settlement, custody, and other middle- and back-office services to other introducing brokerage firms, portfolio managers and other financial intermediaries. This business unit was developed as an extension and application of the Company's substantial investment in its information technology and operating infrastructure.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 14.

Also included in this segment are the Company's administrative, operational and support services departments, which are responsible for front- and back-office information technology systems, compliance and risk management, operations, legal, finance, and other administrative functions. The Company has 288 employees in the Corporate and Other segment. Most of the Company's corporate support functions are based in Vancouver and Toronto, Canada.

Our operations group is responsible for processing securities transactions, including the clearing and settlement of securities transactions, account administration 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. The Company's risk management and compliance activities include procedures to identify, control, measure and monitor the Company's risk exposure at all times.

FINANCIAL PERFORMANCE[1]

	For the years ended March 31			
(C$ thousands, except number of employees and % amounts)	**2018**	2017	2018/2017 change	
Revenue	**$ 15,056**	$ 14,044	$ 1,012	7.2%
Expenses				
Non-share based incentive compensation	**8,479**	8,718	(239)	(2.7)%
Share based incentive compensation	**2,992**	1,596	1,396	87.5%
Salaries and benefits	**26,198**	26,554	(356)	(1.3)%
Other overhead expenses	**18,623**	26,833	(8,210)	(30.6)%
Acceleration of long-term incentive plan expense[3]	**1,898**	—	1,898	n.m.
Share of loss of an associate	**298**	—	298	n.m.
Total expenses	**58,488**	63,701	(5,213)	(8.2)%
Intersegment allocations[2]	**(32,053)**	(35,006)	2,953	8.4%
Loss before income tax recovery[2]	**$ (11,379)**	$ (14,651)	$ 3,272	22.3%
Number of employees	**288**	279	9	3.2%
Excluding significant items[4]				
Total expenses	**$ 56,590**	$ 63,701	$ (7,111)	(11.2)%
Intersegment allocations[2]	**(32,053)**	(35,006)	2,953	8.4%
Loss before income taxes (recovery)[2]	**(9,481)**	(14,651)	5,170	35.3%

(1) Data is in accordance with IFRS except for figures excluding significant items and number of employees. See Non-IFRS Measures on page 14.
(2) Loss before income tax recovery includes intersegment allocations. See the Intersegment Allocated Costs section.
(3) Effective as of March 31, 2018 the Plan was changed to remove certain employment-related conditions for the vesting of RSU awards made as part of the normal course incentive compensation payment cycle. As a result of this change, the costs of RSUs granted as part of the normal course incentive compensation payment cycle will be expensed in the period in which those awards are deemed to be earned, instead of recognizing the costs over the vesting period. This change led to the acceleration of the remaining expense for certain awards made under the LTIP which had not been fully amortized as of March 31, 2018. The total charge recorded during the year ended March 31, 2018 in respect of awards granted prior to fiscal 2018 was $1.9 million for our Corporate and Other segment.
(4) Refer to the Selected Financial Information Excluding Significant Items table on page 23.

Revenue for fiscal 2018 was $15.1 million, an increase of $1.0 million or 7.2% from fiscal 2017 primarily related to an increase in foreign exchange gains.

Total expenses were $58.5 million for the year ended March 31, 2018, a decrease of $5.2 million or 8.2% compared to the prior year. Total compensation expense increased by $0.8 million compared to the prior year.

The total amount of LTIP expense recorded in respect of awards granted prior to fiscal 2018 including the acceleration of the remaining expense for certain awards which had not been fully amortized as of March 31, 2018 was $1.9 million. This non-cash accounting charge was included as a significant item[1] in our adjusted earnings (i.e. excluding significant items).

Other overhead expenses decreased by $8.2 million or 30.6% compared to the prior year. The most significant decreases were premises and equipment expense, general and administrative expense and development costs. Premises and equipment expense decreased by $4.4 million compared to the year ended March 31, 2017 as a result of costs associated with the rationalization of our office space in Toronto recorded in the prior year. General and administrative expense decreased by $5.0 million as a result of higher professional fees incurred in the prior year as well as cost reduction efforts made during the year. There was an accounting impairment charge of $2.4 million recorded in fiscal 2017 related an investment which was the primary reason for the decrease in development costs. Offsetting these decreases was a $3.3 million increase in interest expense, partially related to the convertible debentures issued during the third quarter of fiscal 2017.

Loss before income taxes was $11.3 million for fiscal 2018 compared to a loss before income taxes of $14.7 million for the prior year. Excluding significant items[1], loss before income taxes was $9.5 million for the year ended March 31, 2018 compared to a loss before income taxes of $14.7 million last year as a result of a reduction in overhead expenses.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 14.

INTERSEGMENT ALLOCATED COSTS

Included in the Corporate and Other segment are certain support services, research and other expenses that have been incurred to support the activities within the Canaccord Genuity and Canaccord Genuity Wealth Management segments in Canada. Certain trading, clearing and settlement charges are included as a trading cost in the applicable business units and as a trading cost recovery in Corporate and Other. In addition, certain overhead costs are charged by Canaccord Genuity UK & Europe to Canaccord Genuity Wealth Management UK & Europe and included in intersegment allocated costs for these business units.

Financial Condition

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

	Balance sheet summary as at March 31				
(C$ thousands)	**2018**	2017	2016	2015	2014
Assets					
Cash and cash equivalents	**$ 862,838**	$ 677,769	$ 428,329	$ 322,324	$ 364,296
Securities owned	**469,217**	784,230	564,746	848,128	1,143,201
Accounts receivable	**2,215,837**	3,395,736	2,041,150	2,491,488	2,785,898
Income taxes recoverable	**1,170**	1,085	12,537	5,295	3,983
Deferred tax assets	**19,941**	15,323	11,221	10,148	9,735
Investments	**2,035**	2,829	5,578	8,693	9,977
Equipment and leasehold improvements	**30,967**	31,479	37,049	43,373	50,975
Goodwill and other intangible assets	**418,731**	295,065	323,936	640,456	646,557
Total assets	**$ 4,020,736**	$ 5,203,516	$ 3,424,546	$ 4,369,905	$ 5,014,622
Liabilities and shareholders' equity					
Bank indebtedness	**$ —**	$ 25,280	$ 14,910	$ 20,264	$ —
Securities sold short	**301,006**	645,742	427,435	654,639	913,913
Accounts payable and accrued liabilities	**2,638,954**	3,669,883	2,185,047	2,527,636	2,877,933
Provisions	**8,428**	11,793	18,811	14,320	10,334
Income taxes payable	**7,851**	10,093	4,242	8,172	10,822
Current portion of bank loan	**9,679**	—	—	—	—
Deferred consideration	**9,997**	—	—	—	—
Contingent consideration	**49,844**	—	—	—	—
Bank loan	**61,758**	—	—	—	—
Deferred tax liabilities	**13,715**	140	450	2,057	3,028
Liability portion of Convertible Debenture	**57,081**	56,442	—	—	—
Subordinated debt	**7,500**	7,500	15,000	15,000	15,000
Shareholders' equity	**841,352**	764,785	749,929	1,117,542	1,168,680
Non-controlling interests	**13,571**	11,858	8,722	10,275	14,912
Total liabilities and shareholders' equity	**$ 4,020,736**	$ 5,203,516	$ 3,424,546	$ 4,369,905	$ 5,014,622

