
Financial Review

21	Management's Discussion and Analysis	52	Share-Based Payment Plans
21	Non-IFRS Measures	53	International Financial Centre
21	Business Overview	53	Foreign Exchange
23	Market Data	53	Related Party Transactions
24	Key Developments During Fiscal 2014	55	Critical Accounting Policies and Estimates
27	Market Environment During Fiscal 2014	58	Future Changes in Accounting Policies and Estimates
27	Fiscal 2015 Outlook	58	Disclosure Controls and Procedures and Internal Control over Financial Reporting
28	Overview of Preceding Years – Fiscal 2013 vs. 2012	59	Risk Management
29	Financial Overview	62	Dividend Policy
33	Quarterly Financial Information	62	Dividend Declaration
36	Business Segment Results	62	Additional Information
48	Financial Condition	63	Independent Auditors' Report
49	Off-Balance Sheet Arrangements	64	Consolidated Financial Statements and Notes
49	Liquidity and Capital Resources	110	Supplemental Information
50	Preferred Shares	116	Glossary
50	Outstanding Preferred Share Data		
51	Outstanding Common Share Data		

CAUTION REGARDING FORWARD-LOOKING STATEMENTS:

This document may contain “forward-looking statements” (as defined under applicable securities laws). These statements relate to future events or future performance and reflect management’s expectations, beliefs, plans, estimates, intentions and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts, including business and economic conditions and Canaccord’s growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements reflect management’s current beliefs and are based on information currently available to management. In some cases, forward-looking statements can be identified by terminology such as “may”, “will”, “should”, “expect”, “plan”, “anticipate”, “believe”, “estimate”, “predict”, “potential”, “continue”, “target”, “intend”, “could” or the negative of these terms or other comparable terminology. Disclosure identified as an “Outlook” including the section entitled “Fiscal 2015 Outlook” contains forward-looking information. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and a number of factors could cause actual events or results to differ materially from the results discussed in the forward-looking statements. In evaluating these statements, readers should specifically consider various factors that may cause actual results to differ materially from any forward-looking statement. These factors include, but are not limited to, market and general economic conditions, the nature of the financial services industry and the risks and uncertainties discussed from time to time in the Company’s interim condensed and annual consolidated financial statements and its annual report and AIF filed on www.sedar.com as well as the factors discussed in the section entitled “Risk Management” in this MD&A, which include market, liquidity, credit, operational, legal and regulatory risks. Material factors or assumptions that were used by the Company to develop the forward-looking information contained in this document include, but are not limited to, those set out in the Fiscal 2015 Outlook section in the annual MD&A and those discussed from time to time in the Company’s interim condensed and annual consolidated financial statements and its annual report and AIF filed on www.sedar.com. The preceding list is not exhaustive of all possible risk factors that may influence actual results. Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive.

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

Management's Discussion and Analysis

Fiscal year 2014 ended March 31, 2014 – this document is dated June 3, 2014.

The following discussion of Canaccord Genuity Group Inc.'s financial condition, financial performance and cash flows is provided to enable a reader to assess material changes in the financial condition, financial performance and cash flows for the year ended March 31, 2014 compared to the preceding fiscal year, with an emphasis on the most recent year. Unless otherwise indicated or the context otherwise requires, the "Company" refers to Canaccord Genuity Group Inc. and "Canaccord" refers to the Company and its direct and indirect subsidiaries. "Canaccord Genuity" refers to the investment banking and capital markets segment of the Company. The Management's Discussion and Analysis (MD&A) should be read in conjunction with the audited consolidated financial statements for the years ended March 31, 2014 and 2013, beginning on page 63 of this report. Canaccord's financial information is expressed in Canadian dollars unless otherwise specified. The Company's consolidated financial statements for the years ended March 31, 2014 and 2013 are prepared in accordance with International Financial Reporting Standards (IFRS).

Non-IFRS Measures

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

Canaccord's capital is represented by common shareholders' equity and, therefore, management uses return on common equity (ROE) as a performance measure. Also used by the Company as a performance measure is book value per diluted common share. Book value per diluted common share is calculated as total common shareholders' equity divided by the number of diluted common shares outstanding and, commencing in Q1/14, adjusted for shares purchased under the normal course issuer bid (NCIB) and not yet cancelled, and estimated forfeitures in respect of unvested share awards under share-based payment plans.

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

Financial statement items that exclude significant items are non-IFRS measures. Significant items for these purposes are defined as including restructuring costs, amortization of intangible assets and acquisition-related expense items, which include costs recognized in relation to both prospective and completed acquisitions. See the Selected Financial Information Excluding Significant Items table on page 30.

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

Business Overview

Through its principal subsidiaries, Canaccord Genuity Group Inc. is a leading independent, full-service financial services firm, with operations in two principal segments of the securities industry: wealth management and capital markets. Since its establishment in 1950, Canaccord has been driven by an unwavering commitment to building lasting client relationships. We achieve this by generating value for our individual, institutional and corporate clients through comprehensive investment solutions, brokerage services and investment banking services. Canaccord has offices in 11 countries worldwide, including wealth management offices located in Canada, Australia, the UK and Europe. Canaccord Genuity, the Company's international capital markets division, has operations in Canada, the US, the UK, France, Germany, Ireland, Hong Kong, mainland China, Singapore, Australia and Barbados.

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

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

ABOUT CANACCORD'S OPERATIONS

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

Canaccord Genuity

Canaccord Genuity offers corporations and institutional investors around the world an integrated platform for equity research, sales and trading, and investment banking services that is built on extensive operations in Canada, the UK, Europe, the US, China, Singapore, Australia and Barbados.

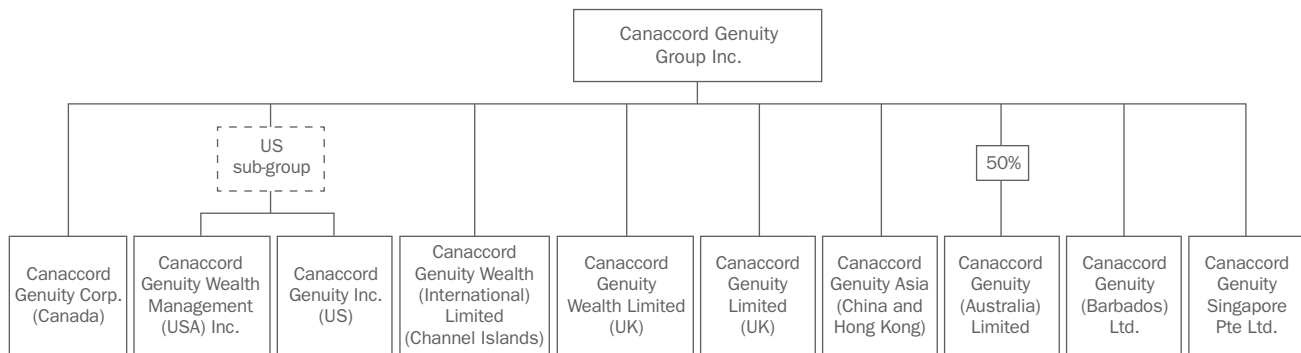
Canaccord Genuity Wealth Management

Canaccord's wealth management operations provide comprehensive wealth management solutions and brokerage services to individual investors, private clients, charities and intermediaries, through a full suite of services tailored to the needs of clients in each of the markets the division operates in. Canaccord's growing wealth management division now has Investment Advisors (IAs), investment professionals and fund managers in Canada, Australia, the UK and offshore locations (the Channel Islands and the Isle of Man).

Corporate and Other

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

Corporate structure



The chart shows principal operating companies of the Canaccord group.

BUSINESS ACTIVITY

Our business is subject to the overall condition of the worldwide debt and equity markets.

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

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

Market Data

TOTAL FINANCING VALUE BY EXCHANGE

	Q1/14	Q2/14	Q3/14	Q4/14	Fiscal 2014	Fiscal 2013	Fiscal 2014/ 2013 change
TSX and TSX Venture (C\$ billions)	10.9	8.9	14.1	14.8	48.7	45.8	6.3%
AIM (£ billions)	0.8	0.7	1.7	1.9	5.1	2.8	82.1%
NASDAQ (US\$ billions)	15.0	16.1	21.4	19.8	72.3	49.5	46.1%

Source: TSX Statistics, LSE AIM Statistics, Equidesk

Total financing values on each of the TSX, TSX Venture Exchange, AIM, and NASDAQ experienced increases compared to the previous year.

