Independent Auditors' Report

To the Shareholders of
Canaccord Genuity Group Inc. (formerly Canaccord Financial Inc.)

We have audited the accompanying consolidated financial statements of Canaccord Genuity Group Inc. (formerly Canaccord Financial Inc.), which comprise the consolidated statements of financial position as at March 31, 2014 and 2013, and the consolidated statements of operations, comprehensive income (loss), changes in equity and cash flows for the years ended March 31, 2014 and 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

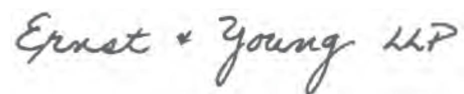
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Canaccord Genuity Group Inc. (formerly Canaccord Financial Inc.) as at March 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.



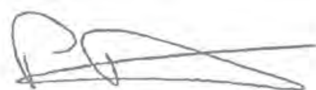
Chartered accountants
Vancouver, Canada
June 3, 2014

Consolidated Statements of Financial Position

As at (in thousands of Canadian dollars)	Notes	March 31, 2014	March 31, 2013
ASSETS			
Current			
Cash and cash equivalents		$ 364,296	$ 491,012
Securities owned	6	1,143,201	924,337
Accounts receivable	9	2,785,898	2,513,958
Income taxes receivable		3,983	—
Total current assets		4,297,378	3,929,307
Deferred tax assets	14	9,735	12,552
Investments	10	9,977	3,695
Equipment and leasehold improvements	11	50,975	42,979
Intangible assets	13	131,650	130,283
Goodwill	13	514,907	484,686
		$ 5,014,622	$ 4,603,502
LIABILITIES AND EQUITY			
Current			
Bank indebtedness	7	$ —	$ 66,138
Securities sold short	6	913,913	689,020
Accounts payable and accrued liabilities	9, 20	2,877,933	2,726,735
Provisions	24	10,334	20,055
Income taxes payable		10,822	4,428
Contingent consideration	7	—	14,218
Subordinated debt	15	15,000	15,000
Total current liabilities		3,828,002	3,535,594
Deferred tax liabilities	14	3,028	2,576
		3,831,030	3,538,170
Equity			
Preferred shares	16	205,641	205,641
Common shares	17	653,189	638,456
Contributed surplus		74,037	85,981
Retained earnings		144,799	126,203
Accumulated other comprehensive income (loss)		91,014	(7,118)
Total shareholders' equity		1,168,680	1,049,163
Non-controlling interests		14,912	16,169
Total equity		1,183,592	1,065,332
		$ 5,014,622	$ 4,603,502

See accompanying notes

On behalf of the Board:



PAUL D. REYNOLDS
Director

TERRENCE A. LYONS
Director

Consolidated Statements of Operations

For the years ended (in thousands of Canadian dollars, except per share amounts)	Notes	March 31, 2014	March 31, 2013
REVENUE			
Commissions and fees		$ 361,647	$ 353,125
Investment banking		221,410	145,772
Advisory fees		139,142	179,690
Principal trading		91,313	66,406
Interest		24,549	29,199
Other		17,183	22,930
		855,244	797,122
EXPENSES			
Incentive compensation		413,289	406,724
Salaries and benefits		91,135	88,522
Trading costs		47,872	43,892
Premises and equipment		38,461	41,124
Communication and technology		46,065	49,115
Interest		16,359	15,302
General and administrative		83,834	89,504
Amortization		26,786	33,779
Development costs		21,369	19,526
Restructuring costs	24	5,486	31,617
Acquisition-related costs		—	1,719
		790,656	820,824
Income (loss) before income taxes		64,588	(23,702)
Income tax expense (recovery)	14		
Current		8,270	8,202
Deferred		4,261	(13,129)
		12,531	(4,927)
Net income (loss) for the year		$ 52,057	$ (18,775)
Net income (loss) attributable to:			
CGGI shareholders		$ 51,413	$ (16,819)
Non-controlling interests		$ 644	$ (1,956)
Weighted average number of common shares outstanding (thousands)			
Basic	17	94,125	92,218
Diluted	17	101,993	n/a
Net income (loss) per common share			
Basic	17	$ 0.42	$ (0.31)
Diluted	17	$ 0.39	$ (0.31)
Dividend per Series A Preferred Share	18	$ 1.375	$ 1.375
Dividend per Series C Preferred Share	18	$ 1.4375	$ 1.4375
Dividend per common share	18	$ 0.20	$ 0.20

See accompanying notes

Consolidated Statements of Comprehensive Income (Loss)

For the years ended (in thousands of Canadian dollars)	March 31, 2014	March 31, 2013
Net income (loss) for the year	$ 52,057	$ (18,775)
Other comprehensive income (loss) (OCI) to be reclassified to net income (loss) in future periods		
Net change in valuation of available for sale investments (net of tax: 2014 – $47; 2013 – $32)	(149)	449
Transfer of net realized gain on disposal of available for sale asset (net of tax: $234)	—	(700)
Net change in unrealized gains (losses) on translation of foreign operations, net of tax	97,791	(15,033)
Comprehensive income (loss) for the year	$ 149,699	$ (34,059)
Comprehensive income (loss) attributable to:		
CGGI shareholders	$ 149,545	$ (32,421)
Non-controlling interests	$ 154	$ (1,638)

See accompanying notes

Consolidated Statements of Changes in Equity

As at and for the years ended (in thousands of Canadian dollars)	Notes	March 31, 2014	March 31, 2013
Preferred shares, opening		$ 205,641	$ 110,818
Shares issued, net of share issuance costs		—	97,450
Shares cancelled		—	(2,627)
Preferred shares, closing		205,641	205,641
Common shares, opening		638,456	623,739
Shares issued in connection with share-based payments		21,375	11,926
Shares issued in connection with Corazon Capital Group Limited (Corazon)		—	1,503
Acquisition of common shares for long-term incentive plan (LTIP)		(11,046)	(14,872)
Release of vested common shares from employee benefit trust		18,059	17,834
Shares cancelled		(26,393)	(814)
Net unvested share purchase loans		12,738	(860)
Common shares, closing		653,189	638,456
Contributed surplus, opening		85,981	68,336
Replacement stock plan awards related to the acquisition of Collins Stewart Hawkpoint plc (CSHP)		(4,612)	6,399
Share-based payments		559	11,445
Cancellation of common shares		3,891	(146)
Shares issued in connection with Corazon		—	(1,503)
Unvested share purchase loans		(11,782)	1,450
Contributed surplus, closing		74,037	85,981
Retained earnings, opening		126,203	180,748
Net income (loss) attributable to CGGI shareholders		51,413	(16,819)
Common shares dividends	18	(21,055)	(26,006)
Preferred shares dividends	18	(11,762)	(11,720)
Retained earnings, closing		144,799	126,203
Accumulated other comprehensive (loss) income, opening		(7,118)	8,484
Other comprehensive income (loss) attributable to CGGI shareholders		98,132	(15,602)
Accumulated other comprehensive income (loss), closing		91,014	(7,118)
Total shareholders' equity		1,168,680	1,049,163
Non-controlling interests, opening		16,169	17,454
Foreign exchange on non-controlling interests		(751)	353
Comprehensive income (loss) attributable to non-controlling interests		154	(1,638)
Dividends paid to non-controlling interests		(660)	—
Non-controlling interests, closing		14,912	16,169
Total equity		$ 1,183,592	$ 1,065,332

See accompanying notes

Consolidated Statements of Cash Flows

For the years ended (in thousands of Canadian dollars)	Notes	March 31, 2014	March 31, 2013
OPERATING ACTIVITIES			
Net income (loss) for the year		$ 52,057	$ (18,775)
Items not affecting cash			
Amortization		26,786	33,779
Deferred income tax expense (recovery)		4,261	(13,129)
Share-based compensation expense	19	52,363	60,359
Impairment of property, plant and equipment		—	2,627
Changes in non-cash working capital			
(Increase) decrease in securities owned		(193,629)	245,873
(Increase) decrease in accounts receivable		(221,777)	590,090
Increase in income taxes payable, net		2,268	2,963
Increase (decrease) in securities sold short		213,725	(224,590)
Increase (decrease) in accounts payable, accrued liabilities and provisions		80,951	(855,728)
Cash provided (used) by operating activities		17,005	(176,531)
FINANCING ACTIVITIES			
Decrease in bank indebtedness		(66,138)	(9,003)
Redemption of share capital		(21,117)	—
Acquisition of common shares for long-term incentive plan		(11,046)	(14,872)
Cash dividends paid on common shares		(21,055)	(26,004)
Cash dividends paid on preferred shares		(11,762)	(11,720)
Repayment of short term credit facility		—	(150,000)
Issuance of preferred shares, net of share issuance costs		—	94,823
Decrease in net vesting of share purchase loans		—	(13,583)
Cash used by financing activities		(131,118)	(130,359)
INVESTING ACTIVITIES			
Purchase of equipment and leasehold improvements		(15,475)	(6,972)
Purchase of intangible assets		(7,002)	—
Investment in Canaccord Genuity (Hong Kong) Limited		(699)	—
Investment in Canadian First Financial Holdings Limited (Canadian First)		(5,730)	—
Contingent consideration paid on the acquisition of Eden Financial Ltd. (Eden Financial)		(9,129)	—
Acquisition of Eden Financial, net of cash acquired		—	(4,953)
Acquisition of Kenosis Capital Partners		—	(1,182)
Cash used in investing activities		(38,035)	(13,107)
Effect of foreign exchange on cash balances		25,432	(3,229)
Decrease in cash position		(126,716)	(323,226)
Cash position, beginning of year		491,012	814,238
Cash position, end of year		$ 364,296	$ 491,012
Supplemental cash flow information			
Interest received		$ 22,788	$ 32,689
Interest paid		$ 14,877	$ 14,425
Income taxes paid		$ 8,359	$ 10,320

See accompanying notes

Notes to Consolidated Financial Statements

As at March 31, 2014, March 31, 2013
and for the years ended March 31, 2014 and 2013
(in thousands of Canadian dollars, except per share amounts)

NOTE 01 Corporate Information

Through its principal subsidiaries, Canaccord Genuity Group Inc. (the Company) is a leading independent, full-service investment dealer in Canada with capital markets operations in Canada, the United Kingdom (UK) and Europe, the United States of America (US), Australia, China, Singapore and Barbados. The Company also has wealth management operations in Canada, the UK and Europe, and Australia. The Company has operations in each of the two principal segments of the securities industry: capital markets and wealth management. Together, these operations offer a wide range of complementary investment products, brokerage services and investment banking services to the Company's private, institutional and corporate clients. The Company changed its name to Canaccord Genuity Group Inc. from Canaccord Financial Inc. on October 1, 2013.

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

The Company's common shares are publicly traded under the symbol CF on the Toronto Stock Exchange (TSX) and the symbol CF. on the London Stock Exchange. The Company's Series A Preferred Shares are listed on the TSX under the symbol CF.PR.A. The Company's Series C Preferred Shares are listed on the TSX under the symbol CF.PR.C.

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

NOTE 02 Basis of Preparation

STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared on a historical cost basis except for financial instruments, which have been measured at fair value as set out in the relevant accounting policies.

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

These audited consolidated financial statements were authorized for issuance by the Company's Board of Directors on June 3, 2014.

PRINCIPLES OF CONSOLIDATION

These consolidated financial statements include the financial statements of the Company, its subsidiaries and controlled special purpose entities (SPEs).

The financial results of a subsidiary or controlled SPEs should be consolidated if the Company acquires control. Control is achieved when an entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

All intercompany transactions and balances have been eliminated. In cases where an accounting policy of a subsidiary differs from the Company's accounting policies, the Company has made the appropriate adjustments to ensure conformity for purposes of the preparation of these consolidated financial statements. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company.