ASSETS

Cash and cash equivalents were $862.8 million at March 31, 2018 compared to $677.8 million at March 31, 2017. Refer to the Liquidity and Capital Resources section for more details.

Securities owned were $469.2 million at March 31, 2018 compared to $784.2 million at March 31, 2017 mainly due to a decrease in corporate and government debt owned.

Accounts receivable were $2.2 billion at March 31, 2018 compared to $3.4 billion at March 31, 2017, mainly due to a decrease in receivables from brokers and investment dealers.

Goodwill was $258.0 million and intangible assets were $160.8 million at March 31, 2018. At March 31, 2017, goodwill was $192.2 million and intangible assets were $102.8 million. These amounts represent the goodwill and intangible assets acquired through the purchases of Genuity Capital Markets, Collins Stewart Hawkpoint plc ("CSHP"), Eden Financial Ltd., and as of September 18, 2017, Hargreave Hale.

Other assets, consisting of income taxes receivable, deferred tax assets, equipment, investments and leasehold improvements were $54.1 million at March 31, 2018 compared to $50.7 million at March 31, 2017, mainly due to an increase in deferred tax assets. The Company, through a wholly-owned subsidiary, invested $2.5 million in Canaccord Genuity Acquisition Corp. ("CGAC"), a special purpose acquisition corporation formed for the purpose of effecting an acquisition of one or more businesses. The investment is accounted for using the equity method. The Company's equity portion of the net loss of CGAC for the year ended March 31, 2018 was $0.3 million.

LIABILITIES AND SHAREHOLDERS' EQUITY

Bank overdrafts and call loan facilities utilized by the Company may vary significantly on a day-to-day basis and depend on securities trading activity. On March 31, 2018, Canaccord Genuity Group had available credit facilities with banks in Canada and the UK & Europe in the aggregate amount of $669.2 million [March 31, 2017 – $602.6 million]. These credit facilities, consisting of call loans, letters of credit and daylight overdraft facilities, are collateralized by unpaid client securities and/or securities owned by the Company. On March 31, 2018, there was bank indebtedness of $nil, compared to $25.3 million on March 31, 2017.

Securities sold short were $301.0 million at March 31, 2018 compared to $645.7 million at March 31, 2017, mostly due to a decrease in short positions in corporate and government debt.

Accounts payable and accrued liabilities, including provisions, were $2.6 billion, a decrease from $3.7 billion on March 31, 2017, mainly due to a decrease in payables to clients and brokers and investment dealers.

Other liabilities, including subordinated debt, income taxes payable and deferred tax liabilities, were $29.1 million at March 31, 2018 compared to $17.7 million in the prior year. The increase was mostly due to an increase in deferred tax liabilities recognized on intangible assets related to the acquisition of Hargreave Hale.

In connection with our acquisition of Hargreave Hale through a subsidiary of the Company, that subsidiary obtained a £40.0 million (C$72.5 million as of March 31, 2018) bank loan to finance a portion of the cash consideration. The loan is repayable in instalments of principal and interest over a period of 4 years. The interest rate on this loan is LIBOR plus 3.375% per annum. In connection with the acquisition, there was also deferred and contingent consideration of $10.0 million and $49.8 million, respectively, recorded as of March 31, 2018. Refer to Note 12 of the audited consolidated financial statements for the year ended March 31, 2018 for further information on the purchase consideration for Hargreave Hale.

Bank overdrafts and call loan facilities utilized by the Company may vary significantly on a day-to-day basis and depend on securities trading activity. At March 31, 2018, excluding the bank loan discussed above related to the Hargreave Hale acquisition, the Company had available other credit facilities with banks in Canada and the UK in the aggregate amount of $669.2 million [March 31, 2017 – $602.6 million]. These credit facilities, consisting of call loans, subordinated debt, 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, 2018, and 2017, there were no balances outstanding under these other credit facilities.

Non-controlling interests were $13.6 million at March 31, 2018 compared to $11.9 million at March 31, 2017, which represents 42% of the net assets of our operations in Australia.

Off-Balance Sheet Arrangements

A subsidiary of the Company has entered into secured irrevocable standby letters of credit from a financial institution totaling $2.6 million (US$2.0 million) [March 31, 2017 – $2.7 million (US$2.0 million)] as rent guarantees for its leased premises in New York.

Bank Indebtedness and Other Credit Facilities

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 unpaid client securities and/or securities owned by the Company. As of March 31, 2018, the Company had $nil of bank indebtedness outstanding [March 31, 2017 – $25.3 million].

In connection with the acquisition of Hargreave Hale, a subsidiary of the Company obtained a £40.0 million (C$72.5 million as of March 31, 2018) bank loan to finance a portion of the cash consideration. The loan is repayable in instalments of principal and interest over a period of 4 years. The interest rate on this loan is LIBOR plus 3.375% per annum.

As discussed above, excluding the bank loan related to the acquisition, subsidiaries of the Company also have other credit facilities, such as call loans, letters of credit and overdraft facilities, with banks in Canada and the UK. The aggregate amount of other credit facilities available to the Company was $669.2 million as of March 31, 2018 [March 31, 2017 – $602.6 million]. As of March 31, 2018, there were no balances outstanding under these other credit facilities.

In the normal course of business, the Company enters into contracts that give rise to commitments of future minimum payments that affect its liquidity.