IMPACT OF CHANGES IN CAPITAL MARKETS ACTIVITY

As a brokerage firm, Canaccord derives its revenue primarily from sales commissions, underwriting and advisory fees, and trading activity. As a result, the Company's business is materially affected by conditions in the financial marketplace and the economic environment, primarily in North America and Europe, and to some degree Asia and Australia. Canaccord's long term international business development initiatives over the past several years have laid a solid foundation for revenue diversification. Canaccord's conservative capital strategy allows the Company to remain competitive in today's changing financial landscape.

During fiscal 2014, Canaccord's capital markets activities were focused on the following sectors: Metals and Mining, Energy, Technology, Health Care and Life Sciences, Agriculture, Media and Telecommunications, Financials, Consumer and Retail, Real Estate and Hospitality, Infrastructure, Transportation and Industrials, Paper and Forestry Products, CleanTech and Sustainability, Support Services, Aerospace and Defense, Leisure, Diversified, Private Equity and Investment Companies. Coverage of these sectors included investment banking, mergers and acquisitions (M&A) and advisory services, and institutional equity activities, such as sales, trading and research.

Key Developments During Fiscal 2014

CORPORATE

- On July 9, 2013, Canaccord Genuity announced that Paul Reynolds assumed the position of Chairman of Canaccord Genuity Limited in the UK
- On August 7, 2013, the Company held its 2013 Annual General Meeting of shareholders, where all nominated directors were re-elected to the Board
- On August 8, 2013, the Company renewed its normal course issuer bid (NCIB)/buy-back programme, which provides the Company with the ability to purchase, at its discretion, up to 5,136,948 of its common shares through the facilities of the TSX for cancellation. During fiscal 2014, the Company purchased 3,294,144 of its common shares under the terms of its NCIB
 - 3,248,544 common shares purchased under the NCIB up to the end of fiscal 2014 were cancelled and the remaining 45,600 common shares purchased during fiscal 2014 were held in treasury until subsequently cancelled on April 30, 2014
- On October 1, 2013, Canaccord Financial Inc. was renamed Canaccord Genuity Group Inc.
- On October 23, 2013, Canaccord Genuity Inc. (Canaccord Genuity's US capital markets division) held a charity trading day, where designated commissions from equity, electronic and agency options trades on that day were donated to Youth, I.N.C. In total, Canaccord Genuity's US team generated approximately US\$1.0 million for at-risk children through the eighth annual Trading Day for Kids
- On January 15, 2014, Canaccord Genuity appointed Stuart Raftus as President of Canaccord Genuity Wealth Management in Canada
- On March 26, 2014, Canaccord Genuity appointed David Esfandi as Chief Executive of Canaccord Genuity Wealth Management in the UK
- On March 26, 2014, Canaccord Genuity announced that Stephen Massey assumed the position of Chairman of Canaccord Genuity Wealth Management in the UK

CANACCORD GENUITY

- Canaccord Genuity generated record revenue of \$615.8 million in fiscal 2014
- Net income before taxes excluding significant items⁽¹⁾ was \$86.6 million, an increase of \$52.6 million compared to the prior year
- Canaccord Genuity led 79 transactions globally, each over \$1.5 million, to raise total proceeds of C\$4.0 billion during fiscal 2014. Of this:
 - Canada led 39 transactions, which raised C\$1.6 billion
 - The UK led 12 transactions, which raised C\$1.4 billion
 - The US led 15 transactions, which raised C\$754.7 million
 - Asia and Australia operations led 13 transactions, which raised C\$316.1 million
- During fiscal 2014, Canaccord Genuity participated in a total of 345 transactions globally, each over \$1.5 million, to raise gross proceeds of C\$36.5 billion. Of this:
 - Canada participated in 204 transactions, which raised C\$18.6 billion
 - The UK participated in 31 transactions, which raised C\$6.4 billion
 - The US participated in 84 transactions, which raised C\$10.9 billion
 - Asia and Australia operations participated in 26 transactions, which raised C\$635.6 million
- During fiscal 2014, Canaccord Genuity led or co-led the following transactions:
 - £431.0 million for Poundland Group PLC on the LSE
 - £428.7 million for Foxtons Group PLC on the LSE
 - US\$700.4 million for Abengoa S.A. on the NASDAQ
 - Two transactions totalling £366.2 million for The Renewables Infrastructure Group Limited on the LSE
 - £326.3 million for Playtech PLC on the LSE
 - £240.0 million for Brit Insurance PLC on the LSE

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 21.

- £211.0 million for Circassia Pharmaceuticals PLC on the LSE
- £210.5 million for Quindell PLC on AIM
- £207.8 million for Arrow Global Group PLC on the LSE
- US\$345.0 million for 3D Systems on the NYSE
- £169.0 million for Optimal Payments PLC on AIM
- £160.0 million for Tungsten Corporation PLC on AIM
- Two transactions totalling C\$258.9 million for Pure Industrial Real Estate Trust on the TSX
- £125.4 million for Caracal Energy Inc. on the LSE
- £125.0 million for Saffron Housing Finance PLC on the LSE
- Two transactions totalling US\$199.8 million for Emerald Oil, Inc. on the NYSE
- C\$224.3 million for Goldcorp Inc. in a secondary offering of Primero Mining Corp. shares on the TSX
- £109.2 million for Monitise PLC on AIM
- Two transactions totalling AUD\$180.6 million for G8 Education Limited on the ASX
- C\$175.0 million for Bellatrix Exploration Limited on the TSX
- Two transactions totalling C\$173.6 million for DHX Media Ltd. on the TSX
- C\$172.5 million for Artis REIT on the TSX
- £86.0 million for HICL Infrastructure Company Limited on the LSE
- Three transactions totalling C\$187.8 million for HealthLease Properties REIT on the TSX
- £73.0 million for Tyman PLC on AIM
- US\$116.2 million for Lannett Company, Inc. on the NYSE
- US\$113.0 million for DP Aircraft I Limited on the Specialist Fund Market of the LSE and CISE
- Two transactions totalling AUD\$117.0 million for Donaco International Limited on the ASX
- US\$90.1 million for Synergy Pharmaceuticals on the NASDAQ
- £48.8 million for MedicX Fund Limited on the LSE
- US\$86.3 million for Derma Sciences, Inc. on the NASDAQ
- C\$75.0 million for Redknee Solutions Inc. on the TSX
- £39.9 million for Brewin Dolphin PLC on the LSE
- Two transactions totalling C\$102.1 million for Concordia Healthcare Corporation on the TSX
- Two transactions totalling C\$87.7 million for Halogen Software Inc. on the TSX
- C\$65.0 million for MINT Income Fund on the TSX
- SGD\$70.4 million for ValueMax Group Limited on the SGX
- In Canada, Canaccord Genuity raised \$853.1 million for government bond issuances and \$74.6 million for corporate bond issuances during fiscal 2014
- During fiscal 2014, Canaccord Genuity advised on 63 transactions, including the following:
 - Xsens Technologies on its sale to Fairchild Semiconductor
 - Canada Goose Inc. on its sale of a majority stake to Bain Capital
 - Uranium One Inc. on its sale to ARMZ Uranium Holding Company
 - The Co-operative Bank PLC on its financial restructuring
 - Encore Capital Group and J.C. Flowers & Co. on the acquisition of Cabot Credit Management
 - Independent News & Media PLC on the sale of its South African subsidiary
 - Montagu Private Equity on the disposal of Unifeeder A/S to Nordic Capital
 - Marlin Financial Group on its disposal to Cabot Credit Management Limited

- Caffè Nero on the refinancing of its debt facilities
- May Gurney Integrated Services PLC on the recommended takeover offer by Kier Group PLC
- Dr. Jean-Claude Marian on the sale of a 15% stake in Orpéa to the Canada Pension Plan Investment Board
- William Investments Limited on the disposal of Norland Managed Services Limited to CBRE Group, Inc.
- Camac Energy on the acquisition of an interest in the OML 120/121 blocks offshore Nigeria
- Ontario Teachers' Pension Plan on its acquisition of Burton's Holdings Limited
- AXA Private Equity and Trescal Group's Management team on its acquisition of Trescal
- Investcorp on the disposal of TDX Group to Equifax Inc.
- Afferro Mining Inc. on its disposal to International Mining & Infrastructure Corporation PLC
- KEYreit on its acquisition by Plazacorp Retail Properties Limited
- Safran Group on its joint venture with Albany International Corp.
- Oaktree Capital Management on its co-investment in the new chemical fleet with Navig8
- Palomar Medical Technologies, Inc. on its acquisition by Cynosure, Inc.