USE OF JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, accompanying note disclosures, and the disclosure of contingent assets and liabilities at the reporting date. Therefore, actual results may differ from those estimates and assumptions. The significant estimates include share-based payments, income taxes, the valuation of deferred tax assets, impairment of goodwill, intangible assets and other long-lived assets, allowance for credit losses, fair value of financial instruments, and provisions.

Consolidation

Although the Company does not own more than 50% of the voting shares of Canaccord Genuity (Australia) Limited (formerly Canaccord BGF), the Company completed an evaluation of its contractual arrangement with the other shareholders and the power it has over the financial and operating policies of Canaccord Genuity (Australia) Limited and determined it should consolidate under IFRS 10, "*Consolidated Financial Statements*" (IFRS 10). Therefore, the financial position, financial performance, and cash flows of Canaccord Genuity (Australia) Limited have been consolidated. The Company has also recognized a 50% non-controlling interest, which represents the portion of Canaccord Genuity (Australia) Limited'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 an employee benefit trust, an SPE [Notes 19 and 20], to fulfill obligations to employees arising from the Company's share-based payment plans. The employee benefit trust has been consolidated in accordance with IFRS 10 since its activities are conducted on behalf of the Company, and the Company retains the majority of the benefits and risks of the employee benefit trust.

Share-based payments

The Company measures the cost of equity-settled and cash-settled transactions with employees and directors based on the fair value of the awards granted. The fair value is determined based on the observable share prices or by using an appropriate valuation model. The use of option pricing models to determine the fair value requires the input of highly subjective assumptions including the expected price volatility, expected forfeitures, expected life of the award and dividend yield. Changes in the subjective assumptions can materially affect the fair value estimates. The assumptions and models used for estimating the fair value of share-based payments, if and as applicable, are disclosed in Note 19.

Income taxes

Accruals for income tax liabilities require management to make estimates and judgments with respect to the ultimate outcome of tax filings and assessments. Actual results could vary from these estimates. The Company operates within different tax jurisdictions and is subject to individual assessments by these jurisdictions. Tax filings can involve complex issues, which may require an extended period of time to resolve in the event of a dispute or re-assessment by tax authorities. Deferred taxes are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and the level of future taxable profit.

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

Impairment of goodwill and indefinite life intangible assets

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

In determining the recoverable amount, which is the higher of fair value less costs to sell (FVLCS) and value-in-use, management uses valuation models that consider such factors as projected earnings, price-to-earnings multiples, relief of royalties related to brand names, and discount rates. Management must apply judgment in the selection of the approach to determining the recoverable amount and in making any necessary assumptions. These judgments may affect the recoverable amount and any resulting impairment write-down. The key assumptions used to determine recoverable amounts for the different cash-generating units are disclosed in Note 13.

Impairment of other long-lived assets

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

Allowance for credit losses

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

Valuation of financial instruments

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

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

Provisions

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

NOTE 03 Adoption of New and Revised Standards

The Company adopted certain standards and amendments, discussed below, effective as of April 1, 2013.

PRESENTATION OF FINANCIAL STATEMENTS

Amendments to IAS 1, "*Presentation of Financial Statements*" (IAS 1), introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time are to be presented separately from items that will never be reclassified. There were no presentation changes to items within OCI and net income or loss as a result of the adoption of these amendments to IAS 1. All amounts currently recorded in OCI will be reclassified to profit or loss in subsequent periods.

CONSOLIDATION STANDARDS

The IASB issued the following standards in May 2011. These standards are effective for the Company as of April 1, 2013, and have been applied retrospectively.

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

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing International Accounting Standards (IAS) 27, "*Consolidated and Separate Financial Statements*", that dealt with consolidated financial statements and SIC-12, "*Consolidation – Special Purpose Entities*". IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. This replaced the previous approach, which emphasized legal control or exposure to risks and rewards, depending on the nature of the entity. The adoption of IFRS 10 had no impact on the entities that are consolidated by the Company.

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

IFRS 12 includes the disclosure requirements for subsidiaries, joint arrangement and associates and introduces new requirements for unconsolidated structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries. The Company has subsidiaries with non-controlling interests; however, there are no unconsolidated structured entities. Additional disclosures required by this standard are presented in Note 8.

OTHER STANDARDS

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

IFRS 13 is a comprehensive standard that defines fair value and sets out a single IFRS framework for measuring fair value. IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. IFRS 13 fair value defines fair value as an exit price. The prospective application of IFRS 13 has not materially impacted the fair value measurements carried out by the Company.

IFRS 13 also requires specific disclosures related to assets and liabilities measured at fair value. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities measured at fair value. The fair value hierarchy is provided in Note 7.

IAS 19 (Revised) – "*Employee Benefits*" (IAS 19R)

Amendments to IAS 19R contain a number of changes to the accounting for employment benefit plans including recognition and disclosure of defined benefit pension plans and clarification on the recognition of post-employment and termination benefits. The amendments did not have a significant impact on the Company's consolidated financial statements.

Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36 – "*Impairment of Assets*" (IAS 36)

Amendments to IAS 36 restrict the requirement to disclose the recoverable amount of an asset or cash-generating unit (CGU) to periods in which an impairment loss has been recognized or reversed. The amendments to IAS 36 also expand and clarify the disclosure requirements applicable when an asset's or CGU's recoverable amount has been determined on the basis of fair value less costs of disposal. The amendments are effective from January 1, 2014; the Company has early adopted this standard retrospectively.

NOTE 04 Future Changes in Accounting Policies

The Company monitors the potential changes in standards proposed by the IASB and analyzes the effect that changes in the standards may have on the Company's operations. Potential changes are as follows:

FINANCIAL INSTRUMENTS

IFRS 9, "*Financial Instruments*" (IFRS 9), was issued in November 2009 and amended in October 2010 and November 2013, and is intended to replace IAS 39, "*Financial Instruments: Recognition and Measurement*". The project has been divided into three phases: classification and measurement, impairment of financial assets, and hedge accounting. IFRS 9 requires financial assets to be measured at fair value or amortized cost on the basis of their contractual cash flow characteristics and the Company's business model for managing the assets. The classification and measurement for financial liabilities remain generally unchanged; however, revisions have been made in the accounting for changes in fair value of a financial liability attributable to changes in the credit risk of that liability. Gains or losses caused by changes in an entity's own credit risk on such liabilities are no longer recognized in profit or loss but instead are reflected in OCI.

The mandatory effective date for IFRS 9 is January 1, 2018 with early adoption permitted. The Company is still in the process of assessing the impact of these changes.

IAS 32 – "*Offsetting Financial Assets and Financial Liabilities*" (IAS 32)

In December 2011, the IASB issued amendments to IAS 32, clarifying the requirements for offsetting financial instruments and addressing inconsistencies in current practice when applying the offsetting criteria in IAS 32, "*Financial Instruments: Presentation*". The amendments are effective for annual periods beginning on or after January 1, 2014 with early adoption permitted, and are required to be applied retrospectively. The Company has not yet determined the impact of the amendments on the Company's financial statements.

OTHER

International Financial Reporting Interpretations Committee (IFRIC) 21 – "*Levies*"

In May 2013, the IASB published a new IFRIC Interpretation 21, "*Levies*", which provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37, "*Provisions, Contingent Liabilities and Contingent Assets*", and for those where the timing and amount of the levy is certain. This interpretation is effective for annual periods beginning on or after January 1, 2014. The Company has not yet determined the impact of this interpretation on the Company's financial statements.

IFRS 15 – "*Revenue from Contracts with Customers*" (IFRS 15)

In May 2014, the IASB issued IFRS 15, "*Revenue from Contracts with Customers*". IFRS 15 specifies how and when to recognize revenue as well as requiring entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, "*Revenue*", IAS 11, "*Construction Contracts*", and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 must be applied in an entity's first annual IFRS financial statements for periods beginning on or after January 1, 2017. Application of the standard is mandatory and early adoption is permitted. The Company has not yet determined the impact of the amendments on the Company's financial statements.

NOTE 05 Summary of Significant Accounting Policies

BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the Company elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the fair value of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

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

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

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

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

TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS AND FOREIGN SUBSIDIARIES

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

Transactions and balances

Transactions in foreign currencies are initially recorded by the Company and its subsidiaries 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.

INTANGIBLE ASSETS

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

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

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

Identifiable intangible assets purchased through the acquisitions of Genuity Capital Markets (Genuity), the 50% interest in Canaccord Genuity (Australia) Limited (Canaccord Genuity Australia), Collins Stewart Hawkpoint plc (CSHP), and Eden Financial are brand names, customer relationships, non-competition agreements, trading licences and technology, which have finite lives and are amortized on a straight-line basis over their estimated useful lives. The estimated amortization periods of these amortizable intangible assets are as follows:

	Genuity	Canaccord Genuity Australia	CSHP	Eden Financial
Brand names	indefinite	n/a	n/a	n/a
Customer relationships	11 years	5 years	8 to 24 years	8 years
Non-competition agreements	5 years	4.5 years	n/a	n/a
Trading licences	n/a	indefinite	n/a	n/a
Technology	n/a	n/a	3 years	n/a

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

Technology development costs

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. The asset 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 the FVLCS and the value-in-use of a particular asset or CGU. 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 recognized in the consolidated statements of operations.

In assessing FVLCS, 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. A long term growth rate is then calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognized in the consolidated statements of operations.

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 statements of operations.

The following assets have specific characteristics for impairment testing:

Goodwill

Goodwill is tested for impairment 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.

CASH AND CASH EQUIVALENTS

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

FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

[i] Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments or available for sale financial assets, as applicable.

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

All financial assets are initially measured at fair value. Transaction costs related to financial instruments classified as fair value through profit or loss are recognized in the consolidated statements of operations when incurred. Transaction costs for all financial instruments other than those classified as fair value through profit or loss are included in the costs of the assets.

Classification and subsequent measurement

Financial assets classified as fair value through profit or loss

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

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

Financial assets classified as available for sale

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

Financial assets classified as loans and receivables and held to maturity

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking into account discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in the consolidated statements of operations. The Company classifies accounts receivable as loans and receivables. The Company did not have any held to maturity investments during the years ended March 31, 2014 and 2013.

Impairment of financial assets

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that have occurred since the initial recognition of the asset and those events have had an impact on the estimated future cash flows of the asset that can be reliably estimated.

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

Derecognition

A financial asset is derecognized primarily when the rights to receive cash flows from the asset have expired, or the Company has transferred its right to receive cash flows from the asset.

[ii] Financial liabilities

Initial recognition and measurement

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

Classification and subsequent measurement

Financial liabilities classified as fair value through profit and loss

Financial liabilities classified as fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on liabilities held for trading are recognized in the statements of operations. The Company has not designated any financial liabilities as fair value through profit or loss that would not otherwise meet the definition of fair value through profit or loss upon initial recognition. Bank indebtedness, contingent consideration and securities sold short, including derivative financial instruments, are classified as held for trading and recognized at fair value.

Financial liabilities classified as loans and borrowings
After initial recognition, financial liabilities classified as loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the statements of operations through the EIR method of amortization. Loans and borrowings include accounts payable and accrued liabilities, and subordinated debt. The carrying value of loans and borrowings approximates their fair value.

[iii] Offsetting of financial instruments

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

[iv] Derivative financial instruments

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

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

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

The Company also trades in forward contracts, which are non-standardized contracts to buy or sell a financial instrument at a specified price on a future date. The Company trades in forward contracts in an attempt to mitigate foreign exchange risk on pending security settlements in foreign currencies.

FAIR VALUE MEASUREMENT

The Company measures financial instruments at fair value at each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or, in the absence of a principal market, in the most advantageous market for the asset or liability.

When available, quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs are used to determine fair value. For financial instruments not traded in an active market, the fair value is determined using appropriate and reliable valuation techniques. Such techniques may include recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models. Valuation techniques may require the use of estimates or management assumptions if observable market data is not available. When the fair value cannot be reliably measured using a valuation technique, then the financial instrument is measured at cost.