The following table summarizes Canaccord Genuity Group's long term contractual obligations on March 31, 2018:

(C$ thousands)	Total	Fiscal 2019	Fiscal 2020 – Fiscal 2021	Fiscal 2022 – Fiscal 2023	Thereafter
Premises and equipment operating leases	177,165	32,476	59,427	44,517	40,745
Bank loan(1)	72,500	9,679	24,179	38,642	—
Convertible debentures(2)	75,600	3,900	7,800	63,900	—
Total contractual obligations	325,265	46,055	91,406	147,059	40,745

(1) Bank loan consists of £40,000,000 credit facility obtained to finance a portion of the cash consideration for the acquisition of Hargreave Hale. The bank loan bears interest at LIBOR plus 3.375% per annum and is repayable in instalments of principal and interest over 4 years and matures in September of 2021.
(2) Convertible debentures consist of the unsecured senior subordinated convertible debentures (the "Debentures") issued in Q3/17. The Debentures bear interest at a rate of 6.50% per annum and mature on December 31, 2021. The Company, under certain circumstances, may redeem the Debentures on or after December 31, 2019.

Liquidity and Capital Resources

The Company has a capital structure comprised of preferred shares, common shares, contributed surplus, debentures, warrants, retained earnings and accumulated other comprehensive income. On March 31, 2018, cash and cash equivalents were $862.8 million, an increase of $185.1 million from $677.8 million as of March 31, 2017. During the year ended March 31, 2018, financing activities used cash in the amount of $10.3 million, mainly due to cash used in the acquisition of common shares for the Company's long-term incentive plan, payment of preferred and common share dividends, and a decrease in bank indebtedness, partially offset by the proceeds from the bank loan obtained in relation to the acquisition of Hargreave Hale. Investing activities used cash in the amount of $63.7 million mainly for the acquisition of Hargreave Hale and the purchase of leasehold improvements. Operating activities generated cash of $244.1 million, which was largely due to changes in non-cash working capital. An increase in cash of $15.0 million was attributable to the effect of foreign exchange translation on cash balances.

The Company's business requires capital for operating and regulatory purposes. The majority of current assets reflected on the Company's audited consolidated statements of financial position are highly liquid. The majority of the positions held as securities owned are readily marketable, and all are recorded at their fair value. Securities sold short are highly liquid securities. 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 collectability. Receivables and payables from brokers and dealers represent the following: current open transactions that generally settle within the normal three-day settlement cycle (as of September 30, 2017, the North American markets moved to a two-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.

Preferred Shares

SERIES A PREFERRED SHARES

In fiscal 2012, the Company issued 4,540,000 Cumulative 5-Year Rate Reset First Preferred Shares, Series A (Series A Preferred Shares) at a purchase price of $25.00 per share for gross proceeds of $113.5 million. The aggregate net amount recognized after deducting issue costs, net of deferred taxes of $1.0 million, was $110.8 million.

Quarterly cumulative cash dividends, as declared, were paid at an annual rate of 5.5% for the initial five-year period ended on September 30, 2016. Commencing October 1, 2016 and ending on and including September 30, 2021, quarterly cumulative dividends, if declared, will be paid at an annual rate of 3.885%. Thereafter, the dividend rate will be reset every five years at a rate equal to the five-year Government of Canada bond yield plus 3.21%.

Holders of Series A Preferred Shares had the option to convert any or all of their shares into an equal number of Cumulative Floating Rate First Preferred Shares, Series B (Series B Preferred Shares), subject to certain conditions, on September 30, 2016 and have the option on September 30 every five years thereafter. The number of shares tendered for conversion by the conversion deadline of September 15, 2016 was below the minimum required to proceed with the conversion and, accordingly, no Series B Preferred Shares were issued. Series B Preferred Shares would entitle any holders thereof to receive floating rate, cumulative, preferential dividends payable quarterly, if declared, at a rate equal to the three-month Government of Canada Treasury Bill yield plus 3.21%.

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

SERIES C PREFERRED SHARES

In fiscal 2013, the Company issued 4,000,000 Cumulative 5-Year Rate Reset First Preferred Shares, Series C (Series C Preferred Shares) at a purchase price of $25.00 per share for gross proceeds of $100.0 million. The aggregate net amount recognized after deducting issue costs, net of deferred taxes of $1.0 million, was $97.5 million.

Quarterly cumulative cash dividends, as declared, were paid at an annual rate of 5.75% for the initial five-year period ending on June 30, 2017. Commencing July 1, 2017 and ending on and including June 30, 2022, quarterly cumulative dividends, if declared, will be paid at an annual rate of 4.993%. Thereafter, the dividend rate will be reset every five years at a rate equal to the five-year Government of Canada bond yield plus 4.03%.

Holders of Series C Preferred Shares had the option to convert any or all of their shares into an equal number of Cumulative Floating Rate First Preferred Shares, Series D (Series D Preferred Shares), subject to certain conditions, on June 30, 2017 and have the option on June 30 every five years thereafter. The number of shares tendered for conversion by the conversion deadline of June 30, 2017 was below the minimum required to proceed with the conversion and, accordingly, no Series D Preferred Shares were issued. Series D Preferred Shares would entitle any holders thereof to receive floating rate, cumulative, preferential dividends payable quarterly, if declared, at a rate equal to the three-month Government of Canada Treasury Bill yield plus 4.03%.

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

CONVERTIBLE DEBENTURES

In fiscal 2017, the Company issued convertible unsecured senior subordinated debentures ("Debentures") in the aggregate principal amount of $60.0 million. The Debentures bear interest at a rate of 6.50% per annum. The Debentures are convertible at the holder's option into common shares of the Company at a conversion price of $6.50 per share. The Debentures will mature on December 31, 2021 and may be redeemed by the Company, in certain circumstances, on or after December 31, 2019.

Outstanding Share Data

	Outstanding shares as of March 31	
	2018	2017
Preferred shares		
Series A – issued shares outstanding	**4,540,000**	4,540,000
Series C – issued shares outstanding	**4,000,000**	4,000,000
Common shares		
Issued shares excluding unvested shares(1)	**93,053,875**	92,779,817
Issued shares outstanding(2)	**113,522,629**	113,511,468
Issued shares outstanding – diluted(3)	**124,294,132**	124,479,390
Average shares outstanding – basic	**92,587,216**	91,656,708
Average shares outstanding – diluted(4)	**110,862,087**	101,149,072
Average shares outstanding – diluted, excluding significant items(4)(5)	**120,092,836**	101,149,072

(1) Excludes 654,322 outstanding unvested shares related to share purchase loans for recruitment and 19,814,432 unvested shares purchased by the employee benefit trusts for the LTIP.
(2) Includes 654,322 unvested shares related to share purchase loans for recruitment and 19,814,432 unvested shares purchased by the employee benefit trusts for the LTIP.
(3) Includes 10,771,503 of share issuance commitments net of forfeitures.
(4) This is the diluted share number used to calculate diluted EPS. For years with net losses attributable to common shareholders, all instruments involving potential common shares were excluded from the calculation of diluted earnings per share as they were anti-dilutive.
(5) See Non-IFRS Measures on page 14. This is the diluted share number used to calculate diluted EPS on an excluding significant items basis.