WEALTH MANAGEMENT (GLOBAL)

- Globally, Canaccord Genuity Wealth Management generated \$228.8 million in revenue during fiscal 2014
- Total assets under administration in Canada and assets under management in the UK, Europe and Australia were \$30.9 billion at March 31, 2014⁽¹⁾

WEALTH MANAGEMENT (NORTH AMERICA)

- Canaccord Genuity Wealth Management (North America) generated \$111.0 million in revenue during fiscal 2014
- Net loss before income taxes was \$18.1 million
- Assets under administration were \$10.2 billion as of March 31, 2014, down 3% from \$10.4 billion at the end of fiscal 2013⁽¹⁾
- Assets under management were \$1.2 billion, up 44% from \$835 million at the end of fiscal 2013⁽¹⁾
- At March 31, 2014, Canaccord Genuity Wealth Management had 160 Advisory Teams in Canada⁽²⁾, a decrease of 18 Advisory Teams from March 31, 2013

WEALTH MANAGEMENT (UK AND EUROPE)

- Canaccord Genuity Wealth Management (UK and Europe) generated \$113.0 million in revenue and, excluding significant items, recorded net income of \$18.6 million before taxes in fiscal 2014⁽³⁾
- Assets under management (discretionary and non-discretionary) were \$20.1 billion (£10.9 billion), an increase of 27% from \$15.9 billion (£10.2 billion) at the end of fiscal 2013⁽¹⁾
- At March 31, 2014, Canaccord Genuity Wealth Management had 118 investment professionals and fund managers in the UK and Europe

(1) See Non-IFRS Measures on page 21.

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

(3) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 21.

Market Environment During Fiscal 2014

A strengthening of the US economy led investors to expect a tapering of the US Federal Reserve's bond purchase programs early in fiscal 2014. As a result, US 10-year government bond yields rose above the 2.5% threshold in the second quarter of calendar 2013 for the first time since the second quarter of calendar 2011. The reset in bond yields was global, and emerging markets were impacted the most as a result of the correction, forcing the central banks in Brazil and India to increase interest rates in order to halt capital outflows. This monetary tightening, coupled with an economic slowdown in China, compounded fears of a possible slowdown in developed economies. Fortunately, the US Federal Reserve and the European Central Bank both indicated that lending rates would remain low for an extended period of time. The Bank of Canada also dropped its interest rate hike bias, which consequently triggered a phase of depreciation in the Canadian dollar. Despite much easier monetary conditions in Canada, the S&P/TSX barely advanced through the first half of fiscal 2014, strongly underperforming in comparison to its world counterparts.

Through the second half of fiscal 2014, unsatisfied by progress on the employment front and facing a political stalemate in Washington, the US Federal Reserve announced in September 2013 that it was postponing the tapering of its bond purchases until December. Also, Janet Yellen was named the new US Federal Reserve Chairman and made various comments reaffirming former Chairman Ben Bernanke's dovish strategy, which contributed to keeping equities buoyant in the fourth quarter of calendar 2013. In Europe, a muted economic recovery fuelled deflation, which put pressure on the European Central Bank to ease or implement Quantitative Easing. However, the central bank did not succumb, instead preferring to talk interest rates down. In the first quarter of calendar 2014, Chinese authorities took various steps to clamp down speculation related to the Chinese yuan appreciation. The impact of tightened liquidity conditions engineered by the People's Bank of China, combined with the impact of the sharp yuan appreciation relative to emerging market economies' currencies, triggered another Chinese growth scare. The People's Bank of China responded promptly by injecting liquidity again. This about-face reaction led to a re-rating in emerging market equities, including the S&P/TSX, which strongly outperformed the SPX and world equities. In fact, through fiscal 2014, Canadian equities rose by 12.1%, outperforming both US and global equities, which gained 11.3% and 7.1%, respectively.

Despite the fact that the S&P/TSX ended fiscal 2014 on a strong note by rising by 12%, the index lagged behind the S&P 500, which rose by 19%, due to the weak showing of commodity prices such as gold, which declined by 19%, and base metals, which declined by 11%. Underlying gold and base metal equities lost 27% and 8%, respectively, through the period. The exit of investors from commodities was particularly detrimental to small-cap resources stocks, with the S&P/TSX Venture Exchange falling by 10% in fiscal 2014. Finally, the strong Canadian dollar depreciation of 8% was another negative factor as it kept global investors away from Canada while Canadian investors kept adding to their foreign equity exposure, benefiting from strong currency-adjusted returns in global markets.

Fiscal 2015 Outlook

We expect world economic growth, led by developed economies, to maintain a moderate pace of acceleration as the negative impacts of global austerity measures weaken, and tame inflationary pressures worldwide allow policymakers to act as a backstop for banks and financial markets. That being said, with emerging market economies accounting for more than 70% of world GDP growth in calendar 2014, one key risk consideration for global growth is a policy mistake in China as the government seems determined to prioritize long term quality growth as opposed to near term economic fluctuations. Should China's GDP drop below 7%, we expect that fears of a hard landing could erupt swiftly. Fortunately, receding inflation in other emerging markets could allow several local central banks to initiate a monetary easing cycle and rekindle growth. Obviously, such a development would be a net positive for emerging markets proxies such as Canada, considering that reflation would turn global. Overall, it is our expectation that monetary and fiscal policymakers will continue to provide downside protection to economic growth. As such, capital markets are expected to take their cues from a steady decline in the equity risk premium, which remains above historical averages.

With regard to capital markets activities, we expect the momentum built last year to persist through fiscal 2015. That is, Canaccord Genuity should continue to enjoy strong contributions from its various geographical platforms. One encouraging development is in Canada, where activity levels are improving as a result of the resurgence in equity issuance. As for agency revenues, trading volumes have begun to improve as renewed global growth prospects have allowed commodity prices to stabilize. Moreover, when the Canadian dollar depreciation is considered, many export-sensitive and resource-based companies should be able to shore up their profitability markedly through calendar 2014. A pick-up in relative earnings strength should also allow the S&P/TSX to stage a performance catch-up in comparison to its world counterparts, hence contributing to increased capital markets activity in Canada.

While we expect calendar 2014 to mark the synchronization in world monetary policies, it should also give rise to a re-coupling between developed economies and emerging economic regions before the US Federal Reserve begins to gradually normalize interest rates in calendar 2015. Uncertainty about the exact timing of the Federal Reserve's tightening policy may keep the markets volatile throughout the fiscal year.

Overview of Preceding Years – Fiscal 2013 vs. 2012

Total revenue for the year ended March 31, 2013 (fiscal 2013) was \$797.1 million, an increase of \$192.3 million or 31.8% compared to the previous year. This increase was primarily due to the strong economic and market conditions during fiscal 2013 and Canaccord's global geographic diversification. Most major indices also experienced increases during fiscal 2013 with the TSX up 3%, the FTSE 100 up 11%, and the NASDAQ up 6%. However, the TSX Venture Exchange experienced a decrease of 30%.

Canaccord recorded a net loss of \$18.8 million during fiscal 2013, which included \$53.9 million of restructuring costs and other acquisition-related expense items. Excluding these significant items⁽¹⁾, net income for fiscal 2013 was \$25.6 million.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 21.