The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuations techniques. A level is assigned to each fair value measured based on the lowest level input significant to the fair value measurement in its entirety [see Note 7]. For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

SECURITIES OWNED AND SOLD SHORT

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

SECURITIES LENDING AND BORROWING

The Company employs securities lending and borrowing activities primarily to facilitate the securities settlement process. These arrangements are typically short term in nature, with interest being received when cash is delivered and interest being paid when cash is received. Securities borrowed and securities loaned are carried at the amounts of cash collateral delivered and received in connection with the transactions. Securities borrowed transactions require the Company to deposit cash, letters of credit or other collateral with the lender. For securities loaned, the Company receives collateral in the form of cash or other collateral in an amount generally in excess of the market value of the securities loaned. The Company monitors the fair value of the securities loaned and borrowed against the cash collateral on a daily basis and, when appropriate, the Company may require counterparties to deposit additional collateral or it may return collateral pledged to ensure such transactions are adequately collateralized.

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

The Company manages its credit exposure by establishing and monitoring aggregate limits by customer for these transactions. Interest earned on cash collateral is based on a floating rate.

REVENUE RECOGNITION

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

Commission 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. Facilitation losses for the year ended March 31, 2014 were $14.8 million [March 31, 2013 – $15.4 million].

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

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

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

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

EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Computer equipment, furniture and equipment, and leasehold improvements are recorded at cost less accumulated amortization. Amortization is being recorded as follows:

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

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

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

INCOME TAXES

Current income tax

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

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

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.

No deferred tax liability has been recognized for taxable temporary differences associated with investments in subsidiaries from undistributed profits and foreign exchange translation differences as the Company is able to control the timing of the reversal of these temporary differences. The Company has no plans or intention to perform any actions that will cause the temporary differences to reverse in the foreseeable future.

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

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

Sales tax

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

TREASURY SHARES

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

EARNINGS PER COMMON SHARE

Basic earnings per common share is computed by dividing the net income attributable to common shareholders for the period by the weighted average number of common shares outstanding. Diluted earnings per common share reflects the dilutive effect in connection with the long-term incentive plan (LTIP) and other share-based payment plans based on the treasury stock method. The treasury stock method determines the number of incremental common shares by assuming that the number of shares the Company has granted to employees has been issued.

SHARE-BASED PAYMENTS

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

Equity-settled transactions

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

The Company estimates the number of equity instruments that will ultimately vest when calculating the 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 are expensed upon grant, as there are no vesting conditions [Note 19]. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognized through the statements of operations.

PROVISIONS

Provisions are recognized when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the statements of operations net of any reimbursement. If the effect of the time value of money is 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.

Legal provisions

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

Restructuring provisions

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

LEASES

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

CLIENT MONEY

The Company's UK and Europe operations hold money on behalf of its clients in accordance with the client money rules of the Financial Conduct Authority in the United Kingdom. Such money and the corresponding liabilities to clients are not included in the consolidated statements of financial position as the Company is not beneficially entitled thereto. The amounts held on behalf of clients at the reporting date are included in Note 23.

SEGMENT REPORTING

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

NOTE 06 Securities Owned and Securities Sold Short

	March 31, 2014		March 31, 2013	
	Securities owned	Securities sold short	Securities owned	Securities sold short
Corporate and government debt	$ 924,149	$ 823,148	$ 753,256	$ 617,841
Equities and convertible debentures	219,052	90,765	171,081	71,179
	$ 1,143,201	$ 913,913	$ 924,337	$ 689,020

As at March 31, 2014, corporate and government debt maturities range from 2014 to 2097 [March 31, 2013 – 2013 to 2097] and bear interest ranging from 0.00% to 15.00% [March 31, 2013 – 0.00% to 15.00%].

NOTE 07 Financial Instruments

CATEGORIES OF FINANCIAL INSTRUMENTS

The categories of financial instruments, other than cash and cash equivalents and bank indebtedness, held by the Company at March 31, 2014 are as follows:

	Held for trading	Available for sale	Loans and receivables	Loans and borrowings	Total
Financial assets					
Securities owned	$ 1,143,201	$ —	$ —	$ —	$ 1,143,201
Accounts receivable from brokers and investment dealers	—	—	2,006,183	—	2,006,183
Accounts receivable from clients	—	—	418,799	—	418,799
RRSP cash balances held in trust	—	—	259,614	—	259,614
Other accounts receivable	—	—	101,302	—	101,302
Investments	—	9,977	—	—	9,977
Total financial assets	$ 1,143,201	$ 9,977	$ 2,785,898	$ —	$ 3,939,076
Financial liabilities					
Securities sold short	$ 913,913	$ —	$ —	$ —	$ 913,913
Accounts payable to brokers and investment dealers	—	—	—	1,659,617	1,659,617
Accounts payable to clients	—	—	—	965,229	965,229
Other accounts payable and accrued liabilities	—	—	—	253,087	253,087
Subordinated debt	—	—	—	15,000	15,000
Total financial liabilities	$ 913,913	$ —	$ —	$ 2,892,933	$ 3,806,846

The Company has not designated any financial instruments as fair value through profit or loss upon initial recognition.

FAIR VALUE HIERARCHY

All financial instruments for which fair value is recognized or disclosed are categorized within a fair value hierarchy, described as follows, and based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities

Level 2 – Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable)

Level 3 – Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable)

For financial instruments that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

As at March 31, 2014, the Company held the following classes of financial instruments measured at fair value:

		Estimated fair value		
			March 31, 2014	
	March 31, 2014	Level 1	Level 2	Level 3
Securities owned				
Corporate debt	$ 41,181	$ —	$ 41,181	$ —
Government debt	882,968	357,917	525,051	—
Corporate and government debt	924,149	357,917	566,232	—
Equities	201,666	175,228	26,125	313
Convertible debentures	5,501	—	2,801	2,700
Private investments	11,885	—	—	11,885
Equities and convertible debentures	219,052	175,228	28,926	14,898
	1,143,201	533,145	595,158	14,898
Securities sold short				
Corporate debt	(31,017)	—	(31,017)	—
Government debt	(792,131)	(366,894)	(425,237)	—
Corporate and government debt	(823,148)	(366,894)	(456,254)	—
Equities	(90,765)	(83,166)	(7,599)	—
	(913,913)	(450,060)	(463,853)	—
Available for sale investments	9,977	—	4,247	5,730

		Estimated fair value		
			March 31, 2013	
	March 31, 2013	Level 1	Level 2	Level 3
Securities owned				
Corporate debt	$ 50,873	$ —	$ 50,873	$ —
Government debt	702,383	258,188	444,195	—
Corporate and government debt	753,256	258,188	495,068	—
Equities	151,685	135,758	14,759	1,168
Convertible debentures	5,304	5,304	—	—
Private investments	14,092	—	—	14,092
Equities and convertible debentures	171,081	141,062	14,759	15,260
	924,337	399,250	509,827	15,260
Securities sold short				
Corporate debt	(27,895)	—	(27,895)	—
Government debt	(589,946)	(218,756)	(371,190)	—
Corporate and government debt	(617,841)	(218,756)	(399,085)	—
Equities	(71,179)	(70,484)	(695)	—
	(689,020)	(289,240)	(399,780)	—
Available for sale investments	3,695	—	—	3,695
Contingent consideration	(14,218)	—	—	(14,218)

Movement in net Level 3 financial assets

March 31, 2013	$	4,737
Purchases of Level 3 assets during the year		14,943
Transfer to Level 1 assets		(8,339)
Transfer to Level 2 assets		(3,695)
Transfer from Level 2 to Level 3 assets		2,700
Net unrealized loss during the year		(4,026)
Reversal of contingent consideration		6,000
Payment of contingent consideration		8,218
Other		251
Realized loss in settlement of contingent consideration		(126)
Net disposals during the year		(35)
March 31, 2014	**$**	**20,628**

During the fiscal year ended March 31, 2014, there was $8.3 million of Level 3 assets that were transferred to Level 1 as a result of a private company stock that became publicly traded in the UK. In addition, the Company's equity investment in Euroclear was transferred from Level 3 to Level 2 as the basis for determining the fair value has changed to a market-based approach. There was a transfer of $2.7 million of assets from Level 2 to Level 3 as the valuation methodology used to determine the fair value utilized an unobservable discount factor. There were no transfers between Level 1 and Level 2 fair value measurements. Of the total fair value net unrealized loss recognized during the year, $3.3 million was included as a facilitation loss, which reduced commissions and fees revenue, and the remaining balance was recognized through principal trading revenue.

Fair value estimation

i. Level 2 financial instruments

Level 2 financial instruments include the Company's investment in certain corporate and government debt, convertible debt, and over-the-counter equities. The fair values of corporate and government debt, and convertible debt classified as Level 2 are determined using the quoted market prices of identical assets or liabilities in markets that do not have transactions which take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Company regularly reviews the transaction frequency and volume of trading in these instruments to determine the accuracy of pricing information.

ii. Available for sale investments

Available for sale investments include the Company's equity investment in Euroclear, which has an estimated fair value of $4.2 million as at March 31, 2014 [March 31, 2013 – $3.7 million]. The current fair value is determined using a market-based approach based on recent share buyback transactions. Previously, the fair value for the Euroclear investment was determined using the carrying value of net assets as there was no other observable market data available. However, due to the recent share buyback transaction, the market-based approach was deemed more reliable.

Available for sale investments also include the Company's equity and debenture investment in Canadian First Financial Holdings Limited (Canadian First), which has an estimated fair value of $5.7 million as at March 31, 2014 [Note 10]. The fair value for Canadian First is determined by the Company using a market-based approach with information that the Company has determined to be reliable, and represents the best estimate of fair value readily available. In the absence of any market indicators, the historical cost basis was used.

iii. Private investments held for trading

The fair value for private investments classified as held for trading is determined by the Company using a market-based approach with information that the Company has determined to be reliable, and represents the best estimate of fair value readily available. Prices for private investments are determined based on the last trade price or offer price, or, if these prices are considered stale, the Company obtains information based on certain inquiries, recent trades or pending new issues. The fair value of the private investments as at March 31, 2014 was $11.9 million [March 31, 2013 – $14.1 million].

The fair value measurements determined as described above may not be indicative of net realizable value or reflective of future values. Furthermore, the Company believes its valuation methods are appropriate and consistent with those which would be utilized by a market participant.

iv. Contingent considerations

The Company recognized contingent considerations as a result of its acquisitions of Eden Financial Ltd. and certain assets and liabilities of Kenosis Capital Partners. As of March 31, 2014, the contingent consideration related to the acquisition of certain assets and liabilities of Kenosis Capital Partners was nil [March 31, 2013 – $6.0 million] as performance targets were not met and the accrual for the contingent consideration was reversed. During the year ended March 31, 2014, the Company paid $9.1 million in contingent consideration as a result of its acquisition of Eden Financial Ltd., of which $8.9 million was previously accrued.

RISK MANAGEMENT

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Credit risk arises from cash and cash equivalents, net receivables from clients and brokers and investment dealers, and other accounts receivable. The maximum exposure of the Company to credit risk before taking into account any collateral held or other credit enhancements is the carrying amount of financial assets as disclosed in the consolidated financial statements as at March 31, 2014 and 2013.

The primary source of credit risk to the Company is in connection with trading activity by private clients and private client margin accounts. To minimize its exposure, the Company applies certain credit standards, applies limits to transactions and requires settlement of securities transactions on a cash basis or delivery against payment. Margin transactions are collateralized by securities in the clients' accounts in accordance with limits established by the applicable regulatory authorities and are subject to the Company's credit review and daily monitoring procedures. Management monitors the collectibility of receivables and estimates an allowance for doubtful accounts. The accounts receivable outstanding are expected to be collectible within one year. The Company has recorded an allowance for doubtful accounts of $13.2 million as at March 31, 2014 [March 31, 2013 – $14.0 million] [Note 9].