On August 11, 2017, the Company filed a notice to renew the normal course issuer bid (NCIB) to provide the Company with the choice to purchase up to a maximum of 5,675,573 of its common shares during the period from August 15, 2017 to August 14, 2018 through the facilities of the TSX and on alternative trading systems in accordance with the requirements of the TSX. Shareholders may obtain a copy of the notice, without charge, by contacting the Company. The purpose of the purchase of common shares under the NCIB is to enable the Company to acquire shares for cancellation. The maximum number of shares that may be purchased under this and the previous NCIB represents 5.0% of the Company's outstanding common shares at the time of the notice. There were no shares purchased and cancelled through the NCIB between April 1, 2017 and March 31, 2018.

The Company has entered into a predefined plan with a designated broker to allow for the repurchase of its common shares under this NCIB. The Company's broker may repurchase the common shares under the plan on any trading day during the NCIB, including at any time during the Company's internal trading blackout periods. The plan has been reviewed by the TSX and will terminate on the earlier of the termination of the plan by the Company in accordance with its terms and the expiry of the NCIB.

The ability to make purchases under the current NCIB commenced on August 15, 2017, and will continue for one year (to August 14, 2018) at the discretion of the Company. The maximum consideration will be the market price of the securities at the time of acquisition. In order to comply with the trading rules of the TSX, the daily purchases are limited to 54,968 common shares of the Company (which is 25% of the average daily trading volume of common shares of the Company on the TSX in the six calendar months from February 2017 to July 2017.)

As of May 31, 2018, the Company has 113,531,412 common shares issued and outstanding.

ISSUANCE AND CANCELLATION OF COMMON SHARE CAPITAL

	Fiscal 2018
Total common shares issued and outstanding as of March 31, 2017	**113,511,468**
Shares issued in connection with replacement plans	11,161
Total common shares issued and outstanding as of March 31, 2018	**113,522,629**

Share-Based Payment Plans

LONG-TERM INCENTIVE PLAN

Under the long-term incentive plan (LTIP), eligible participants are awarded restricted share units (RSUs), which generally vest over three years. For employees in Canada, the United States, Channel Islands, Australia and the United Kingdom, employee benefit trusts (the Trusts) have been established. The Company or certain of its subsidiaries, as the case may be, fund the Trusts with cash which is used by the trustees to purchase common shares on the open market that will be held in the Trusts until the RSUs vest.

FORGIVABLE COMMON SHARE PURCHASE LOANS

The Company provides loans to certain employees (other than directors or executive officers) for the purpose of partially funding the purchase of shares of the Company and increasing share ownership by the employees. The Company has provided such loans to executive officers in the past but has now adopted a policy not to make any further such loans to directors or executive officers. When made, these loans are forgiven over a vesting period. No interest is charged related to the share purchase loans.

REPLACEMENT PLANS

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

SHARE OPTIONS

The Company previously granted share options to purchase common shares of the Company to independent directors and senior management. As at March 31, 2018, all share options have expired.

DEFERRED SHARE UNITS

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

PERFORMANCE SHARE UNITS

For the year ended March 31, 2018, the Company adopted a performance share unit ("PSU") plan for certain senior executives. The PSUs are a notional equity-based instrument linked to the value of the Company's common shares. At the end of a 3-year vesting period, the number of PSUs which vest is determined upon performance against certain pre-determined metrics. The PSUs cliff vest on the 3rd anniversary of the date of the grant. The PSUs are settled in cash, based on the average share price of the Company's shares at the time of vesting.

OTHER RETENTION AND INCENTIVE PLANS

There were other retention and incentive plans, including the employee stock purchase plan, with individual employees, for which the amount incurred was not significant in the aggregate.

Related Party Transactions

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

The Company's trading subsidiaries and intermediate holding companies are listed in the following table:

		% equity interest	
	Country of incorporation	**March 31, 2018**	March 31, 2017
Canaccord Genuity Corp.	Canada	**100%**	100%
CG Investments Inc.	Canada	**100%**	n/a
Canaccord Genuity SAS	France	**100%**	100%
Canaccord Genuity Wealth (International) Limited	Guernsey	**100%**	100%
Canaccord Genuity Financial Planning Limited	United Kingdom	**100%**	100%
Canaccord Genuity Wealth Limited	United Kingdom	**100%**	100%
Canaccord Genuity Wealth Group Limited	United Kingdom	**100%**	100%
Canaccord Genuity Wealth (International) Holdings Limited	Guernsey	**100%**	100%
Hargreave Hale Limited	United Kingdom	**100%**	n/a
Canaccord Genuity Limited	United Kingdom	**100%**	100%
Canaccord Genuity Wealth Group Holdings Ltd.	Canada	**100%**	100%
Canaccord Genuity LLC	United States	**100%**	100%
Canaccord Genuity Wealth Management (USA) Inc.	United States	**100%**	100%
Canaccord Genuity Wealth & Estate Planning Services Ltd.	Canada	**100%**	100%
Canaccord Asset Management Inc.	Canada	**100%**	100%
Canaccord Adams Financial Group Inc.	United States	**100%**	100%
Collins Stewart Inc.	United States	**100%**	100%
Canaccord Adams BC ULC	Canada	**100%**	100%
Canaccord Adams (Delaware) Inc.	United States	**100%**	100%
Canaccord Genuity Securities LLC	United States	**100%**	100%
Stockwave Equities Ltd.	Canada	**100%**	100%
CLD Financial Opportunities Limited	Canada	**100%**	100%
Canaccord Genuity (Hong Kong) Limited	China (Hong Kong SAR)	**100%**	100%
Canaccord Financial Group (Australia) Pty Ltd*	Australia	**50%**	50%
Canaccord Genuity (Australia) Limited*	Australia	**50%**	50%
加通贝祥（北京）投资顾问有限公司 (Canaccord Genuity Asia (Beijing) Limited)	China	**100%**	100%
The Balloch Group Limited	British Virgin Islands	**100%**	100%
Canaccord Genuity Asia (Hong Kong) Limited	China (Hong Kong SAR)	**100%**	100%
Canaccord Genuity (Dubai) Ltd.	United Arab Emirates	**100%**	100%

* The Company owns 50% of the issued shares of Canaccord Financial Group (Australia) Pty Ltd and Canaccord Genuity (Australia) Limited, but for accounting purposes, as of March 31, 2018 the Company is considered to have a 58% interest because of the shares held in a trust controlled by Canaccord Financial Group (Australia) Pty Ltd [March 31, 2017 – 58%].