Financial Overview

SELECTED FINANCIAL INFORMATION⁽¹⁾⁽²⁾

(C\$ thousands, except per share and % amounts, and number of employees)	For the years ended March 31				
	2014	2013	2012	2014/2013 change	
Canaccord Genuity Group Inc. (CGGI)					
Revenue					
Commissions and fees	\$ 361,647	\$ 353,125	\$ 252,877	\$ 8,522	2.4%
Investment banking	221,410	145,772	175,225	75,638	51.9%
Advisory fees	139,142	179,690	107,370	(40,548)	(22.6)%
Principal trading	91,313	66,406	10,647	24,907	37.5%
Interest	24,549	29,199	31,799	(4,650)	(15.9)%
Other	17,183	22,930	26,946	(5,747)	(25.1)%
Total revenue	855,244	797,122	604,864	58,122	7.3%
Expenses					
Incentive compensation	413,289	406,724	304,908	6,565	1.6%
Salaries and benefits	91,135	88,522	63,924	2,613	3.0%
Other overhead expenses ⁽³⁾	280,746	292,242	200,842	(11,496)	(3.9)%
Restructuring costs ⁽⁴⁾	5,486	31,617	35,253	(26,131)	(82.6)%
Acquisition-related costs	—	1,719	16,056	(1,719)	(100.0)%
Total expenses	790,656	820,824	620,983	(30,168)	(3.7)%
Income (loss) before income taxes	64,588	(23,702)	(16,119)	88,290	n.m.
Net income (loss)	\$ 52,057	\$ (18,775)	\$ (21,346)	\$ 70,832	n.m.
Net income (loss) attributable to CGGI shareholders	\$ 51,413	\$ (16,819)	\$ (20,307)	\$ 68,232	n.m.
Non-controlling interests	\$ 644	\$ (1,956)	\$ (1,039)	\$ 2,600	132.9%
Earnings (loss) per common share (EPS) – basic	\$ 0.42	\$ (0.31)	\$ (0.33)	\$ 0.73	235.5%
Earnings (loss) per common share (EPS) – diluted	\$ 0.39	\$ (0.31)	\$ (0.33)	\$ 0.70	225.8%
Return on common equity (ROE)	4.4%	(3.3)%	(3.1)%	7.7 p.p.	
Dividends per common share	\$ 0.20	\$ 0.20	\$ 0.40	\$ —	—
Book value per diluted common share ⁽⁵⁾	\$ 9.05	\$ 7.68	\$ 8.26	\$ 1.37	17.8%
Excluding significant items⁽⁶⁾					
Total expenses	\$ 770,587	\$ 766,893	\$ 564,182	\$ 3,694	0.5%
Income before income taxes	\$ 84,657	\$ 30,229	\$ 40,682	\$ 54,428	180.1%
Net income	\$ 68,846	\$ 25,644	\$ 25,193	\$ 43,202	168.5%
Net income attributable to CGGI shareholders	\$ 67,211	\$ 26,207	\$ 25,591	\$ 41,004	156.5%
EPS – basic	\$ 0.59	\$ 0.16	\$ 0.28	\$ 0.43	268.8%
EPS – diluted	\$ 0.54	\$ 0.14	\$ 0.25	\$ 0.40	285.7%
Balance sheet data					
Total assets	\$ 5,014,622	\$ 4,603,502	\$ 5,762,723	\$ 411,120	8.9%
Total liabilities	3,831,030	3,538,170	4,753,144	292,860	8.3%
Non-controlling interests	14,912	16,169	17,454	(1,257)	(7.8)%
Total shareholders' equity	1,168,680	1,049,163	992,125	119,517	11.4%
Number of employees	2,004	2,060	2,428	(56)	(2.7)%

(1) Data is in accordance with IFRS except for ROE, book value per diluted common share, figures excluding significant items and number of employees. See Non-IFRS Measures on page 21.

(2) The operating results of the Australian operations have been fully consolidated and a 50% non-controlling interest has been recognized. Results of former Collins Stewart Hawkpoint plc (CSHP) since March 22, 2012 and the wealth management business of Eden Financial Ltd. since October 1, 2012 are also included.

(3) Consists of trading costs, premises and equipment, communication and technology, interest, general and administrative, amortization of tangible and intangible assets, and development costs.

(4) Consists of restructuring costs mainly in connection with restructuring of our sales and trading operations in Canada and the UK and Europe, as well as certain office closure costs in fiscal 2014. Fiscal 2013 and 2012 restructuring costs include expense incurred for staff restructuring and reorganization.

(5) Book value per diluted common share is calculated as total common shareholders' equity divided by the number of diluted common shares outstanding and, commencing in fiscal 2014, adjusted for shares purchased under the normal course issuer bid and not yet cancelled, and estimated forfeitures in respect of unvested share awards under share-based payment plans.

(6) Net income and earnings per common share excluding significant items reflect tax-effected adjustments related to such items. See the Selected Financial Information Excluding Significant Items table on the next page.

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

SELECTED FINANCIAL INFORMATION EXCLUDING SIGNIFICANT ITEMS⁽¹⁾

(C\$ thousands, except per share and % amounts)	For the years ended March 31				
	2014	2013	2012	2014/2013 change	
Total revenue per IFRS	\$ 855,244	\$ 797,122	\$ 604,864	\$ 58,122	7.3%
Total expenses per IFRS	790,656	820,824	620,983	(30,168)	(3.7)%
<i>Significant items recorded in Canaccord Genuity</i>					
Amortization of intangible assets	6,742	14,740	5,492	(7,998)	(54.3)%
Restructuring costs	5,486	15,232	29,078	(9,746)	(64.0)%
Acquisition-related costs	—	388	10,466	(388)	(100.0)%
<i>Significant items recorded in Canaccord Genuity Wealth Management</i>					
Amortization of intangible assets	7,841	5,855	—	1,986	33.9%
Restructuring costs	—	15,485	900	(15,485)	(100.0)%
Acquisition-related costs	—	1,331	4,077	(1,331)	(100.0)%
<i>Significant items recorded in Corporate and Other</i>					
Restructuring costs	—	900	5,275	(900)	(100.0)%
Acquisition-related costs	—	—	1,513	—	—
Total significant items	20,069	53,931	56,801	(33,862)	(62.8)%
Total expenses excluding significant items	770,587	766,893	564,182	3,694	0.5%
Net income before taxes – adjusted	84,657	30,229	40,682	54,428	180.1%
Income taxes – adjusted	15,811	4,585	15,489	11,226	244.8%
Net income – adjusted	\$ 68,846	\$ 25,644	\$ 25,193	\$ 43,202	168.5%
EPS – basic, adjusted	\$ 0.59	\$ 0.16	\$ 0.28	\$ 0.43	268.8%
EPS – diluted, adjusted	\$ 0.54	\$ 0.14	\$ 0.25	\$ 0.40	285.7%

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 21.

REVENUE

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

Revenue for fiscal 2014 was \$855.2 million, an increase of 7.3% or \$58.1 million from fiscal 2013, and represented a record high for the Company. This demonstrated the strength of our global business and the success of our efforts to diversify our revenue streams. Overall, the growth in revenue for the year ended March 31, 2014 was mainly due to the strong performances of our foreign operations, particularly in investment banking and principal trading revenue. As a result of improved market conditions and increased activity by corporate issuers in our focus sectors, our US and UK and Europe operations were able to achieve record revenue in the current fiscal year. The capital markets segment of our UK and Europe operations contributed \$54.2 million to the revenue increase while the wealth management segment contributed \$21.3 million. Revenue in the US for the year ended March 31, 2014 was \$218.1 million, up \$62.5 million or 40.2% from the prior year, and was driven mostly by the strong performance of our International Equities Group. Our Other Foreign Locations operations increased revenue by \$13.2 million to \$38.5 million in fiscal 2014, mostly as a result of the improved performance of our Australian team. Our Canadian operations generated total revenue of \$273.3 million for fiscal 2014, a decline of \$93.2 million as a result of a reduction in activity in both our Canaccord Genuity and Canaccord Genuity Wealth Management operating segments.

While the strength of our global business and diversified revenue streams were the main drivers of our strong revenue performance in fiscal 2014, the impact of foreign currency translation also partially contributed to the increase in revenue over the prior year. Revenues from our foreign operations are initially recorded in their respective functional currencies and translated into Canadian dollars at exchange rates prevailing during the period. Therefore, the appreciation of foreign currencies, particularly the pound sterling and the US dollar, against the Canadian dollar during fiscal 2014 resulted in higher revenue measured in Canadian dollars.

Commissions and fees revenue is primarily generated from private client trading activity and institutional sales and trading. Revenue generated from commissions and fees increased by \$8.5 million or 2.4% from fiscal 2013 to \$361.6 million in fiscal 2014. Our Canaccord Genuity Wealth Management segment contributed \$194.4 million while our Canaccord Genuity segment contributed \$167.2 million. Commissions and fees revenue earned in Canada declined by \$18.4 million as a result of reduced trading volumes. The decrease in Canada was offset by increases of \$19.0 million and \$7.0 million in the UK and Europe and the US, respectively.

Investment banking revenue was \$221.4 million in fiscal 2014, up \$75.6 million or 51.9% from fiscal 2013. The growth in investment banking revenue was most notable in the UK and Europe and the US, with increases of \$26.6 million and \$38.0 million, respectively, due to increased financing activity in these regions. The Company's operations in the Other Foreign Locations geographic region, which includes operations in Australia, Singapore, mainland China, Hong Kong and Barbados, also contributed \$9.9 million to the increase in investment banking revenue, primarily due to the growth in our Australian operations.