The Company is also exposed to the risk that counterparties to transactions will not fulfill their obligations. Counterparties primarily include investment dealers, clearing agencies, banks and other financial institutions. The Company does not rely entirely on ratings assigned by credit rating agencies in evaluating counterparty risk. The Company mitigates credit risk by performing its own due diligence assessments on the counterparties, obtaining and analyzing information regarding the structure of the financial instruments, and keeping current with new innovations in the market. The Company also manages this risk by conducting regular credit reviews to assess creditworthiness, reviewing security and loan concentrations, holding and marking to market collateral on certain transactions and conducting business through clearing organizations with performance guarantees.

As at March 31, 2014 and 2013, the Company's most significant counterparty concentrations were with financial institutions and institutional clients. Management believes that they are in the normal course of business and does not anticipate loss for non-performance.

Liquidity risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they become due. The Company's management is responsible for reviewing liquidity resources to ensure funds are readily available to meet its financial obligations as they become due, as well as ensuring adequate funds exist to support business strategies and operational growth. The Company's business requires capital for operating and regulatory purposes. The current assets reflected on the statements of financial position are highly liquid. The majority of the positions held as securities owned are readily marketable and all are recorded at their fair value. Client receivables are generally collateralized by readily marketable securities and are reviewed daily for impairment in value and collectibility. Receivables and payables from brokers and dealers represent the following: current open transactions that generally settle within the normal three-day settlement cycle; collateralized securities borrowed and/or loaned in transactions that can be closed within a few days on demand; and balances on behalf of introducing brokers representing net balances in connection with their client accounts. Additional information regarding the Company's capital structure and capital management objectives is discussed in Note 22.

The following table presents the contractual terms to maturity of the financial liabilities owed by the Company as at March 31, 2014:

Financial liability	Carrying amount	Contractual term to maturity
Accounts payable and accrued liabilities	$ 2,877,933	Due within one year
Securities sold short	913,913	Due within one year
Subordinated debt	15,000	Due on demand(1)

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

The fair values for accounts payable and accrued liabilities approximate their carrying values and will be paid within 12 months.

Market risk

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

Fair value risk

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

The following table summarizes the effect on earnings as a result of a fair value change in financial instruments as at March 31, 2014. This analysis assumes all other variables remain constant. The methodology used to calculate the fair value sensitivity is consistent with the prior year.

			March 31, 2014			March 31, 2013
Financial instrument	Carrying value Asset (Liability)	Effect of a 10% increase in fair value on net income	Effect of a 10% decrease in fair value on net income	Carrying value Asset (Liability)	Effect of a 10% increase in fair value on net income	Effect of a 10% decrease in fair value on net income
Equities and convertible debentures owned	$ 219,052	$ 8,593	$ (8,593)	$ 171,081	$ 5,425	$ (5,425)
Equities and convertible debentures sold short	(90,765)	(3,560)	3,560	(71,179)	(2,257)	2,257

The following table summarizes the effect on OCI as a result of a fair value change in the financial instruments classified as available for sale. This analysis assumes all other variables remain constant and there is no permanent impairment. The methodology used to calculate the fair value sensitivity is consistent with the prior year.

			March 31, 2014			March 31, 2013
Financial instrument	Carrying value	Effect of a 10% increase in fair value on other comprehensive income	Effect of a 10% decrease in fair value on other comprehensive income	Carrying value	Effect of a 10% increase in fair value on other comprehensive income	Effect of a 10% decrease in fair value on other comprehensive income
Investments	$ 9,977	$ 712	$ (712)	$ 3,695	$ 195	$ (195)

Interest rate risk

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

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

The following table provides the effect on net income (loss) for the years ended March 31, 2014 and 2013 if interest rates had increased or decreased by 100 basis points applied to balances as of March 31, 2014 and 2013. Fluctuations in interest rates do not have an effect on OCI. This sensitivity analysis assumes all other variables are constant. The methodology used to calculate the interest rate sensitivity is consistent with the prior year.

			March 31, 2014			March 31, 2013
	Carrying value Asset (Liability)	Net income effect of a 100 bps increase in interest rates	Net income effect of a 100 bps decrease in interest rates[1]	Carrying value Asset (Liability)	Net income effect of a 100 bps increase in interest rates	Net income effect of a 100 bps decrease in interest rates[1]
Cash and cash equivalents, net of bank indebtedness	$ 364,296	$ 2,470	$ (2,470)	$ 424,874	$ 2,430	$ (2,582)
Marketable securities owned, net of marketable securities sold short	229,288	(872)	959	235,317	(2,154)	2,654
Clients' payable, net	(546,430)	(3,888)	(2,082)	(695,733)	(4,043)	(1,205)
RRSP cash balances held in trust	259,614	1,852	(1,852)	327,173	1,886	(1,886)
Brokers' and investment dealers' balance, net	346,566	(47)	2	299,985	(300)	15
Subordinated debt	(15,000)	(107)	107	(15,000)	(87)	87

(1) Subject to a floor of zero.

Foreign exchange risk

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

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

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

As at March 31, 2014:

Currency	Effect of a 5% appreciation in foreign exchange rate on net income	Effect of a 5% depreciation in foreign exchange rate on net income	Effect of a 5% appreciation in foreign exchange rate on OCI	Effect of a 5% depreciation in foreign exchange rate on OCI
US dollar	$ (913)	$ 913	$ 5,485	$ (5,485)
Pound sterling	(2,891)	2,891	50,093	(50,093)
Australian dollar	nil	nil	2,754	(2,754)

As at March 31, 2013:

Currency	Effect of a 5% appreciation in foreign exchange rate on net income	Effect of a 5% depreciation in foreign exchange rate on net income	Effect of a 5% appreciation in foreign exchange rate on OCI	Effect of a 5% depreciation in foreign exchange rate on OCI
US dollar	$ (1,023)	$ 1,023	$ 5,526	$ (5,526)
Pound sterling	(2,238)	2,238	31,756	(31,756)
Australian dollar	nil	nil	4,361	(4,361)

DERIVATIVE FINANCIAL INSTRUMENTS

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

Foreign exchange forward contracts

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

Forward contracts outstanding at March 31, 2014:

	Notional amounts (millions of USD)	Average price (CAD/USD)	Maturity	Fair value
To sell US dollars	$ 13.8	$ 1.11	April 3, 2014	$ 11
To buy US dollars	5.5	1.10	April 1, 2014	13

Forward contracts outstanding at March 31, 2013:

	Notional amounts (millions of USD)	Average price (CAD/USD)	Maturity	Fair value
To sell US dollars	$ 14.8	$ 1.02	April 1, 2013	$ (4)
To buy US dollars	3.8	1.02	April 1, 2013	6

The Company's Canadian operations also have a net buy position for pounds sterling (GBP) of £2.5 million with an average price of 1.84 (CAD/GBP) and a maturity date of April 30, 2014. These contracts were entered into in an attempt to mitigate foreign exchange risk on cash balances held 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 and 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. The principal currencies of the forward contracts are: the UK pound sterling, the US dollar, or the euro. The weighted average term to maturity is 115 days as at March 31, 2014 [March 31, 2013 – 75 days]. The table below shows the fair value of the forward contract assets and liabilities, and the notional value of these forward contracts as at March 31, 2014. The fair value of the forward contract assets and liabilities is included in the accounts receivable and payable balances.

	March 31, 2014			March 31, 2013		
	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount
Foreign exchange forward contracts	$ 1,359	$ (1,365)	$ 327,386	$ 4,483	$ (4,483)	$ 352,205

SECURITIES LENDING AND BORROWING

The Company employs securities lending and borrowing primarily to facilitate the securities settlement process. These arrangements are typically short term in nature, with interest being received when cash is delivered and interest being paid when cash is received. These transactions are fully collateralized and are subject to daily margin calls for any deficiency between the market value of the security given and the amount of collateral received. These transactions are collateralized by either cash or securities, including government treasury bills and government bonds, and are reflected within accounts receivable and accounts payable. Interest earned on cash collateral is based on a floating rate. At March 31, 2014, the floating rates ranged from 0.00% to 0.66% [March 31, 2013 – 0.00% to 0.63%].

	Cash		Securities	
	Loaned or delivered as collateral	Borrowed or received as collateral	Loaned or delivered as collateral	Borrowed or received as collateral
March 31, 2014	$ 158,430	$ 41,290	$ 41,253	$ 190,689
March 31, 2013	168,371	36,710	36,047	199,956

BANK INDEBTEDNESS

The Company enters into call loans or overdraft positions primarily to facilitate the securities settlement process for both client and Company securities transactions. The bank indebtedness is collateralized by unpaid client securities and/or securities owned by the Company. As at March 31, 2014, the Company had nil bank indebtedness balance outstanding [March 31, 2013 – $66.1 million].

OTHER CREDIT FACILITIES

Subsidiaries of the Company also have other credit facilities with banks in Canada and the UK for an aggregate amount of $720.8 million. These credit facilities, consisting of call loans, letters of credit and daylight overdraft facilities, are collateralized by unpaid client securities and/or securities owned by the Company. As of March 31, 2014, there were no balances outstanding under these other credit facilities.

A subsidiary of the Company has also entered into secured irrevocable standby letters of credit from a financial institution totalling $0.9 million (US$0.9 million) as rent guarantees for its leased premises in New York. As of March 31, 2014 and 2013, there were no outstanding balances under these standby letters of credit.

NOTE 08 Interest in Other Entities

The Company has a 50% interest in Canaccord Financial Group (Australia) Pty Ltd. and Canaccord Genuity (Australia) Limited. Together, these entities operate as Canaccord Genuity Australia and the operation's principal place of business is in Australia. As discussed in Note 22, Canaccord Genuity (Australia) Limited is regulated by the Australian Securities and Investments Commission.

During fiscal 2014, Canaccord Genuity Australia reported total net income (loss) of $1.3 million [2013 – $(3.9) million]. As at March 31, 2014, accumulated non-controlling interest was $14.9 million [March 31, 2013 – $16.2 million]. Summarized financial information including goodwill on acquisition and consolidation adjustments but before inter-company eliminations is presented below.

Summarized statement of profit or loss for the years ended March 31, 2014 and 2013:

	Canaccord Genuity Australia	
For the years ended	**March 31, 2014**	March 31, 2013
Revenue	**$ 28,138**	$ 15,719
Expenses	**26,160**	21,012
Net income (loss) before taxes	**1,978**	(5,293)
Income tax expense (recovery)	**690**	(1,382)
Net income (loss)	**1,288**	(3,911)
Attributable to:		
CGGI shareholders	**644**	(1,955)
Non-controlling interests	**644**	(1,956)
Total comprehensive income (loss)	**308**	(3,276)
Attributable to:		
CGGI shareholders	**154**	(1,638)
Non-controlling interests	**154**	(1,638)
Dividends paid to non-controlling interests	**660**	—

Summarized statement of financial position as at March 31, 2014 and 2013:

	Canaccord Genuity Australia	
For the years ended	March 31, 2014	March 31, 2013
Current assets	$ 31,897	$ 25,982
Non-current assets	32,008	34,500
Current liabilities	(10,067)	(3,834)
Non-current liabilities	(155)	(2,081)

Summarized cash flow information for the year ended March 31, 2014 and 2013:

	Canaccord Genuity Australia	
For the years ended	March 31, 2014	March 31, 2013
Cash provided (used) by operating activities	$ 7,427	$ (2,800)
Cash used by financing activities	(1,217)	(110)
Cash used by investing activities	(1,550)	(250)
Foreign exchange impact on cash balance	(125)	375
Net increase (decrease) in cash and cash equivalents	$ 4,535	$ (2,785)

NOTE 09 Accounts Receivable and Accounts Payable and Accrued Liabilities

ACCOUNTS RECEIVABLE

	March 31, 2014	March 31, 2013
Brokers and investment dealers	$ 2,006,183	$ 1,773,043
Clients	418,799	320,564
RRSP cash balances held in trust	259,614	327,173
Other	101,302	93,178
	$ 2,785,898	$ 2,513,958

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2014	March 31, 2013
Brokers and investment dealers	$ 1,659,617	$ 1,473,058
Clients	965,229	1,016,297
Other	253,087	237,380
	$ 2,877,933	$ 2,726,735

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

Client security purchases are entered into on either a cash or a margin basis. In the case of a margin account, the Company extends a loan to a client for the purchase of securities, using securities purchased and/or other securities in the client's account as collateral. Amounts loaned to any client are limited by the margin regulations of the Investment Industry Regulatory Organization of Canada (IIROC) and other regulatory authorities and are subject to the Company's credit review and daily monitoring procedures.