Security trades executed for employees, officers and directors of Canaccord Genuity Group Inc. 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 Genuity Group Inc.

The Company offers various share-based payment plans to its key management personnel, including common share purchase loans, a long-term incentive plan, PSU plan, and share options. Directors have also been granted share options and have the right to acquire DSUs.

Disclosed in the table below are the amounts recognized as expenses related to individuals who are key management personnel as at March 31, 2018 and March 31, 2017.

(in thousands)	March 31, 2018	March 31, 2017
Short term employee benefits	$ 10,515	$ 7,053
Post termination benefits	—	1,989
Share-based payments	4,933	3,979
Total compensation paid to key management personnel	$ 15,448	$ 13,021

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

(in thousands)	March 31, 2018	March 31, 2017
Accounts receivable	$ 969	$ 211
Accounts payable and accrued liabilities	$ 1,527	$ 219

Critical Accounting Policies and Estimates

The following is a summary of Canaccord Genuity Group's critical accounting estimates. The Company's significant accounting policies are in accordance with IFRS and are described in Note 5 to the Audited Consolidated Financial Statements for the year ended March 31, 2018. The Company's consolidated financial statements for the years ended March 31, 2018 and 2017 were also prepared in accordance with IFRS.

The preparation of the March 31, 2018 Audited Consolidated Financial Statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Therefore, actual results may differ from those estimates and assumptions. The significant judgments, estimates and assumptions include consolidation, revenue recognition, share-based payments, income taxes, tax losses available for carryforward, impairment of goodwill and other assets, indefinite life intangible assets and other long-lived assets, allowance for credit losses, fair value of financial instruments, capitalization of software costs and provisions. Amendments may be made to estimates relating to net assets acquired in an acquisition as well as the allocation of identifiable intangible assets between indefinite life and finite lives. Judgments, estimates and assumptions were also utilized in connection with the valuation of goodwill and intangible assets acquired in connection with the acquisition of Hargreave Hale.

Significant accounting policies used and policies requiring management's judgment and estimates are disclosed in Notes 2 and 5 of the Audited Consolidated Financial Statements for the year ended March 31, 2018.

CONSOLIDATION

The Company owns 50% of the voting shares of Canaccord Genuity (Australia) Limited (CGAL) as at March 31, 2018. The Company also completed an evaluation of its contractual arrangement with the other shareholders and the control it has over the financial and operating policies of CGAL and determined it should consolidate under IFRS 10, "*Consolidated Financial Statements*" (IFRS 10) as at March 31, 2018 and 2017. Therefore, the financial position, financial performance, and cash flows of CGAL have been consolidated. Although the Company owns 50% of the issued shares of CGAL, for accounting purposes, as of March 31, 2018, the Company is considered to have a 58% interest because of the shares held in a trust controlled by Canaccord Financial Group (Australia) Pty Ltd. and therefore has recognized a 42% non-controlling interest (March 31, 2017 – 42%), which represents the portion of CGAL's net identifiable assets not owned by the Company. At the date of acquisition, the non-controlling interest was determined using the proportionate method. Net income (loss) and each component of other comprehensive income (loss) are attributed to the non-controlling interest and to the owners of the parent.

The Company has established employee benefit trusts, which are considered special purpose entities (SPEs), to fulfill obligations to employees arising from the Company's share-based payment plans. The employee benefit trusts have been consolidated in accordance with IFRS 10 since their activities are conducted on behalf of the Company, and the Company retains the majority of the benefits and risks of the employee benefit trusts.

INTANGIBLE ASSETS

Identifiable intangible assets acquired separately are measured on initial recognition at cost. The cost of identifiable intangible assets acquired in a business combination is equal to their fair value as at the date of acquisition. Following initial recognition, identifiable intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

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

Technology development expenditures on an individual project are recognized as an intangible asset when the Company can demonstrate that the technical feasibility of the asset for use has been established. The asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

IMPAIRMENT OF NON-FINANCIAL ASSETS

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s (CGU) fair value less costs to sell and its value-in-use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount, and the impairment is recognized in the consolidated statements of operations.

In assessing fair value less costs to sell, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Company bases its impairment calculation on annual budget calculations, which are prepared separately for each of the Company’s CGUs to which the individual assets are allocated. These budget calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognized in the consolidated statements of operations in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset’s or CGU’s recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, or exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of operations unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

The following assets have specific characteristics for impairment testing:

Goodwill

Goodwill is tested for impairment at least annually as at March 31 and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually as at March 31 at the CGU level and when circumstances indicate that the carrying value may be impaired.

REVENUE RECOGNITION

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

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

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

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

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

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

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

INCOME TAXES

Current income tax

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

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

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statements of operations.

Deferred tax

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

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

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

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

Sales tax

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

SHARE-BASED PAYMENTS

Employees (including senior executives) of the Company receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions). The participating employees are eligible to receive shares that generally vest over three years (the "RSUs"). This program is referred to as the "LTIP" (or the "Plan").

Independent directors also receive deferred share units (DSUs) as part of their remuneration, which can only be settled in cash. For the year ended March 31, 2018, certain senior executives receive performance share units (PSUs) as part of their remuneration, which can only be settled in cash (cash-settled transactions).

The dilutive effect, if any, of outstanding options and share-based payments is reflected as additional share dilution in the computation of diluted earnings (loss) per common share.

Equity-settled transactions

For equity-settled transactions, the Company measures the fair value of share-based awards as of the grant date.