Advisory fees of \$139.1 million represented a decrease of 22.6%, or \$40.5 million, compared to the prior year. This was primarily due to lower activity in our capital markets operations in Canada, where advisory fees decreased by \$60.0 million compared to fiscal 2013, which was a record high for our Canadian operations as a result of two substantial mandates completed during the prior year. Offsetting the decrease in Canada was an increase of \$23.2 million in our advisory fees revenue from our UK and Europe operations. Our UK and Europe operations generated \$88.2 million in advisory fees in fiscal 2014, a record high for the operations, largely driven by the success of our advisory and equity transaction leadership in this market.

Revenue derived from principal trading increased by \$24.9 million to \$91.3 million for the year ended March 31, 2014, primarily due to the expansion of our UK and Europe and US operations. Principal trading revenue in our US operations increased by \$20.9 million compared to the prior year, and was mainly due to the strong performance of our International Equities Group. Our UK and Europe operations also experienced a \$4.6 million increase in principal trading revenue as a result of strength in the investment company trust market during this fiscal year.

Interest revenue decreased by \$4.7 million compared to fiscal 2013, mostly as a result of reductions in our North American wealth management operations. Other revenue of \$17.2 million was \$5.7 million or 25.1% lower than in the prior year, largely as a result of a decrease in our correspondent brokerage services operations as well as lower foreign exchange gains.

EXPENSES

Expenses as a percentage of revenue

	For the years ended March 31		
	2014	2013	2014/2013 change
Incentive compensation	48.3%	51.0%	(2.7) p.p.
Salaries and benefits	10.7%	11.1%	(0.4) p.p.
Other overhead expenses ⁽¹⁾	32.8%	36.7%	(3.9) p.p.
Restructuring costs ⁽²⁾⁽³⁾	0.6%	4.0%	(3.4) p.p.
Acquisition-related costs ⁽²⁾	—	0.2%	(0.2) p.p.
Total	92.4%	103.0%	(10.6) p.p.

(1) Consists of trading costs, premises and equipment, communication and technology, interest, general and administrative, amortization of tangible and intangible assets and development costs.

(2) Refer to the Selected Financial Information Excluding Significant Items table on page 30.

(3) Consists of restructuring costs mainly in connection with restructuring of our sales and trading operations in Canada and the UK and Europe, as well as certain office closure costs in fiscal 2014. Fiscal 2013 and 2012 restructuring costs include expense incurred for staff restructuring and reorganization.

p.p.: percentage points

Expenses for fiscal 2014 were \$790.7 million, a decrease of 3.7% or \$30.2 million compared to last year. Excluding significant items⁽¹⁾, total expenses were \$770.6 million, up \$3.7 million or 0.5% from fiscal 2013. Total expenses as a percentage of revenue dropped by 10.6 percentage points compared to the prior year.

The impact of the appreciation of foreign currencies against the Canadian dollar partially contributed to the increase in overall expenses, as operating results of foreign operations are translated into Canadian dollars using the exchange rates prevailing during the period. Despite the foreign exchange impact and increase in revenue, total expenses excluding significant items⁽¹⁾ only increased by 0.5% compared to the prior year as a result of our cost reduction initiatives.

Compensation expenses

Incentive compensation expense was \$413.3 million, an increase of \$6.6 million or 1.6%, which was a smaller increase compared to the growth in incentive-based revenue achieved as a result of our efforts to monitor the compensation structure and payout ratios. Incentive compensation expense as a percentage of total revenue decreased by 2.7 percentage points from fiscal 2013, to 48.3% in fiscal 2014. Salaries and benefits expense was \$91.1 million, an increase of 3.0% from the prior year. The increase in salaries and benefits expense compared to fiscal 2013 was mainly due to staff redundancy costs incurred in our UK and Europe operations and reclassification of certain costs to salaries and benefits expense.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 21.

The total compensation (incentive compensation plus salaries and benefits) expense as a percentage of consolidated revenue was 59.0%, down 3.1 percentage points compared to 62.1% in fiscal 2013.

Other overhead expenses

(C\$ thousands, except % amounts)	For the years ended March 31		
	2014	2013	2014/2013 change
Trading costs	\$ 47,872	\$ 43,892	9.1%
Premises and equipment	38,461	41,124	(6.5)%
Communication and technology	46,065	49,115	(6.2)%
Interest	16,359	15,302	6.9%
General and administrative	83,834	89,504	(6.3)%
Amortization ⁽¹⁾	26,786	33,779	(20.7)%
Development costs	21,369	19,526	9.4%
Total other overhead expenses	\$ 280,746	\$ 292,242	(3.9)%

(1) Includes \$14.6 million and \$20.6 million of amortization of intangible assets for the years ended March 31, 2014 and March 31, 2013, respectively. See the Selected Financial Information Excluding Significant Items table on page 30.

Other overhead expenses were \$280.7 million or 3.9% lower in fiscal 2014, which as a percentage of revenue represented a decrease of 3.9 percentage points compared to fiscal 2013. The Company continued to monitor its overhead costs and implemented global cost reduction strategies, which led to the decrease in total overhead expenses as a percentage of revenue in fiscal 2014. The overall decline in other overhead expenses was driven by lower premises and equipment, communication and technology, general and administrative and amortization expenses. These decreases were partially offset by increases in trading costs, interest expense and development costs.

Premises and equipment expense was \$2.7 million lower compared to fiscal 2013 due to the consolidation of office space in our UK capital markets operations and fewer branches in our Canadian wealth management operations. Communication and technology expense decreased by \$3.1 million, to \$46.1 million, primarily as a result of cost synergies realized in our US and our UK and Europe operations.

General and administrative expense, which includes reserve expense, promotion and travel expense, office expense, professional fees and donations expense, was down \$5.7 million as a result of cost saving initiatives adopted across all geographies. A decline in the amortization expense associated with intangible assets acquired through the acquisition of CSHP was the main reason for the \$7.0 million decrease in amortization expense, as certain intangible assets are now fully amortized.

Higher trading volume in our US capital markets operations was the main reason for the \$4.0 million increase in trading costs in fiscal 2014 compared to the year ended March 31, 2013.

Development costs increased by \$1.8 million, mainly due to the amortization cost of the CSH Inducement Plan, offset by lower hiring incentives in our North American wealth management operation. Interest expense increased by \$1.1 million compared to the year ended March 31, 2013, primarily as a result of an increase in activity in our International Equities Group in the US in fiscal 2014.

NET INCOME (LOSS)

Net income for fiscal 2014 was \$52.1 million, up from a loss of \$18.8 million in fiscal 2013. Diluted earnings per share (EPS) was \$0.39 in fiscal 2014 compared to a loss per share of \$0.31 in the prior year. The increase in net income was attributable to higher revenue generated by our capital markets division in the US, the UK and Europe and Other Foreign Locations as a result of strong performances in our focus sectors. The increase in revenue in our foreign jurisdictions was offset by a decline in the revenue generated by the wealth management and capital markets divisions in Canada. In addition, our compensation expense decreased as a result of changes in the compensation structure and a reduced payout ratio. Overhead expenses in fiscal 2014 also decreased compared to last year as a result of cost synergies and efficiencies achieved from the continued restructuring efforts made throughout fiscal 2014 and 2013, particularly in general and administrative expense and communication and technology expense.

Excluding significant items⁽¹⁾, net income for fiscal 2014 was \$68.8 million versus a net income of \$25.6 million in fiscal 2013, and diluted EPS was \$0.54 compared to diluted EPS of \$0.14 in fiscal 2013.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 21.

Income tax expense was \$12.5 million for fiscal 2014, reflecting an effective tax rate of 19.4% compared to an effective tax recovery rate of (20.8)% in the prior year. The effective tax rate for fiscal 2014 was mainly driven by temporary differences not recognized in prior periods by subsidiaries outside of Canada and various permanent items. A further discussion of our taxes is provided in the Critical Accounting Policies and Estimates section of the MD&A on page 55.

Quarterly Financial Information⁽¹⁾⁽²⁾

The following table provides selected quarterly financial information for the eight most recently completed financial quarters ended March 31, 2014. This information is unaudited, but reflects all adjustments of a recurring nature that are, in the opinion of management, necessary to present a fair statement of the results of operations for the periods. Quarter-to-quarter comparisons of financial results are not necessarily meaningful and should not be relied upon as an indication of future performance.