Amounts due from and to clients are due by the settlement date of the trade transaction. Margin loans are due on demand and are collateralized by the assets in the clients' accounts. Interest on margin loans and on amounts due to clients is based on a floating rate [March 31, 2014 – 6.00% to 6.25% and 0.00% to 0.05%, respectively; March 31, 2013 – 6.00% to 6.25% and 0.00% to 0.05%, respectively].

As at March 31, 2014, the allowance for doubtful accounts was $13.2 million [March 31, 2013 – $14.0 million]. See below for the movements in the allowance for doubtful accounts:

	Total
At March 31, 2013	$ 13,986
Charge for the year	6,208
Recoveries	(6,022)
Write-offs	(1,860)
Foreign exchange	844
At March 31, 2014	**$ 13,156**

NOTE 10 Investments

	March 31, 2014	March 31, 2013
Available for sale	$ 9,977	$ 3,695

The Company holds an investment in Euroclear, one of the principal clearing houses for securities traded in the Euromarket.

During the year ended March 31, 2014, the Company invested $5.0 million in common shares and $0.7 million in debenture and warrant certificates of Canadian First Financial Holdings Limited, a private company that has been established as a Canadian retail financial services organization.

These investments are carried at fair value, as described in Note 7.

NOTE 11 Equipment and Leasehold Improvements

	Cost	Accumulated amortization	Net book value
March 31, 2014			
Computer equipment	$ 10,628	$ 3,941	$ 6,687
Furniture and equipment	21,494	14,913	6,581
Leasehold improvements	78,833	41,126	37,707
	$ 110,955	$ 59,980	$ 50,975
March 31, 2013			
Computer equipment	$ 10,231	$ 3,821	$ 6,410
Furniture and equipment	21,073	15,478	5,595
Leasehold improvements	75,685	44,711	30,974
	$ 106,989	$ 64,010	$ 42,979

	Computer equipment	Furniture and equipment	Leasehold improvements	Total
Cost				
Balance, March 31, 2012	$ 9,840	$ 28,506	$ 68,322	$ 106,668
Additions	2,487	995	3,490	6,972
Transfers	1,531	(5,818)	4,287	—
Disposals	(2,937)	(2,220)	(96)	(5,253)
Foreign exchange	(690)	(390)	(318)	(1,398)
Balance, March 31, 2013	$ 10,231	$ 21,073	$ 75,685	$ 106,989
Additions	2,550	2,688	10,237	15,475
Disposals	(6,109)	(2,771)	(12,706)	(21,586)
Foreign exchange	3,956	504	5,617	10,077
Balance, March 31, 2014	**$ 10,628**	**$ 21,494**	**$ 78,833**	**$ 110,955**

		Computer equipment		Furniture and equipment		Leasehold improvements		Total
Accumulated amortization								
Balance, March 31, 2012	$	3,855	$	16,813	$	34,916	$	55,584
Additions		2,592		2,592		8,000		13,184
Impairment		—		411		—		411
Transfers		1,100		(2,946)		1,846		—
Disposals		(2,921)		(1,054)		—		(3,975)
Foreign exchange		(805)		(338)		(51)		(1,194)
Balance, March 31, 2013	$	3,821	$	15,478	$	44,711	$	64,010
Additions		3,425		1,674		7,104		12,203
Disposals		(6,037)		(2,604)		(11,773)		(20,414)
Foreign exchange		2,732		365		1,084		4,181
Balance, March 31, 2014	**$**	**3,941**	**$**	**14,913**	**$**	**41,126**	**$**	**59,980**

NOTE 12 Business Combinations

ACQUISITION FOR THE YEAR ENDED MARCH 31, 2014

On July 25, 2013, the Company acquired the remaining 50% ownership of Canaccord Genuity (Hong Kong) Limited (CGHKL) for cash consideration of $0.7 million to now own 100% of CGHKL. The fair value of the net assets acquired approximates the cash consideration. The Company previously already held a 50% beneficial interest in CGHKL through its ownership of Canaccord Financial Group (Australia) Pty Ltd. CGHKL is licensed with the Securities and Futures Commission in Hong Kong.

ACQUISITIONS FOR THE YEAR ENDED MARCH 31, 2013

i. Eden Financial Ltd.

On October 1, 2012, the Company acquired 100% of the wealth management business of Eden Financial Ltd., an owner-managed private client investment management business, for purchase consideration of $20.3 million (£12.8 million), of which $12.2 million (£7.7 million) was paid on closing and an estimated $8.1 million (£5.1 million) was payable after 12 months, contingent on achieving certain performance targets related to revenue. The fair value of Eden Financial Ltd.'s net tangible assets on acquisition date was $8.0 million. Identifiable intangible assets of $2.9 million were recognized relating to customer relationships [Note 13]. The goodwill of $9.4 million represents the value of expected synergies arising from the acquisition.

During the year ended March 31, 2014, the Company paid $9.1 million in contingent consideration, of which $8.9 million was previously accrued.

ii. Kenosis Capital Partners

On September 14, 2012, the Company signed an agreement with Kenosis Capital Partners (Kenosis Capital), a merchant bank and advisory group, to acquire certain assets and liabilities for cash consideration of $1.2 million and additional contingent cash consideration based upon the achievement of certain performance criteria. The $6.0 million contingent consideration accrual was reversed during the year ended March 31, 2014 as performance targets were not achieved.

The Company recorded goodwill of $7.2 million related to this acquisition. During the year ended March 31, 2014, $6.3 million of the goodwill was impaired [Note 13].

NOTE 13 Goodwill and Other Intangible Assets

	Goodwill	Identifiable intangible assets							
		Brand names	Customer relationships	Technology	Software under development	Non-competition	Trading licences	Total
Gross amount								
Balance, March 31, 2012	$ 472,510	$ 46,618	$ 85,251	$ 5,975	$ —	$ 14,437	$ 197	$ 152,478
Addition – Kenosis Capital	7,182	—	—	—	—	—	—	—
Addition – Eden Financial	9,416	—	2,899	—	—	—	—	2,899
Foreign exchange	(4,422)	9	(1,634)	(204)	—	172	5	(1,652)
Balance, March 31, 2013	484,686	46,627	86,516	5,771	—	14,609	202	153,725
Additions	—	—	—	—	7,002	—	—	7,002
Foreign exchange	36,471	168	10,096	1,128	—	(251)	(7)	11,134
Balance, March 31, 2014	**521,157**	**46,795**	**96,612**	**6,899**	**7,002**	**14,358**	**195**	**171,861**
Accumulated amortization and impairment								
Balance, March 31, 2012	—	(205)	(5,039)	—	—	(3,427)	—	(8,671)
Amortization	—	(1,471)	(8,340)	(1,978)	—	(3,083)	—	(14,872)
Foreign exchange	—	(21)	123	55	—	(56)	—	101
Balance, March 31, 2013	—	(1,697)	(13,256)	(1,923)	—	(6,566)	—	(23,442)
Amortization	—	—	(9,023)	(2,469)	—	(3,091)	—	(14,583)
Impairment	(6,250)	—	—	—	—	—	—	—
Foreign exchange	—	(168)	(1,568)	(555)	—	105	—	(2,186)
Balance, March 31, 2014	**(6,250)**	**(1,865)**	**(23,847)**	**(4,947)**	**—**	**(9,552)**	**—**	**(40,211)**
Net book value								
March 31, 2013	484,686	44,930	73,260	3,848	—	8,043	202	130,283
March 31, 2014	**514,907**	**44,930**	**72,765**	**1,952**	**7,002**	**4,806**	**195**	**131,650**

The impairment charge of $6.3 million relates to the goodwill acquired in connection with the acquisition of certain assets and liabilities of Kenosis Capital Partners [Note 12]. This goodwill was allocated to the Other Foreign Locations cash-generating unit (CGU). In accordance with IAS 36, "*Impairment of Assets*" (IAS 36), the recoverable amount of the Other Foreign Locations CGU's net assets is determined using the FVLCS calculations, which are based on cash flow assumptions approved by senior management. This valuation is categorized as Level 3 in the fair value hierarchy. The impairment charge has been applied against the reversal of the contingent consideration as discussed in Note 7.

IMPAIRMENT TESTING OF GOODWILL AND IDENTIFIABLE INTANGIBLE ASSETS WITH INDEFINITE LIVES

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

	Intangible assets with indefinite lives		Goodwill		Total	
	March 31, 2014	March 31, 2013	**March 31, 2014**	March 31, 2013	**March 31, 2014**	March 31, 2013
Canaccord Genuity						
Canada	**$ 44,930**	$ 44,930	**$ 242,074**	$ 242,074	**$ 287,004**	$ 287,004
UK and Europe	**—**	—	**95,789**	80,136	**95,789**	80,136
US	**—**	—	**7,942**	7,313	**7,942**	7,313
Other Foreign Locations (China)	**—**	—	**4,764**	10,365	**4,764**	10,365
Other Foreign Locations (Australia)	**195**	202	**22,537**	23,309	**22,732**	23,511
Other Foreign Locations (Singapore)	**—**	—	**31,539**	29,208	**31,539**	29,208
Canaccord Genuity Wealth Management						
UK and Europe (Channel Islands)	**—**	—	**99,322**	83,138	**99,322**	83,138
UK and Europe (Eden Financial)	**—**	—	**10,940**	9,143	**10,940**	9,143
	$ 45,125	$ 45,132	**$ 514,907**	$ 484,686	**$ 560,032**	$ 529,818

Goodwill and intangible assets with indefinite lives are tested for impairment annually at March 31, and when circumstances indicate the carrying value may potentially be impaired. If any indication of impairment exists, the Company estimates the recoverable amount of the CGU to which goodwill and indefinite life intangible assets are allocated. Where the carrying amount of a CGU exceeds its recoverable amount, an impairment loss is recognized. Any impairment loss first reduces the carrying amount of any goodwill allocated to the CGU and then if any impairment loss remains, the other assets of the unit are reduced on a pro rata basis. Impairment losses relating to goodwill cannot be reversed in future periods. The Company considers the relationship between its market capitalization and the book value of its equity, among other factors, when reviewing for indicators of impairment. Consequently, interim goodwill impairment testing was carried out for all applicable CGUs at June 30, September 30 and December 31, 2013.

In accordance with IAS 36, the recoverable amounts of the CGUs' net assets have been determined using FVLCS calculations, which are based on cash flow assumptions approved by senior management. There is a material degree of uncertainty with respect to the estimates of the recoverable amounts of the CGUs' net assets given that these estimates involve making key assumptions about the future. In making such assumptions, management has used its best estimate of future economic and market conditions within the context of the Company's capital markets and wealth management activities. These valuations are categorized as Level 3 in the fair value hierarchy.