Effective as of March 31, 2018 the Plan was changed so that the vesting of certain RSUs was no longer necessarily contingent upon continued employment. With the change, RSUs will continue to vest after termination of employment so long as the employee does not violate certain post-termination restrictions and is not engaged in certain competitive or soliciting activities as provided in the Plan. Because of this change, the Company determined that the awards do not meet the criteria for an in-substance service condition, as defined by IFRS 2. Accordingly, RSUs granted as part of the normal course incentive compensation payment cycle are expensed in the period in which those awards are deemed to be earned with a corresponding increase in contributed surplus, which is generally the fiscal period in which the awards are either made or the immediately preceding fiscal year for those awards made after the end of such fiscal year but were determined and earned in respect of that fiscal year.

For certain awards, typically new hire awards or retention awards, vesting is subject to continued employment and therefore these awards are subject to a continuing service requirement. Accordingly, the Company recognizes the cost as an expense on a graded basis over the applicable vesting period with a corresponding increase in contributed surplus. The Company estimates the number of equity instruments that will ultimately vest when calculating the expense attributable to equity-settled transactions. No expense is recognized for awards that do not ultimately vest.

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

Cash-settled transactions

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

TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS AND FOREIGN SUBSIDIARIES

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

Transactions and balances

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

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

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

Translation of foreign subsidiaries

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

The Company also has monetary assets and liabilities that are receivable or payable from a foreign operation. If settlement of the receivable or payable is neither planned nor likely to occur in the foreseeable future, the differences upon translation are recognized in accumulated other comprehensive income (loss) as these receivables and payables form part of the net investment in the foreign operation.

PROVISIONS

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

Financial Instruments

A significant portion of the Company's assets and liabilities are composed of financial instruments. The Company uses financial instruments for both trading and non-trading activities. The Company engages in trading activities which include the purchase and sale of securities in the course of facilitating client trades and taking principal trading positions with the objective of earning a profit.

The use of financial instruments may either introduce or mitigate exposures to market, credit and/or liquidity risks. See Risk Management in this MD&A for details on how these risks are managed. For significant assumptions made in determining the valuation of financial and other instruments, refer to Critical Accounting Policies and Estimates in this MD&A. For additional information regarding the Company's financial instruments, refer to Note 7 of the Audited Consolidated Financial Statements for the year ended March 31, 2018.

FOREIGN EXCHANGE

The Company manages its foreign exchange risk by periodically hedging pending settlements in foreign currencies. Realized and unrealized gains and losses related to these transactions are recognized in income during the period. On March 31, 2018, forward contracts outstanding to sell US dollars had a notional amount of US$17.7 million, a decrease of US$4.4 million compared to March 31, 2017. Forward contracts outstanding to buy US dollars had a notional amount of US$2.1 million, a decrease of US$0.8 million from March 31, 2017. The fair value of these contracts was nominal. Some of the Company's operations in the US, the UK & Europe, Australia, Hong Kong and China are conducted in the local currency; however, any foreign exchange risk in respect of these transactions is generally limited as pending settlements on both sides of the transaction are typically in the local currency.

These contracts were entered into in an attempt to mitigate 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.

The Company's Canaccord Genuity Wealth Management segment in the UK & Europe trades foreign exchange forward contracts on behalf of its clients, and establishes matching contracts with the counterparties. The Company has no significant net exposure, assuming no counterparty default.

FUTURES

The Company's Canadian operations are involved in trading various futures contracts, in an attempt to mitigate market risk, interest rate risk, yield curve risk and liquidity risk. Futures contracts are agreements to buy or sell a standardized amount of an underlying asset, 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's Canadian operations have traditionally engaged in the trading of Canadian and US government bond futures contracts to mitigate its risk. At March 31, 2018, the notional amount of the Canadian bond futures contracts outstanding was long $0.1 million [March 31, 2017 – long $0.5 million].

The Company's Canadian operations are also involved in trading US Treasury futures in an attempt to mitigate interest rate risk, yield curve risk and liquidity risk. There were no outstanding US Treasury futures contracts outstanding as at March 31, 2018 and March 31, 2017.

The fair value of all of the above futures 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.

Future Changes in Accounting Policies and Estimates

The Company monitors the potential changes proposed by the International Accounting Standards Board on an ongoing basis and analyzes the effect that changes in the standards may have on the Company's operations.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued, which may be reasonably expected to impact upon the Company's financial statements, but which are not yet effective are listed below.

IFRS 15, "REVENUE FROM CONTRACTS WITH CUSTOMERS"

In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15"). IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods on or after January 1, 2018, with early adoption permitted. Either a modified retrospective application or full retrospective application is permitted under IFRS 15. The Company will be adopting IFRS 15 for its fiscal year ending March 31, 2019 using the modified retrospective application approach.

The Company has evaluated the impact of IFRS 15 on its various revenue streams and the assessment is as follows:

- Commissions and fees – The Company concluded there is no material change in the amount or timing of revenue recognized under the new standard as the point of transfer of risk and reward for services and transfer of control occur at the same time.
- Investment banking – The Company concluded that investment banking will generally not be affected by IFRS 15 as revenue will be recognized upon completion of the performance obligation.
- Advisory fees – The Company concluded that advisory fees will generally not be affected by IFRS 15 as revenue will be recognized upon completion of the performance obligation. In certain cases, some fees are collected based on progress and do not correspond to the satisfaction of any discrete performance obligation. Under IFRS 15, such payments may need to be deferred until the performance obligation is satisfied. The impact of this change on the amount of revenue recognized in a fiscal year is insignificant.
- Principal trading, interest and other revenue are excluded from the scope of IFRS 15.

IFRS 15 contains presentation and disclosure requirements which are more detailed than the current standards. Upon adoption of IFRS 15, the Company will provide disclosures for each of the Company's revenue streams, to supplement the revenue data that are currently presented in the segmented information disclosure. New disclosures will be presented relating to the timing of completion of the Company's performance obligations.

IFRS 9, "FINANCIAL INSTRUMENTS"

In July 2014, the IASB issued IFRS 9 – Financial Instruments ("IFRS 9"), which replaces the earlier versions of IFRS 9 (2009, 2010, and 2013) and completes the IASB's project to replace IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with the exception of hedge accounting. The Company will adopt IFRS 9 for its fiscal year ending March 31, 2019.

The Company has evaluated the impact of IFRS 9 on its consolidated financial statements and the assessment is as follows:

Classification – financial assets and liabilities

IFRS 9 sets out requirements for recognizing and measuring financial assets and financial liabilities. IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and loss ("FVTPL"). IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. The Company expects to continue to classify cash and cash equivalents and securities owned as financial assets classified as FVTPL and accounts receivable as financial assets measured at amortized costs. The Company's investment in Euroclear, which is classified as available for sale as of March 31, 2018, will be reclassified as FVOCI. The classification of financial liabilities is expected to remain consistent under IFRS 9.