(C\$ thousands, except per share amounts)	Q4	Q3	Q2	Fiscal 2014 Q1	Q4	Q3	Q2	Fiscal 2013 Q1
Revenue								
Commissions and fees	\$ 102,199	\$ 87,581	\$ 81,832	\$ 90,035	\$ 87,438	\$ 89,415	\$ 87,525	\$ 88,747
Investment banking	78,453	70,841	40,283	31,833	38,541	40,609	37,961	28,661
Advisory fees	33,585	39,758	29,894	35,905	56,145	69,348	28,571	25,626
Principal trading	31,027	21,863	18,883	19,540	22,780	18,670	17,109	7,847
Interest	5,908	5,704	6,132	6,805	6,758	7,291	6,758	8,392
Other	2,576	5,212	6,282	3,113	6,309	4,670	8,675	3,276
Total revenue	253,748	230,959	183,306	187,231	217,971	230,003	186,599	162,549
Total expenses	221,737	206,539	184,262	178,118	211,984	216,882	204,910	187,048
Net income (loss)								
before taxes	32,011	24,420	(956)	9,113	5,987	13,121	(18,311)	(24,499)
Net income (loss)	\$ 25,920	\$ 18,334	\$ (80)	\$ 7,883	\$ 6,424	\$ 10,264	\$ (14,841)	\$ (20,622)
Earnings (loss) per share – basic	\$ 0.24	\$ 0.15	\$ (0.03)	\$ 0.06	\$ 0.04	\$ 0.09	\$ (0.19)	\$ (0.24)
Earnings (loss) per share – diluted	\$ 0.22	\$ 0.14	\$ (0.03)	\$ 0.06	\$ 0.04	\$ 0.08	\$ (0.19)	\$ (0.24)
Excluding significant items⁽³⁾								
Net income (loss)	\$ 29,075	\$ 21,227	\$ 6,734	\$ 11,810	\$ 15,579	\$ 20,453	\$ 5,907	\$ (16,295)
Earnings (loss) per share – basic	\$ 0.28	\$ 0.18	\$ 0.03	\$ 0.10	\$ 0.14	\$ 0.19	\$ 0.03	\$ (0.20)
Earnings (loss) per share – diluted	\$ 0.25	\$ 0.17	\$ 0.03	\$ 0.09	\$ 0.12	\$ 0.17	\$ 0.03	\$ (0.20)

(1) Data is in accordance with IFRS except for figures excluding significant items. See Non-IFRS Measures on page 21.

(2) The operating results of our Australian operations have been fully consolidated and a 50% non-controlling interest has been recognized. Results of the wealth management business of Eden Financial Ltd. since October 1, 2012 are also included.

(3) Figures excluding significant items are non-IFRS measures. See the Quarterly Financial Information Excluding Significant Items table on the next page.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 21.

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

(C\$ thousands, except per share amounts)	Q4	Q3	Q2	Fiscal 2014 Q1	Q4	Q3	Q2	Fiscal 2013 Q1
Total revenue per IFRS	\$ 253,748	\$ 230,959	\$ 183,306	\$ 187,231	\$ 217,971	\$ 230,003	\$ 186,599	\$ 162,549
Total expenses per IFRS	221,737	206,539	184,262	178,118	211,984	216,882	204,910	187,048
<i>Significant items recorded in Canaccord Genuity</i>								
Restructuring costs	—	—	5,486	—	5,561	5,276	4,395	—
Acquisition-related costs	—	—	—	—	—	—	388	—
Amortization of intangible assets	1,702	1,680	1,658	1,702	3,458	3,473	3,436	4,373
<i>Significant items recorded in Canaccord Genuity Wealth Management</i>								
Restructuring costs	—	—	—	—	884	1,034	13,567	—
Acquisition-related costs	—	—	—	—	—	431	900	—
Amortization of intangible assets	2,256	1,945	1,751	1,889	1,600	1,643	1,614	998
<i>Significant items recorded in Corporate and Other</i>								
Restructuring costs	—	—	—	—	—	—	900	—
Acquisition-related costs	—	—	—	—	—	—	—	—
Total significant items	3,958	3,625	8,895	3,591	11,503	11,857	25,200	5,371
Total expenses excluding significant items	217,779	202,914	175,367	174,527	200,481	205,025	179,710	181,677
Net income (loss) before taxes – adjusted	35,969	28,045	7,939	12,704	17,490	24,978	6,889	(19,128)
Income taxes (recovery) – adjusted	6,894	6,818	1,205	894	1,911	4,525	982	(2,833)
Net income (loss) – adjusted	\$ 29,075	\$ 21,227	\$ 6,734	\$ 11,810	\$ 15,579	\$ 20,453	\$ 5,907	\$ (16,295)
EPS – basic – adjusted	\$ 0.28	\$ 0.18	\$ 0.03	\$ 0.10	\$ 0.14	\$ 0.19	\$ 0.03	\$ (0.20)
EPS – diluted – adjusted	\$ 0.25	\$ 0.17	\$ 0.03	\$ 0.09	\$ 0.12	\$ 0.17	\$ 0.03	\$ (0.20)

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 21.

(2) The operating results of our Australian operations have been fully consolidated and a 50% non-controlling interest has been recognized. Results of the wealth management business of Eden Financial Ltd. since October 1, 2012 are also included.

Quarterly trends and risks

Our quarterly results are not significantly affected by seasonal factors. However, Canaccord's revenue and income can experience considerable variations from quarter to quarter and year to year due to factors beyond Canaccord's control. The business is affected by the overall condition of the worldwide market. The timing of revenue recognition can also materially affect Canaccord's quarterly results. Canaccord's revenue from an underwriting transaction is recorded only when the transaction has closed.

During the first half of fiscal 2014, our quarterly results were affected by the challenging market conditions as well as by costs related to restructuring initiatives. However, with market activity returning to a more stabilized level and synergies achieved through our acquisitions, our operating results started to show a positive trend during the second half of fiscal 2014. The Canaccord Genuity (capital markets) division is gaining traction from its CSHP acquisition, as reflected by the strong performances of our US and UK and Europe operations. Our UK and Europe operations generated record revenue in Q3/14, while US investment banking revenue and principal trading revenue experienced a growth trend over the past eight quarters and attained record revenue in

Q4/14. In Canada, our capital markets division was impacted by the difficult market environment, particularly in the resource sector, and, as a result, we have not been able to maintain the same level of revenue as in fiscal 2013, particularly in advisory fees revenue. However, during the last two quarters of fiscal 2014, revenue for Canaccord Genuity in Canada increased over the first half of fiscal 2014 as market activity improved, resulting in a 31.4% growth in revenue compared to the first half of fiscal 2014. Revenue for our Other Foreign Locations operations also increased, growing by 88.2% in the second half of fiscal 2014 compared to the first six months of the fiscal year, primarily driven by the performance of our partners in Australia and Singapore.

The Canaccord Genuity Wealth Management North America operations continued to experience lower revenue trends in fiscal 2014 compared to fiscal 2013 due to reduced trading volumes. However, the operations experienced an increasing trend in their assets under management, beginning the year with \$880.0 million at Q1/14 and rising to \$1.2 billion at Q4/14, a solid indication of growth in our managed and fee-based accounts.

The Canaccord Genuity Wealth Management UK and Europe operations continued to experience steady revenue growth, reflecting the synergies obtained through the acquisition of Eden Financial Ltd. The fee-related revenue in this division has also been steadily increasing. It now stands at 60.7% for Q4/14, a 2.8 percentage point increase from the same quarter a year ago. Assets under management for this group have also continued to grow over the past eight completed financial quarters and increased to \$20.2 billion as at March 31, 2014. Our UK-based wealth management division recognized higher revenue in each of the quarters in fiscal 2014, compared to the same periods in fiscal 2013. At Q4/14, it also recognized record revenue at \$33.2 million, 24.4% higher than Q4/13.

Fourth quarter 2014 performance

Revenue for the fourth quarter was \$253.7 million, an increase of \$35.8 million or 16.4% compared to the same period in the previous year, due to the growth in investment banking, principal trading, and commissions and fees revenues, offset partially by a drop in advisory fees and other revenue. The increase in investment banking revenue was mainly attributable to our UK and Europe and US operations, which contributed \$15.1 million and \$12.9 million to the increase, respectively. Our US group also increased its principal trading revenue to \$22.6 million in Q4/14, an increase of 69.1% compared to Q4/13, a record high for this operation. Our Canadian capital markets group contributed \$10.0 million to the increase in investment banking revenue in Q4/14 compared to Q4/13. However, advisory fees revenue in Canada decreased by \$24.3 million compared to the same period last year as a result of reduced market activity.