The FVLCS calculations are based on assumptions, as described above, made in connection with future cash flows, relief of royalties with respect to the brand name indefinite life intangible asset, terminal growth rates and discount rates. In order to estimate the FVLCS for each CGU, cash flows are forecast over a five-year period, a terminal growth rate is applied and then such cash flows are discounted to their present value. The discount rate is based on the specific circumstances of each CGU and is derived from the estimated weighted average cost of capital of the Company. The discount rate utilized for each CGU for the purposes of these calculations was 12.5% in respect of Canada and the UK and Europe [March 31, 2013 – 12.5%], 14.0% in respect of Australia, Singapore and the US [March 31, 2013 – 14.0%], and 20.0% in respect of China [March 31, 2013 – 20.0%]. Cash flow estimates for each CGU are based on management assumptions as described above and utilize compound annual revenue growth rates commencing with the forecast for the next fiscal year ranging from 9.0% to 15.0% [March 31, 2013 – 9.0% to 16.0%] as well as estimates in respect of operating margins. The compound annual revenue growth rates utilized were: (a) Canaccord Genuity (i) Canada – 10.0%, (ii) UK and Europe – 10.0%, (iii) US – 10.0%, (iv) Other Foreign Locations – 12.7% to 15.0%; and (b) Canaccord Genuity Wealth Management, UK and Europe – 9.0%. Management estimates in respect of increases in revenue from fiscal 2014 to the next fiscal year, used as the commencement date for the forecasts referred to above, are in the range of (0.1)% to 23.0% for each CGU except for Other Foreign Locations. CGUs in Other Foreign Locations are in earlier stages of development and, as such, with fiscal 2014 revenue at relatively low base levels, revenue estimates for the next fiscal year for those CGUs range from 1.1 times to 5.0 times revenue recorded in fiscal 2014. The terminal growth rate used for CGUs located in Canada and the UK and Europe was 3.0% [March 31, 2013, Canada – 3.0%] and for CGUs located in all other locations was 5.0% [March 31, 2013 – 5.0%].

At March 31, 2014, there is $44.9 million of intangible assets with indefinite lives allocated to the Canaccord Genuity Canada CGU, which relates to the Genuity brand name. For the March 31, 2014 annual goodwill impairment testing, an estimate of the annual royalty income is included in the five-year discounted cash flows of the Canaccord Genuity Canada CGU using the relief of royalty method, with the corresponding expense allocated to each of the other CGUs in the Canaccord Genuity segment over the same forecast period. The royalty rate has been determined as 2% for all CGUs.

Sensitivity testing was conducted as part of the March 31, 2014 annual impairment test of goodwill and indefinite life intangible assets. The sensitivity testing includes assessing the impact that reasonably possible declines in growth rates and increases in the discount rate would have on the recoverable amounts of the CGUs, with other assumptions being held constant.

The Company's impairment testing has determined that the recoverable amounts for certain of the Other Foreign Locations CGUs (Singapore and China) exceed their carrying amounts by $9.2 million and $2.0 million, respectively, and consequently, a reasonably possible decline in the revenue growth rates or increase in the discount rates may result in an impairment charge in respect of the goodwill and indefinite life intangible assets allocated to either of these CGUs. An increase of 2.2 percentage points in the discount rate for Singapore (from 14.0% to 16.2%), an increase of 4.3 percentage points in the discount rate for China (from 20.0% to 24.3%), a reduction in the compound annual revenue growth rate of 5.7 percentage points for Singapore (from 12.7% to 7.0%), a reduction in the compound annual revenue growth rate of 9.0 percentage points for China (from 15.0% to 6.0%), or a decrease in the revenue estimates for fiscal 2015 used as the starting point for the forecast period would result in the recoverable amount being equal to the carrying value.

NOTE 14 Income Taxes

The major components of income tax expense are:

	March 31, 2014	March 31, 2013
Consolidated statements of operations		
Current income tax expense		
Current income tax expense	$ 6,518	$ 9,668
Adjustments in respect of prior years	1,752	(1,466)
	8,270	8,202
Deferred income tax expense (recovery)		
Origination and reversal of temporary differences	4,632	(12,313)
Impact of change in tax rates	(309)	(484)
Benefit arising from a previously unrecognized tax loss	(62)	(332)
	4,261	(13,129)
Income tax expense (recovery) reported in the statements of operations	$ 12,531	$ (4,927)

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

	March 31, 2014	March 31, 2013
Income (loss) before income taxes	$ 64,588	$ (23,702)
Income taxes at the estimated statutory rate of 26.0% (2013: 25.0%)	16,793	(5,926)
Difference in tax rates in foreign jurisdictions	1,679	(4,705)
Non-deductible items affecting the determination of taxable income	2,957	1,853
Change in accounting and tax base estimate	2,328	(1,737)
Change in deferred tax asset – reversal period of temporary difference	(2,882)	(129)
Tax losses and other temporary differences not recognized (utilization of tax losses previously not recognized)	(8,344)	5,717
Income tax expense (recovery) reported in the statements of operations	$ 12,531	$ (4,927)

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

	Consolidated statements of financial position		Consolidated statements of operations	
	March 31, 2014	March 31, 2013	**March 31, 2014**	March 31, 2013
Unrealized gain on securities owned	**$ (1,936)**	$ (1,676)	**$ 73**	$ 526
Legal provisions	**1,675**	2,047	**372**	(463)
Unpaid remunerations	**1,936**	11	**(1,615)**	872
Unamortized capital cost of equipment and leasehold improvements over their net book value	**2,170**	1,929	**(68)**	(807)
Unamortized common share purchase loans	**3,792**	6,010	**2,217**	(2,648)
Loss carryforwards	**4,531**	10,456	**7,024**	(886)
Common and preferred shares issuance costs	**1,253**	1,697	**444**	557
Long-term incentive plan	**15,431**	13,510	**(1,244)**	(4,022)
Other intangible assets	**(24,086)**	(25,726)	**(2,720)**	(4,817)
Investment in limited partnership	**—**	—	**—**	(675)
Other	**1,941**	1,718	**(222)**	(766)
	$ 6,707	$ 9,976	**$ 4,261**	$ (13,129)

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

	March 31, 2014	March 31, 2013
Deferred tax assets	**$ 9,735**	$ 12,552
Deferred tax liabilities	**(3,028)**	(2,576)
	$ 6,707	$ 9,976

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

	March 31, 2014	March 31, 2013
Opening balance as of April 1	**$ 9,976**	$ (4,130)
Tax (expense) recovery during the period recognized in the consolidated statements of operations	**(4,261)**	13,129
Deferred taxes acquired in business combinations	**—**	324
Foreign exchange on deferred tax position	**621**	(417)
Amounts recognized through other comprehensive income (loss)	**47**	—
Tax recovery during the period recognized in equity	**—**	1,215
Other	**324**	(145)
	$ 6,707	$ 9,976

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

Tax loss carryforwards of $14.6 million [2013 – $35.8 million] in the UK and Europe and $nil million [2013 – $3.3 million] in Other Foreign Locations (Australia) have been recognized as a deferred tax asset. The losses in both jurisdictions can be carried forward indefinitely. Tax loss carryforwards of $3.1 million [2013 – $2.7 million] in Canada have been recognized as a deferred tax asset and can be carried forward for 20 years.

At the balance sheet date, the Company has tax loss carryforwards of approximately $29.1 million [2013 – $42.8 million] for which a deferred tax asset has not been recognized. These losses relate to subsidiaries outside of Canada that have a history of losses and may also be subject to legislative limitations on use and may not be used to offset taxable income elsewhere in the consolidated group of companies. The subsidiaries have no taxable temporary differences or any tax planning opportunities

available that could partly support the recognition of these losses as deferred tax assets, as the likelihood of future economic benefit is not sufficiently assured. These losses begin expiring in 2029.

Other temporary differences not recognized as deferred tax assets in relation to subsidiaries outside of Canada amount to $17.3 million at March 31, 2014 [2013 – $19.6 million]. Since the subsidiaries outside of Canada have a history of losses and the deductible temporary differences may not be used to offset taxable income elsewhere in the consolidated group of companies, no asset has been recognized as the likelihood of future economic benefit is not sufficiently assured.

NOTE 15 Subordinated Debt

	March 31, 2014	March 31, 2013
Loan payable, interest payable monthly at prime + 4% per annum, due on demand	$ 15,000	$ 15,000

The loan payable is subject to a subordination agreement and may only be repaid with the prior approval of IIROC. As at March 31, 2014 and 2013, the interest rates for the subordinated debt were 7.0% and 7.0%, respectively. The carrying value of subordinated debt approximates its fair value due to the short term nature of this liability.

NOTE 16 Preferred Shares

	March 31, 2014		March 31, 2013	
	Amount	Number of shares	Amount	Number of shares
Series A Preferred Shares issued and outstanding	$ 110,818	4,540,000	$ 110,818	4,540,000
Series C Preferred Shares issued and outstanding	97,450	4,000,000	97,450	4,000,000
Series C Preferred Shares held in treasury	(2,627)	(106,794)	(2,627)	(106,794)
	94,823	3,893,206	94,823	3,893,206
	$ 205,641	8,433,206	$ 205,641	8,433,206

[i] SERIES A PREFERRED SHARES

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, if declared, will be paid at an annual rate of 5.5% for the initial five-year period ending on September 30, 2016. Thereafter, the dividend rate will be reset every five years at a rate equal to the five-year Government of Canada bond yield plus 3.21%.

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

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

[ii] SERIES C PREFERRED SHARES

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, if declared, will be paid at an annual rate of 5.75% for the initial five-year period ending on September 30, 2016. Thereafter, the dividend rate will be reset every five years at a rate equal to the five-year Government of Canada bond yield plus 4.03%.

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

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

NOTE 17 Common Shares

	March 31, 2014		March 31, 2013	
	Amount	Number of shares	Amount	Number of shares
Issued and fully paid	$ 713,140	101,471,456	$ 717,908	102,896,172
Unvested share purchase loans	(21,275)	(3,576,051)	(34,012)	(4,872,547)
Shares repurchased through NCIB for cancellation	(250)	(45,600)	—	—
Held for the LTIP	(38,426)	(4,734,446)	(45,440)	(4,961,829)
	$ 653,189	93,115,359	$ 638,456	93,061,796

[i] AUTHORIZED

Unlimited common shares without par value

[ii] ISSUED AND FULLY PAID

	Number of shares	Amount
Balance, March 31, 2012	101,688,721	$ 705,293
Shares issued in connection with the LTIP	844,766	8,996
Shares issued in connection with the Corazon Capital Group Limited Share Plan	170,562	1,503
Shares issued in connection with retention plan	109,979	1,402
Shares issued in connection with replacement plans	198,872	1,528
Shares cancelled	(116,728)	(814)
Balance, March 31, 2013	102,896,172	$ 717,908
Shares issued in connection with the LTIP [note 19]	1,629,285	14,511
Shares issued in connection with retention plan [note 19]	160,656	2,048
Shares issued in connection with replacement plans [note 19]	526,483	4,816
Shares cancelled	(3,741,140)	(26,143)
Balance, March 31, 2014	**101,471,456**	**$ 713,140**

In August 2012, the Company filed a notice for a normal course issuer bid (NCIB) to provide for the ability to purchase, at the Company's discretion, up to 3,000,000 of its common shares through the facilities of the TSX from August 13, 2012 to August 12, 2013. The purpose of the purchase of common shares under the NCIB is to enable the Company to acquire shares for cancellation. The shares that may be repurchased represent 2.93% of the Company's common shares outstanding at the time of the notice. There were 924,040 shares purchased through the NCIB between August 13, 2012 and August 12, 2013 and cancelled.

On August 6, 2013, the Company filed a notice to renew the NCIB to provide the Company with the choice to purchase up to a maximum of 5,136,948 of its common shares during the period from August 13, 2013 to August 12, 2014 through the facilities of the TSX and on alternative trading systems, in accordance with the requirements of the TSX. The maximum number of shares that may be purchased through the NCIB represent 5.0% of the Company's outstanding common shares at the time of the notice. There were 2,370,104 shares purchased through the NCIB between August 13, 2013 and March 31, 2014, of which 45,600 shares were held in treasury until subsequently cancelled on April 30, 2014.