Impairment – financial assets

IFRS 9 introduces the new "expected credit loss" impairment model which replaces the "incurred loss" model in IAS 39. Based on its assessment, the Company does not believe that new impairment requirements will have a material impact on its financial statements given the short-term nature of the Company's receivables.

Hedge accounting requirement

IFRS 9 offers greater flexibility to the types of transactions eligible for hedge accounting. The Company does not expect this change to have any material impact on its consolidated financial statements upon adoption.

IFRS 16, "LEASES"

In January 2016, the IASB issued IFRS 16 "Leases" ("IFRS 16"), which requires lessees to recognize assets and liabilities for most leases. The new standard will be effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted, provided the new revenue standard, IFRS 15, has been applied, or is applied at the same date as IFRS 16 using either a full retrospective or a modified retrospective approach. The Company plans to apply IFRS 16 for its year ending March 31, 2020 but has not yet selected a transition approach.

Upon adoption of IFRS 16, the Company anticipates it will result in an increase in assets and liabilities related to leases. Due to the recognition of additional lease assets and liabilities, a higher amount of depreciation expense and interest expense on lease liabilities will be recognized under IFRS 16 compared to the current standard. Lastly, the Company expects a reduction in operating cash outflows with a corresponding increase in financing cash outflows under IFRS 16. The Company is in the process of identifying and collecting data relating to existing agreements to determine the impact of adoption of IFRS 16.

Please see Note 4 of the Audited Consolidated Financial Statements for the year ended March 31, 2018 for further information.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

DISCLOSURE CONTROLS AND PROCEDURES

As of March 31, 2018, an evaluation was carried out, under the supervision of and with the participation of management, including the President & CEO and the Executive Vice President, Chief Financial Officer, 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, Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective as of and during the fiscal year ended March 31, 2018.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management, including the President & CEO and the Executive Vice President, Chief Financial Officer, has designed internal control over financial reporting as defined under *National Instrument 52-109* to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Based on that evaluation, the President & CEO and the Executive Vice President, Chief Financial Officer concluded that the Company's internal control over financial reporting was designed and operating effectively as of and during the year ended March 31, 2018 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, 2018 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Risk Management

OVERVIEW

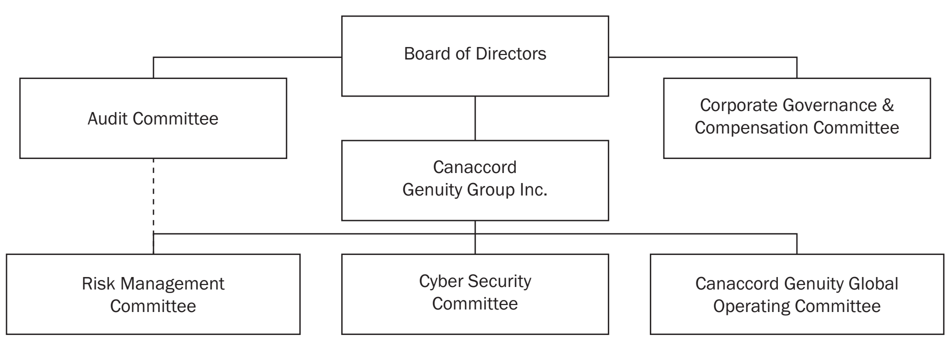
Uncertainty and risk are inherent when conducting operations within financial markets. As an active participant in the Canadian and international capital markets, the Company is exposed to risks that could result in financial losses. The Company has identified its principal risks as: market risk, credit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

RISK MANAGEMENT STRUCTURE AND GOVERNANCE

The Company'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, procedures and reports that enable the Company to assess and control its risks. These policies and procedures are subject to ongoing review and modification as activities, markets and circumstances change.

As part of the Company'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 the Company's risk exposure is conducted through a variety of separate, but complementary, financial, credit, operational, compliance and legal reporting systems.

The Company's governance structure includes the following elements:



The Board of Directors (the Board) has oversight of the company-wide risk management framework. These responsibilities are delegated to the Audit and Risk Management Committees. See the company's current Annual Information Form (AIF) for details of the Audit Committee's mandate as it relates to risk management.

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

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

The segregation of duties and management oversight are important aspects of the Company's risk management framework. The Company 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, Treasury, Finance, Information Technology and Legal.

In fiscal 2017, the Company formed a global Cyber Security Committee to help identify, monitor and manage risks specific to the company's information networks, data and internal systems. This committee is chaired by the firm's Chief Risk Officer and committee members include senior IT management from across the firm, as well as representation from Legal, Compliance, Internal Audit and Operations. The Cyber Security Committee is focused on issues such as cyber security risk assessment, IT safeguards and controls, risks related to third-party service provides, employee training and awareness and incident response planning.

MARKET RISK

Market risk is the risk that a change in market prices and/or any of the underlying market factors will result in losses. Each business area is responsible for ensuring that their market risk exposure is prudent within a set of risk limits set by the Risk Management Committee and approved by the Audit Committee. In addition, the Company has established procedures to ensure that risks are measured, closely monitored, controlled and visible to senior levels of management.

The Company is exposed to equity price risk, liquidity risk and volatility risk as a result of its principal trading activities in equity securities. The Company is also exposed to specific interest rate risk, credit spread risk and liquidity risk in respect of its principal trading in fixed income securities. In addition to active supervision and review of trading activities by senior management, Canaccord Genuity Group mitigates its risk exposure through a variety of limits to control concentration, capital allocation and usage, as well as through trading policies and guidelines. The Company manages and monitors its risks in this area using both qualitative and quantitative measures, on a company-wide basis, and also by trading desk and by individual trader. Canaccord Genuity Group utilizes scenario analysis and a Value-at-Risk (VaR) risk measurement system for its equity and fixed income inventories. Management also regularly reviews and monitors inventory levels and positions, trading results, liquidity profile, position aging and concentration levels. Consequently, the Company can ensure that it is adequately diversified with respect to market risk factors and that trading activity is within the risk tolerance levels established by senior management.