Expenses were \$221.7 million, up \$9.8 million or 4.6% from Q4/13. This increase was largely attributable to higher compensation expense, trading costs, and development costs compared to Q4/13. Total expenses excluding significant items⁽¹⁾ were \$217.8 million, an increase of \$17.3 million or 8.6% from the same period last year.

Incentive compensation expense was \$11.3 million higher compared to Q4/13, consistent with the higher incentive-based revenue. Total compensation expense as a percentage of revenue was down 3.4 percentage points to 59.0% in Q4/14, attributable to higher revenue and certain changes in the compensation structure in our UK and Europe capital markets operations. In addition, in our US operations, there was higher incentive compensation in the form of restricted share units that will be amortized over the vesting period. The increase in salaries and benefits expense of \$2.3 million to \$25.2 million in Q4/14 was mostly related to redundancy costs incurred in our UK and Europe operations.

Trading costs were up \$3.5 million compared to the same quarter of the prior year, mainly due to higher trading activity in the US. Development costs were up \$1.4 million or 36.3%, mainly due to a recovery of hiring incentive expense in Q4/13 in the Other Foreign Locations geographic segment.

Net income for the fourth quarter of fiscal 2014 was \$25.9 million, compared to \$6.4 million in Q4/13. The increase in net income was mainly related to higher revenue generated in our foreign operations, combined with a reduced compensation payout ratio and lower non-compensation expenses. Diluted earnings per share in the current quarter was \$0.22, compared to \$0.04 in Q4/13. Book value per diluted common share increased by 17.8%, from \$7.68 in Q4/13 to \$9.05 in Q4/14.

There were \$4.0 million and \$11.5 million of significant items included in the fourth quarters of 2014 and 2013, respectively. Excluding significant items⁽¹⁾, net income for Q4/14 was \$29.1 million, compared to net income of \$15.6 million in Q4/13, and diluted EPS was \$0.25, compared to diluted EPS of \$0.12 in Q4/13.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 21.

Business Segment Results^{(1),(2)}

	For the years ended March 31							
	2014				2013			
(C\$ thousands, except number of employees)	Canaccord Genuity	Canaccord Genuity Wealth Management	Corporate and Other	Total	Canaccord Genuity	Canaccord Genuity Wealth Management	Corporate and Other	Total
Revenue								
Canada	\$ 148,514	\$ 109,344	\$ 15,418	\$ 273,276	\$ 204,337	\$ 137,625	\$ 24,477	\$ 366,439
UK and Europe	212,307	113,046	—	325,353	158,054	91,757	—	249,811
US	216,485	1,646	—	218,131	153,355	2,230	—	155,585
Other Foreign Locations	38,484	—	—	38,484	25,287	—	—	25,287
Total revenue	615,790	224,036	15,418	855,244	541,033	231,612	24,477	797,122
Expenses	532,862	206,706	51,088	790,656	533,827	225,359	61,638	820,824
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)
Excluding significant items ⁽³⁾								
Expenses	520,634	198,865	51,088	770,587	503,467	202,688	60,738	766,893
Intersegment allocations	8,537	24,719	(33,256)	—	3,566	42,231	(45,797)	—
Income (loss) before income taxes	\$ 86,619	\$ 452	\$ (2,414)	\$ 84,657	\$ 34,000	\$ (13,307)	\$ 9,536	\$ 30,229
Number of employees	974	714	316	2,004	973	755	332	2,060

(1) Data is in accordance with IFRS except for figures excluding significant items and number of employees. See Non-IFRS Measures on page 21. Detailed financial results for the business segments are shown in Note 21 of the Audited Consolidated Financial Statements on page 105.

(2) The operating results of Canaccord Genuity (Australia) Limited have been consolidated and a 50% non-controlling interest has been recognized and included in the Canaccord Genuity business segment. Results of the wealth management business of Eden Financial Ltd. since October 1, 2012 are also included in the Canaccord Genuity Wealth Management business segment.

(3) See the Selected Financial Information Excluding Significant Items table on page 30.

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

CANACCORD GENUITY**Overview**

Canaccord Genuity provides investment banking, research, and sales and trading services to corporate, institutional and government clients as well as conducting principal trading activities in Canada, the US, the UK and Europe, and Other Foreign Locations. Canaccord Genuity has 20 locations in 11 countries worldwide.

The operating results of fiscal 2014 demonstrate the strength of our global business and the success of our efforts to diversify our revenue streams. Over 75% of total Canaccord Genuity revenue was earned outside of Canada compared to 62% in fiscal 2013.

Canaccord Genuity's expansion efforts in the UK over the past few years have firmly positioned the Company as a leading independent investment bank in that market. As at March 31, 2014, Canaccord Genuity ranked third of all UK investment banks for the greatest number of corporate broking clients.

Canaccord Genuity participated in 345 transactions globally for clients, each over \$1.5 million, which raised gross proceeds of \$36.5 billion⁽¹⁾. Of these, Canaccord Genuity led or co-led 79 transactions globally, raising total proceeds of \$4.0 billion. Sector diversification remains a core component of the Company's strategy. Resource-related revenue was 23% of Canaccord Genuity's total investment banking revenue in fiscal 2014, versus 21% in fiscal 2013. Resource-related transactions comprised 22% of the total number of Canaccord Genuity's investment banking transactions in fiscal 2014, a decrease of 9% from fiscal 2013.

(1) Transactions over \$1.5 million

Outlook

Canaccord Genuity remains very well positioned in many of the Company's key markets. In the year ahead, management intends to focus on capturing operating efficiencies and generating revenue synergies through further integrating aspects of its global capital markets platform and encouraging further cross-border coordination.

In addition, the Company may pursue opportunities to add small teams to specific sector verticals or key service offerings to further strengthen our operations in areas we believe we can capture additional market share in. Expanding our capabilities in fixed income services is a focus of management.

We believe Canaccord Genuity's global platform provides a competitive advantage for the business compared to many of the domestically focused firms we compete with. Smaller regional or local investment dealers are increasingly under pressure, and some international competitors have recently retrenched to focus on local markets. We believe this changing competitive landscape provides a significant opportunity for Canaccord Genuity in the mid-market, as this space is currently relatively underserved by other global investment banks. Canaccord Genuity's mid-market strategy focused on key sectors differentiates the firm from its competition.

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

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

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

FINANCIAL PERFORMANCE⁽¹⁾⁽²⁾

For the years ended March 31

(C\$ thousands, except number of employees)	2014					2013				
	Canada	UK and Europe	US	Other Foreign Locations	Total	Canada	UK and Europe	US	Other Foreign Locations	Total
Revenue	\$ 148,514	\$ 212,307	\$ 216,485	\$ 38,484	\$ 615,790	\$ 204,337	\$ 158,054	\$ 153,355	\$ 25,287	\$ 541,033
Expenses										
Incentive compensation	72,042	106,339	107,243	21,072	306,696	101,082	93,503	82,353	15,652	292,590
Salaries and benefits	4,819	16,671	9,933	3,366	34,789	6,822	15,593	10,064	2,762	35,241
Other overhead expenses	45,167	55,519	69,718	15,487	185,891	48,926	61,721	63,538	16,191	190,376
Restructuring costs	4,179	1,307	—	—	5,486	575	7,852	6,805	—	15,232
Acquisition-related costs	—	—	—	—	—	388	—	—	—	388
Total expenses	126,207	179,836	186,894	39,925	532,862	157,793	178,669	162,760	34,605	533,827
Intersegment allocations	9,919	(4,233)	2,701	150	8,537	10,302	(6,736)	—	—	3,566
Income (loss) before income taxes ⁽³⁾	\$ 12,388	\$ 36,704	\$ 26,890	\$ (1,591)	\$ 74,391	\$ 36,242	\$ (13,879)	\$ (9,405)	\$ (9,318)	\$ 3,640
Excluding significant items ⁽⁴⁾										
Total expenses	118,306	178,529	186,890	36,909	520,634	153,110	165,961	155,947	28,449	503,467
Intersegment allocations	9,919	(4,233)	2,701	150	8,537	10,302	(6,736)	—	—	3,566
Income (loss) before income taxes (recovery)	\$ 20,289	\$ 38,011	\$ 26,894	\$ 1,425	\$ 86,619	\$ 40,925	\$ (1,171)	\$ (2,592)	\$ (3,162)	\$ 34,000
Number of employees	215	372	286	101	974	222	400	253	98	973

(1) Data is in accordance with IFRS except for figures excluding significant items and number of employees. See Non-IFRS Measures on page 21.