[iii] FORGIVABLE COMMON SHARE PURCHASE LOANS

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

[iv] EARNINGS (LOSS) PER COMMON SHARE

For the years ended	March 31, 2014	March 31, 2013
Basic earnings (loss) per common share		
Net earnings (loss) attributable to CGGI shareholders	$ 51,413	$ (16,819)
Preferred shares dividends	(11,762)	(11,720)
Net earnings (loss) attributable to common shareholders	39,651	(28,539)
Weighted average number of common shares (number)	94,124,672	92,217,726
Basic earnings (loss) per share	$ 0.42	$ (0.31)
Diluted earnings (loss) per common share		
Net earnings (loss) attributable to common shareholders	39,651	(28,539)
Weighted average number of common shares (number)	94,124,672	n/a
Dilutive effect in connection with LTIP (number)	5,260,323	n/a
Dilutive effect in connection with other share-based payment plans (number)	2,607,684	n/a
Adjusted weighted average number of common shares (number)	101,992,679	n/a
Diluted earnings (loss) per common share	$ 0.39	$ (0.31)

For the year ended March 31, 2014, the instruments that could potentially dilute earnings per share, but are currently anti-dilutive, are not significant.

For the year ended March 31, 2013, all instruments involving potential common shares were excluded from the calculation of diluted earnings per share as they were anti-dilutive.

There have been no other transactions involving common shares or potential common shares between the reporting date and the date of authorization of these financial statements which would have a significant impact on earnings per share.

NOTE 18 Dividends

COMMON SHARES DIVIDENDS

The Company declared the following common shares dividends during the year ended March 31, 2014:

Record date	Payment date	Cash dividend per common share	Total common dividend amount
May 31, 2013	June 10, 2013	$ 0.05	$ 5,177
August 30, 2013	September 10, 2013	$ 0.05	$ 5,132
November 22, 2013	December 10, 2013	$ 0.05	$ 5,130
February 21, 2014	March 10, 2014	$ 0.05	$ 4,988

On June 3, 2014, the Board of Directors approved a cash dividend of $0.05 per common share payable on July 2, 2014 to common shareholders of record as at June 20, 2014 [Note 26].

PREFERRED SHARES DIVIDENDS

Record date	Payment date	Cash dividend per Series A Preferred Share	Cash dividend per Series C Preferred Share	Total preferred dividend amount
June 21, 2013	July 2, 2013	$ 0.34375	$ 0.359375	$ 2,998
September 13, 2013	September 30, 2013	$ 0.34375	$ 0.359375	$ 2,998
December 20, 2013	December 31, 2013	$ 0.34375	$ 0.359375	$ 2,998
March 14, 2014	March 31, 2014	$ 0.34375	$ 0.359375	$ 2,998

On June 3, 2014, the Board also approved a cash dividend of $0.34375 per Series A Preferred Share payable on June 30, 2014 to Series A Preferred shareholders of record as at June 13, 2014 [Note 26].

On June 3, 2014, the Board also approved a cash dividend of $0.359375 per Series C Preferred Share payable on June 30, 2014 to Series C Preferred shareholders of record as at June 13, 2014 [Note 26].

NOTE 19 Share-Based Payment Plans

[i] LONG-TERM INCENTIVE PLAN

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

There were 5,870,844 RSUs [year ended March 31, 2013 – 5,396,103 RSUs] granted in lieu of cash compensation to employees during the year ended March 31, 2014. The Trust purchased 1,797,069 common shares [year ended March 31, 2013 – 2,408,168 common shares] for the year ended March 31, 2014.

The fair value of the RSUs at the measurement date is based on the volume weighted average price at the grant date and is amortized on a graded basis over the vesting period of three years. The weighted average fair value of RSUs granted during the year ended March 31, 2014 was $6.18 [year ended March 31, 2013 – $6.20].

	Number
Awards outstanding, March 31, 2013	9,128,169
Grants	5,870,844
Vested	(3,666,660)
Forfeited	(749,110)
Awards outstanding, March 31, 2014	**10,583,243**

	Number
Common shares held by the Trust, March 31, 2013	4,961,829
Acquired	1,797,069
Released on vesting	(2,024,452)
Common shares held by the Trust, March 31, 2014	**4,734,446**

[ii] FORGIVABLE COMMON SHARE PURCHASE LOANS

The Company provides loans to certain employees for the purpose of partially funding the purchase of shares of the Company and increasing share ownership by the employees. These loans are equity-settled transactions that are generally forgiven over a three- to five-year period from the initial advance of the loan or at the end of that three- to five-year period [Note 17 [iii]]. Certain forgivable common share purchase loans vest based on performance conditions.

[iii] REPLACEMENT PLANS

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

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

On March 21, 2012, the Company introduced the Replacement ABED Plan, which replaced the ABED plans that existed at CSHP as of the acquisition date. Eligible employees who participated in the CSHP ABED plans were granted awards under the Replacement ABED Plan. The shares granted vest between one and three years from the acquisition date of CSHP. In accordance with IFRS 3, "*Business Combinations*" (IFRS 3), a portion of the awards granted was included as part of the purchase consideration for the acquisition of CSHP and a portion is being deferred and amortized to incentive compensation expense over the vesting period.

	Number
Awards outstanding, March 31, 2013	466,645
Vested	(349,200)
Forfeited	(18,214)
Awards outstanding, March 31, 2014	**99,231**

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

On March 21, 2012, the Company introduced the Replacement LTIP, which replaced the existing LTIPs at CSHP on the acquisition date. Eligible employees who participated in the CSHP LTIPs were granted awards under the Replacement LTIP. The shares granted vest annually on a graded basis over a three-year period. In accordance with IFRS 3, a portion of awards granted was included as part of the purchase consideration for the acquisition of CSHP and a portion is being deferred and amortized to incentive compensation expense over the vesting period.

	Number
Awards outstanding, March 31, 2013	711,700
Vested	(177,283)
Forfeited	(37,421)
Awards outstanding, March 31, 2014	**496,996**

Corazon Capital Group Limited Share Plan

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

The obligation was paid by the issuance of 170,562 Canaccord common shares, which vested in March 2013, and cash consideration of $2.2 million (£1.4 million). In accordance with IFRS 3, a portion of the awards granted was included as part of the purchase consideration for the acquisition of CSHP and a portion is being deferred and amortized to incentive compensation expense over the vesting period. As the awards vested in March 2013, the entire award not accounted for as purchase consideration has been expensed. The cash consideration was included as part of the determination of the fair value of CSHP's net assets when calculating the purchase price allocation.

[iv] CSH INDUCEMENT PLAN

In connection with the acquisition of CSHP, the Company agreed to establish a retention plan for key CSHP staff. In September 2012, the Company finalized the terms of this plan and communicated the plan arrangements to the relevant employees. During the year ended March 31, 2013, the Company awarded 2,418,861 RSUs, which vest over a five-year period. In accordance with the plan, one-third of the total RSUs (806,302 RSUs) will vest on the third anniversary under the terms of the existing LTIP. The remaining two-thirds of the total RSUs (1,612,559 RSUs) will vest under the terms of the new CSH Inducement Plan, with one-half of the 1,612,559 RSUs vesting on the fourth anniversary and the remaining half on the fifth anniversary. During the year ended March 31, 2014, 106,535 RSUs were forfeited [March 31, 2013 – 24,686]. The total number of shares outstanding under the CSH Inducement Plan at March 31, 2014 was 2,175,737 [March 31, 2013 – 2,323,859], of which 725,257 [March 31, 2013 – 774,633] are included in the existing LTIP disclosed above.

On each vesting date, the RSUs entitle the awardee to receive cash or common shares of the Company. If at the vesting date the share price is less than $8.50 per share, then the Company, at its election, will either (a) pay cash to the employee equal to $8.50 multiplied by the number of RSUs vesting on such date, or (b) pay cash to the employee equal to the difference between $8.50 and the vesting date share price, multiplied by the number of RSUs vesting on that date plus that number of shares equal to the number of RSUs vesting on such date. If the share price is greater than $8.50, then the Company will settle the RSUs in common shares.

The awards under this plan require either full or partial cash settlement if the share price at vesting is less than $8.50 per share. To the extent that it is considered probable that cash settlement will be required, a portion of these awards is treated as cash settled, and recorded on the statements of financial position as a liability. The carrying amount of the liability at March 31, 2014 was $0.3 million [March 31, 2013 – $0.7 million].

The fair value of the RSUs at the grant date was $8.50, for a total plan value of $20.2 million, which is being amortized on a graded basis.

[v] SHARE OPTIONS

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

The following is a summary of the Company's share options as at March 31, 2014 and changes during the period then ended:

	Number of options	Weighted average exercise price
Balance, March 31, 2013	2,384,910	$ 9.84
Granted	—	—
Expired	(115,642)	23.13
Forfeited	(309,636)	9.47
Balance, March 31, 2014	**1,959,632**	**$ 9.23**

The following table summarizes the share options outstanding as at March 31, 2014:

	Options outstanding			Options exercisable	
Range of exercise price	Number of common shares	Weighted average remaining contractual life	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
$7.21–$9.48	1,959,632	2.39	$ 9.23	1,959,632	$ 9.23

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

[vi] DEFERRED SHARE UNITS

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

During the year ended March 31, 2014, the Company granted 54,332 DSUs [2013 – 50,839 DSUs]. The carrying amount of the liability relating to DSUs at March 31, 2014 was $1.1 million [2013 – $0.5 million].

[vii] SHARE-BASED COMPENSATION EXPENSE

For the years ended	March 31, 2014	March 31, 2013
Long-term incentive plan	$ 28,806	$ 31,820
Forgivable common share purchase loans	10,249	14,286
Replacement plans	3,483	6,978
CSH Inducement Plan	5,719	2,893
Share options	750	1,345
Deferred share units	187	(4)
Other	1,712	1,107
Accelerated share-based payment expense included as restructuring expense	1,457	1,934
Total share-based compensation expense	$ 52,363	$ 60,359

NOTE 20 Related Party Transactions

[i] CONSOLIDATED SUBSIDIARIES

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

		% equity interest	
	Country of incorporation	March 31, 2014	March 31, 2013
Canaccord Genuity Corp.	Canada	100%	100%
Canaccord Genuity SAS	France	100%	100%
Canaccord Genuity Wealth (International) Limited	Guernsey	100%	100%
Canaccord Genuity Financial Planning Limited (formerly Canaccord Genuity 360 Limited)	United Kingdom	100%	100%
Canaccord Genuity Investment Management Limited	United Kingdom	100%	100%
Canaccord Genuity Wealth Limited	United Kingdom	100%	n/a
Canaccord Genuity Financial Advisors Limited	United Kingdom	100%	n/a
Canaccord Genuity Wealth Group Limited	United Kingdom	100%	n/a
Canaccord Genuity Limited	United Kingdom	100%	100%
Canaccord Genuity Inc.	United States	100%	100%
Canaccord Genuity Wealth Management (USA) Inc.	United States	100%	100%
Canaccord 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 (Delaware) Inc.	United States	100%	100%
Canaccord Adams Financial Group ULC	Canada	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 Singapore Pte Ltd.	Singapore	100%	100%
Canaccord Genuity (Hong Kong) Limited	China (Hong Kong SAR)	100%	50%
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 (the English name "Canaccord Genuity Asia Limited" is used but it has no legal effect in the People's Republic of China; the English name formerly used was Beijing Parkview Balloch Investment Advisory Co., Limited) (to be renamed 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 (Barbados) Ltd. (formerly Canaccord International Ltd.)	Barbados	100%	100%

[ii] COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE COMPANY

Disclosed in the table below are the amounts recognized as expenses related to individuals who are key management personnel as at March 31, 2014 and 2013:

	March 31, 2014	March 31, 2013
Short term employee benefits	$ 16,790	$ 5,922
Share-based payments	2,001	1,823
Total compensation paid to key management personnel	**$ 18,791**	$ 7,745

[iii] OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

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

	March 31, 2014	March 31, 2013
Accounts payable and accrued liabilities	$ 4,769	$ 1,206

[iv] TERMS AND CONDITIONS OF TRANSACTIONS WITH RELATED PARTIES

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

NOTE 21 Segmented Information

The Company operates in two industry segments as follows:

Canaccord Genuity – includes investment banking, research and trading activities on behalf of corporate, institutional and government clients as well as principal trading activities in Canada, the UK and Europe, and the US. Operations located in Other Foreign Locations under Canaccord Genuity (Barbados) Ltd. (formerly Canaccord International Ltd.), Canaccord Genuity Asia and the 50% interest in Canaccord Genuity Australia are also included in Canaccord Genuity.