CREDIT RISK

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

The Company provides financing to clients by way of margin lending. In margin-based lending, the Company extends credit for a portion of the market value of the securities in a client's account, up to certain limits. The margin loans are collateralized by those securities in the client's account. In connection with this lending activity, the Company faces a risk of financial loss in the event that a client fails to meet a margin call if market prices for securities held as collateral decline and if the Company is unable to recover sufficient value from the collateral held. For margin lending purposes, the Company has established risk-based limits that are generally more restrictive than those required by applicable regulatory policies. In addition, the Company has established limits to how much it will lend against an individual security or group of securities in a single sector so as to limit credit concentration risk.

The extension of credit via margin lending is overseen by the firm's Credit Committee. The Committee meets regularly to review and discuss the firm's credit risks, including large individual loans, collateral quality, loan coverage ratios and concentration risk. The Committee will also meet, as required, to discuss any new loan arrangements proposed by senior management.

The Company also faces a risk of financial loss with respect to trading activity by clients if such trading results in overdue or unpaid amounts in under-secured cash accounts. The Company has developed a number of controls within its automated trade order management system to ensure that trading by individual account and advisor is done in accordance with customized limits and risk parameters.

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

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

OPERATIONAL RISK

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

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

Risk and Control Self-Assessment (RCSA)

The purpose of RCSAs is to:

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

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

OTHER RISKS

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

Regulatory and legal risk

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

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

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

The Company and its affiliates provide financial advisory, underwriting and other services to, and trade the securities of issuers that are involved with new and emerging industries, including the US cannabis industry. Activities within such industries, including the US cannabis industry, typically have not had the benefit of a history of successful operating results. In addition to the economic uncertainties associated with new industries, new activities and new issuers, the laws applicable to such industries or activities, particularly the US cannabis industry and the activities of issuers in that industry, and the effect or enforcement of such laws are undetermined, conflicting and uncertain. With respect to the US cannabis industry, cannabis continues to be a controlled substance under the United States Controlled Substances Act and as such, there is a risk that certain issuers, while in compliance with applicable state law, may be prosecuted under federal law. Accordingly, the Company has adopted policies and procedures reasonably designed to ensure compliance with the United States Currency and Foreign Transactions Reporting Act of 1970 (the "Bank Secrecy Act") and the guidance issued by the United States Department of the Treasury Financial Crimes Enforcement Network, FIN-2014-G001 (the "FinCEN Guidance") relating to providing financial services to marijuana related businesses in the United States (as that term is used in the FinCEN Guidance). While the Company takes steps to identify the risks associated with emerging industries, including the US cannabis industry, and only provides services to those issuers where it determines that there is no material risk to the Company or where any risk is unlikely to result in a material adverse consequence to the Company, there is a risk that the Company could be the subject of third party proceedings which may have a material adverse effect on the Company business, revenues, operating results and financial condition as well as the Company's reputation, even if such proceedings were concluded successfully in favour of the Company. The Company has determined that any such proceedings are unlikely and, accordingly, has not recorded a provision in respect of such matters.

Cybersecurity risk

Cybersecurity risk is the risk that the Company's information networks, data or internal systems will be damaged, disrupted, misappropriated, stolen, accessed without permission or otherwise attacked. This risk exists due to the interconnected nature of the Company's business with its clients, suppliers, vendors, partners and the public via the internet and other networks. As a result of this interconnectivity, third parties with which the Company does business with or that facilitate the Company's business may also be a source of cybersecurity risk to the firm. The Company devotes considerable effort and resources to defend against and mitigate cybersecurity risk, including increasing awareness throughout the organization by implementing a firmwide cybersecurity training program for all employees. The Company's management of cybersecurity risk, as well as any reported incidents, is regularly presented to both senior management via the Cybersecurity Committee and the Audit Committee of the Board of Directors.

Reputational risk

Reputational risk is the risk that an activity undertaken, or alleged to have been undertaken, by an organization or its representatives will impair its image in the community or lower public confidence in it, resulting in a loss of revenue, legal action or increased regulatory oversight. Possible sources of reputational risk could come from operational failures, non-compliance with laws and regulations, disparaging media coverage, or leading an unsuccessful financing. The Company could face reputational risk through its association with past or present corporate finance clients who are the subject of regulatory and/or legal scrutiny. Reputational risk can also be reflected within customer satisfaction and external ratings, such as equity analyst reports. In addition to its various risk management policies, controls and procedures, the Company has a formal Code of Business Conduct and Ethics and an integrated program of marketing, branding, communications and investor relations to help manage and support the Company's reputation.

CONTROL RISK

As of March 31, 2018, senior officers and directors of the Company collectively owned approximately 9.3% of the issued and outstanding (13.7% fully diluted) common shares of Canaccord Genuity Group 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 Genuity Group 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.

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 the Company's business.

Restrictions on ownership and transfer of common shares

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

Risk factors

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

Further discussion regarding risks can be found in our Annual Information Form.

Dividend Policy

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

Dividend Declaration

On June 6, 2018, the Board of Directors approved a dividend of $0.12 per common share, payable on July 3, 2018, with a record date of June 22, 2018. This dividend is comprised of a $0.01 base quarterly dividend and an $0.11 supplemental dividend as outlined below.

The Company's dividend policy which became effective March 31, 2017 reflects its commitment to return a portion of earnings to shareholders, in balance with the inherent variability of its business, which is impacted by the overall condition of debt and equity markets, and the market for securities in specific growth sectors. In the context of its dividend policy, the Company expects to return 25% to 50% of net earnings attributable to common shareholders on an annual basis. The policy is to pay a quarterly dividend of $0.01 per common share that will be declared and paid quarterly, which commenced with the fourth quarter of fiscal 2017. Following the end of each fiscal year, the Board will review the capital position of the Company in the context of the market environment in combination with capital allocation requirements for its strategic priorities, and determine whether a supplemental dividend should be paid. Supplemental dividends, if declared, may be highly variable from year to year, given the nature of the Company's operating environment and the potential need to conserve cash and for certain corporate growth opportunities. Although dividends are expected to be declared and paid on an ongoing basis, 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, the Company's financial condition, results of operations, capital requirements and such other factors as the Board determines to be relevant.

On June 6, 2018, the Board of Directors approved the following cash dividends: $0.24281 per Series A Preferred Share payable on July 3, 2018 with a record date of June 22, 2018; and $0.31206 per Series C Preferred Share payable on July 3, 2018 with a record date of June 22, 2018.

Additional Information

Additional information relating to Canaccord Genuity Group Inc., including our Annual Information Form, is available on our website at www.canaccordgenuitygroup.com/EN/IR/FinReports/Pages/default.aspx and on SEDAR at www.sedar.com.