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

Corporate and Other includes correspondent brokerage services, interest and foreign exchange revenue and expenses not specifically allocable to Canaccord Genuity or Canaccord Genuity Wealth Management.

The Company's industry segments are managed separately because each business offers different services and requires different personnel and marketing strategies. The Company evaluates the performance of each business based on operating results, without regard to non-controlling interests.

The Company does not allocate total assets, liabilities or equipment and leasehold improvements to the segments. Amortization of tangible assets is allocated to the segments based on the square footage occupied. Amortization of identifiable intangible assets is allocated to the Canaccord Genuity segment, as it relates to the acquisitions of Genuity and the 50% interest in Canaccord Genuity Australia. Amortization of the identifiable intangible assets acquired through the purchase of CSHP is allocated to Canaccord Genuity and Canaccord Genuity Wealth Management segments in the UK and Europe (Channel Islands). Amortization of identifiable intangible assets acquired through the acquisition of Eden Financial Ltd. is allocated to Canaccord Genuity Wealth Management segments in the UK and Europe (Eden Financial Ltd.). Income taxes are managed on a Company basis and are not allocated to operating segments. All revenue and operating profit is derived from external customers. The Company also does not allocate cash flows by reportable segments.

For the years ended								
	March 31, 2014				March 31, 2013			
	Canaccord Genuity	Canaccord Genuity Wealth Management	Corporate and Other	Total	Canaccord Genuity	Canaccord Genuity Wealth Management	Corporate and Other	Total
Revenues, excluding interest revenue	$ 606,150	$ 214,143	$ 10,402	$ 830,695	$ 531,051	$ 219,510	$ 17,362	$ 767,923
Interest revenue	9,640	9,893	5,016	24,549	9,982	12,102	7,115	29,199
Expenses, excluding undernoted	488,670	185,978	46,008	720,656	475,988	187,919	54,974	718,881
Amortization	14,858	10,146	1,782	26,786	21,074	10,735	1,970	33,779
Development costs	9,682	10,080	1,607	21,369	7,945	9,593	1,988	19,526
Interest expense	14,166	502	1,691	16,359	13,200	296	1,806	15,302
Acquisition-related costs	—	—	—	—	388	1,331	—	1,719
Restructuring costs	5,486	—	—	5,486	15,232	15,485	900	31,617
Income (loss) before income taxes and intersegment allocations	82,928	17,330	(35,670)	64,588	7,206	6,253	(37,161)	(23,702)
Less: Intersegment allocations	8,537	24,719	(33,256)	—	3,566	42,231	(45,797)	—
Income (loss) before income taxes	$ 74,391	$ (7,389)	$ (2,414)	$ 64,588	$ 3,640	$ (35,978)	$ 8,636	$ (23,702)

For geographic reporting purposes, the Company's business operations are grouped into Canada, the UK and Europe, the United States, and Other Foreign Locations. The following table presents the revenue of the Company by geographic location:

For the years ended	March 31, 2014	March 31, 2013
Canada	$ 273,276	$ 366,439
United Kingdom and Europe	325,353	249,811
United States	218,131	155,585
Other Foreign Locations	38,484	25,287
	$ 855,244	$ 797,122

The following table presents selected figures pertaining to the financial position of each geographic location:

	Canada	UK and Europe	United States	Other Foreign Locations	Total
As at March 31, 2014					
Equipment and leasehold improvements	$ 20,435	$ 18,240	$ 9,500	$ 2,800	$ 50,975
Goodwill	242,074	206,051	7,942	58,840	514,907
Intangible assets	62,763	60,165	78	8,644	131,650
Non-current assets	325,272	284,456	17,520	70,284	697,532
As at March 31, 2013					
Equipment and leasehold improvements	21,172	9,757	9,751	2,299	42,979
Goodwill	242,074	172,417	7,313	62,882	484,686
Intangible assets	66,483	51,473	47	12,280	130,283
Non-current assets	329,729	233,647	17,111	77,461	657,948

NOTE 22 Capital Management

The Company's business requires capital for operating and regulatory purposes, including funding current and future operations. The Company's capital structure is underpinned by shareholders' equity, which is comprised of preferred shares, common shares, contributed surplus, retained earnings and accumulated other comprehensive income (loss), and is further complemented by the subordinated debt. The following table summarizes our capital as at March 31, 2014 and 2013:

Type of capital	March 31, 2014	March 31, 2013
Preferred shares	$ 205,641	$ 205,641
Common shares	653,189	638,456
Contributed surplus	74,037	85,981
Retained earnings	144,799	126,203
Accumulated other comprehensive income (loss)	91,014	(7,118)
Shareholders' equity	1,168,680	1,049,163
Subordinated debt	15,000	15,000
	$ 1,183,680	$ 1,064,163

The Company's capital management framework is designed to maintain the level of capital that will:

- Meet the Company's regulated subsidiaries' target ratios as set out by the respective regulators
- Fund current and future operations
- Ensure that the Company is able to meet its financial obligations as they become due
- Support the creation of shareholder value

The following subsidiaries are subject to regulatory capital requirements in the respective jurisdictions by the listed regulators:

- Canaccord Genuity Corp. is subject to regulation in Canada primarily by IIROC
- Canaccord Genuity Limited, Canaccord Genuity Wealth Limited, and Canaccord Genuity Financial Planning Limited are regulated in the UK by the Financial Conduct Authority
- Canaccord Genuity Wealth (International) Limited is licensed and regulated by the Guernsey Financial Services Commission, the Isle of Man Financial Supervision Commission and the Jersey Financial Services Commission
- Canaccord Genuity Singapore Pte Ltd. is subject to regulation by the Monetary Authority of Singapore
- Canaccord Genuity (Australia) Limited is regulated by the Australian Securities and Investments Commission
- Canaccord Genuity (Hong Kong) Limited is regulated in Hong Kong by the Securities and Futures Commission
- Canaccord Genuity Inc. is registered as a broker dealer in the US and is subject to regulation primarily by the Financial Industry Regulatory Authority, Inc.
- Canaccord Genuity Wealth Management (USA) Inc. is registered as a broker dealer in the US and is subject to regulation primarily by the Financial Industry Regulatory Authority, Inc.
- Canaccord Asset Management Inc. is subject to regulation in Canada by the Ontario Securities Commission

Margin requirements in respect of outstanding trades, underwriting deal requirements and/or working capital requirements cause regulatory capital requirements to fluctuate on a daily basis. Compliance with these requirements may require the Company to keep sufficient cash and other liquid assets on hand to maintain regulatory capital requirements rather than using these liquid assets in connection with its business or paying them out in the form of cash disbursements. Some of the subsidiaries are also subject to regulations relating to withdrawal of capital, including payment of dividends to the Company. There were no significant changes in the Company's capital management policy during the current year. The Company's subsidiaries were in compliance with all of the minimum regulatory capital requirements during the year ended March 31, 2014.

NOTE 23 Client Money

At March 31, 2014, the UK and Europe operations held client money in segregated accounts of $1,707.5 million (£926.7 million) [2013 – $1,606.2 million; £1,042.0 million]. This is comprised of $10.1 million (£5.5 million) [2013 – $2.3 million; £1.5 million] of balances held on behalf of clients to settle outstanding trades and $1,697.4 million (£921.2 million) [2013 – $1,603.9 million; £1,040.5 million] of segregated deposits, held on behalf of clients, which are not reflected on the consolidated statements of financial position. Movement in settlement balances is reflected in operating cash flows.

NOTE 24 Provisions and Contingencies

PROVISIONS

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount can be made. At each reporting date, the Company assesses the adequacy of its pre-existing provisions and adjusts the amounts as necessary. The following is a summary of the changes during the years ended March 31, 2014 and 2013:

	Legal provisions	Restructuring provisions	Total provisions
Balance, March 31, 2012	$ 12,943	$ 26,723	$ 39,666
Additions	5,356	31,617	36,973
Utilized	(5,515)	(48,464)	(53,979)
Recoveries	(2,605)	—	(2,605)
Balance, March 31, 2013	$ 10,179	$ 9,876	$ 20,055
Additions	3,314	5,486	8,800
Utilized	(5,891)	(12,440)	(18,331)
Recoveries	(190)	—	(190)
Balance, March 31, 2014	**$ 7,412**	**$ 2,922**	**$ 10,334**

During the year ended March 31, 2014, the Company incurred $5.5 million in restructuring costs in connection with the reorganization of the sales and trading operations in Canada and the UK and Europe as well as certain office closure costs. The restructuring provisions at March 31, 2014 relate primarily to termination benefits, onerous leases and related asset impairments incurred as part of the Company's reorganization. It is expected that the restructuring provisions at March 31, 2014 will be mostly utilized during the year ended March 31, 2015.

Commitments, litigation proceedings and contingent liabilities

In the normal course of business as an investment dealer, the Company is involved in litigation, and as of March 31, 2014, it was a defendant in various legal actions. The Company has established provisions for matters where payments are probable and can be reasonably estimated. While the outcome of these actions is subject to future resolution, management's evaluation and analysis of these actions indicate that, individually and in the aggregate, the probable ultimate resolution of these actions will not have a material effect on the financial position of the Company. The amounts claimed in respect of two actions are material and, accordingly, these actions are described below.

In 2002, two actions were commenced in the Superior Court of Québec against Canaccord Genuity Corp. and other defendants including another investment dealer. Both are class action proceedings in which the plaintiffs make allegations of certain wrongful trading and disclosure practices by the Company and another defendant and that the Company was negligent in respect of a private placement in 2000. These actions are set for trial starting in September 2014. Canaccord intends to vigorously defend itself against these claims. The outcome of these actions cannot be predicted with certainty. An adverse outcome in respect of these actions could have a material adverse effect on the Company's financial position.

The Company is also subject to asserted and unasserted claims arising in the normal course of business which, as of March 31, 2014, have not resulted in the commencement of legal actions. The Company cannot determine the effect of all asserted and unasserted claims on its financial position; however, to the extent possible, where losses arising from asserted and unasserted claims are considered probable and where such losses can be reasonably estimated, the Company has recorded a provision.

Certain claims have been asserted against the Company in respect of the sale of certain conventional wealth management products in the UK which could be material if the Company's assumptions used to evaluate the matter as neither probable nor estimable change in future periods. In that event, the Company may be required to record a provision for an adverse outcome which could have a material adverse effect on the Company's financial position.

NOTE 25 Commitments

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

2015	$	33,896
2016		31,595
2017		26,825
2018		23,363
2019		18,307
Thereafter		65,965
	$	199,951

Some leases include extension options and provide for stepped rents, which mainly relate to lease of office space.

Certain subsidiaries of the Company have agreed to sublease agreements, and the approximate minimum lease receipts for premises and equipment over the next five years and thereafter are as follows:

2015	$	3,461
2016		2,646
2017		1,107
2018		1,107
2019		829
Thereafter		4,254
	$	13,404

NOTE 26 Subsequent Event

DIVIDENDS

On June 3, 2014, the Board of Directors approved the following cash dividends: $0.05 per common share payable on July 2, 2014 to common shareholders with a record date of June 20, 2014; $0.34375 per Series A Preferred Share payable on June 30, 2014 with a record date of June 13, 2014; and $0.359375 per Series C Preferred Share payable on June 30, 2014 with a record date of June 13, 2014.