(2) The operating results of Canaccord Genuity (Australia) Limited have been consolidated and a 50% non-controlling interest has been recognized and included in the Canaccord Genuity segment.

(3) See the Intersegment Allocated Costs section on page 47.

(4) Refer to the Selected Financial Information Excluding Significant Items table on page 30.

REVENUE

Revenue by geography as a percentage of Canaccord Genuity revenue

For the years ended March 31

(in percentage points)	2014	2013	2014/2013 change
Revenue generated in:			
Canada	24.1%	37.8%	(13.7) p.p.
UK and Europe	34.5%	29.2%	5.3 p.p.
US	35.2%	28.3%	6.9 p.p.
Other Foreign Locations	6.2%	4.7%	1.5 p.p.
	100.0%	100.0%	

p.p.: percentage points

As a result of improved market conditions in our foreign operations and the Company's continued focus on global integration of our capital markets teams, Canaccord Genuity generated revenue of \$615.8 million, 13.8% or \$74.8 million higher than in fiscal 2013, and a record high for this operating segment. Revenue from our UK and Europe and our US operations increased by 34.3% and 41.2%, respectively, both representing unprecedented revenue levels for the respective geographies. Revenue from our Other Foreign Locations increased by 52.2% in fiscal 2014 compared to the prior year, mainly due to increased activity in our Australian operations.

The increase in revenue in our foreign operations was offset by slower activity in our Canadian operations during fiscal 2014, mainly as a result of the subdued pace of equity underwritings, which led to a decline in revenue of 27.3%.

Although improved markets in the UK and Europe and the US, along with the success of our global strategy, were the main drivers of our record performance from these foreign operations, the effect of foreign currency translation also partially contributed to the increase in revenue. Revenues from our foreign operations are recorded in their respective functional currencies and translated into Canadian dollars at average exchange rates prevailing during the period. Therefore, the depreciation of the Canadian dollar against the reporting currencies of our foreign operations during fiscal 2014 partially contributed to the increase in revenue compared to fiscal 2013. In particular, our UK and Europe and US operations were most affected by foreign exchange translation as the pound sterling and the US dollar have both appreciated significantly against the Canadian dollar compared to the prior year.

Investment banking activity

During fiscal 2014, Canaccord participated in raising \$36.5 billion in 345 equity offerings of \$1.5 million and greater, excluding venture capital. Canaccord Genuity's sector mix in fiscal 2014 showed increasing diversity, with 78% of the transactions occurring in sectors outside of Metals & Mining and Energy, which have traditionally been Canaccord's strengths.

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

CANACCORD GENUITY – OVERALL

Investment banking transactions and revenue by sector

Sector	For the year ended March 31, 2014	
	as % of investment banking transactions	as % of investment banking revenue
Technology	13.8%	26.4%
Healthcare & Life Sciences	12.9%	15.4%
Energy	13.5%	11.9%
Metals & Mining	9.0%	10.5%
Real Estate & Hospitality	9.6%	7.8%
Diversified	6.2%	6.2%
Investment Companies	0.8%	4.9%
Financials	5.9%	4.6%
Consumer & Retail	2.8%	4.5%
CleanTech & Sustainability	2.2%	3.9%
Media & Telecommunications	0.6%	2.6%
Structured Products	21.9%	0.7%
Other	0.8%	0.6%
Total	100.0%	100.0%

CANACCORD GENUITY – BY GEOGRAPHY**Investment banking transactions by sector (as % of investment banking transactions for each geographic region)**

Sector	For the year ended March 31, 2014			
	Canada	UK and Europe	US	Other Foreign Locations
Technology	4.4%	20.7%	34.4%	9.7%
Healthcare & Life Sciences	1.5%	10.3%	42.2%	6.5%
Energy	14.1%	6.9%	13.3%	16.1%
Metals & Mining	8.7%	3.4%	—	41.9%
Real Estate & Hospitality	16.0%	3.4%	—	—
Diversified	9.2%	10.3%	—	—
Investment Companies	—	10.3%	—	—
Financials	6.3%	20.7%	—	6.5%
Consumer & Retail	—	—	3.4%	16.1%
CleanTech & Sustainability	—	—	6.7%	—
Media & Telecommunications	1.0%	—	—	—
Structured Products	37.9%	—	—	—
Other	0.9%	14.0%	—	3.2%
Total	100.0%	100.0%	100.0%	100.0%

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

Sector	For the year ended March 31, 2014			
	Canada	UK and Europe	US	Other Foreign Locations
Technology	12.7%	33.7%	36.8%	10.2%
Healthcare & Life Sciences	5.0%	2.5%	39.1%	8.9%
Energy	19.3%	3.0%	9.9%	23.7%
Metals & Mining	16.1%	12.4%	—	21.6%
Real Estate & Hospitality	16.0%	10.9%	—	—
Diversified	13.8%	8.0%	—	—
Investment Companies	—	16.3%	—	—
Financials	2.9%	8.4%	—	11.4%
Consumer & Retail	—	—	2.0%	21.2%
CleanTech & Sustainability	—	—	12.2%	—
Media & Telecommunications	10.0%	—	—	—
Structured Products	2.8%	—	—	—
Other	1.4%	4.8%	—	3.0%
Total	100.0%	100.0%	100.0%	100.0%

EXPENSES

Expenses for fiscal 2014 were \$532.9 million, relatively unchanged with a 0.2% decrease year over year. The Canaccord Genuity segment recognized \$12.2 million of significant items in fiscal 2014 including restructuring costs incurred in connection with the restructuring of our sales and trading operations in Canada and the UK and Europe, as well as certain office closure costs, and amortization of intangible assets. In the prior year, Canaccord Genuity recognized \$30.4 million of significant items, including staff restructuring and reorganization expenses and acquisition-related expense items in relation to its acquisition of Kenosis Capital Partners. Excluding significant items⁽¹⁾, total expenses for fiscal 2014 were \$520.6 million, an increase of 3.4% or \$17.2 million compared to fiscal 2013.

Incentive compensation and salaries and benefits

Incentive compensation expense for fiscal 2014 grew by \$14.1 million or 4.8% compared to fiscal 2013 as a result of the growth in incentive-based revenue. Incentive compensation expense as a percentage of revenue was 49.8%, down 4.3 percentage points from fiscal 2013 due to certain changes in the compensation structure arising from the Company's efforts to continuously monitor its payout ratios. Salaries and benefits expense for fiscal 2014 decreased slightly by \$0.5 million or 1.3% compared to fiscal 2013.

Total compensation expense as a percentage of revenue, which decreased across all geographies, was 5.1 percentage points lower at 55.5% for the year ended March 31, 2014. Higher revenue combined with lower compensation levels arising from combining our capital markets and advisory operations in the UK and Europe led to a drop of 11.1 percentage points in the total compensation ratio in this geography. The 1.1 percentage point decrease in total compensation expense as a percentage of revenue in Canada was attributable mostly to lower amortization of long-term incentive plan (LTIP) awards. Despite higher share-based incentive compensation expense and increased expenses associated with the expansion of the fixed income group, total compensation as a percentage of revenue in our US operations decreased by 6.1 percentage points as a result of increased revenue as well as higher incentive compensation in the form of restricted stock units that will be amortized over the vesting period. Our Other Foreign Locations segment experienced a 9.3 percentage point decrease in the total compensation ratio, mostly as a result of an increase in revenue and certain changes to the payout ratio.

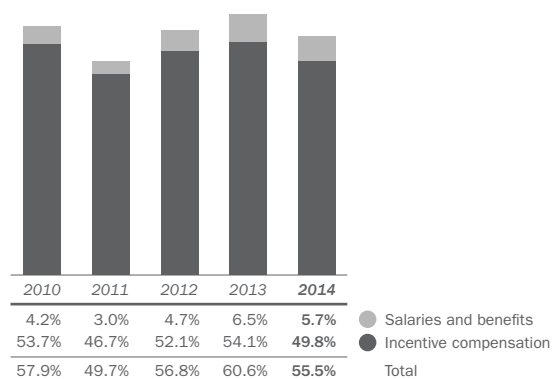
Canaccord Genuity incentive compensation expense as a percentage of revenue by geography

(in percentage points)	For the years ended March 31		
	2014	2013	2014/2013 change
Incentive compensation expense as a percentage of revenue			
Canada	48.5%	49.5%	(1.0) p.p.
UK and Europe	50.1%	59.2%	(9.1) p.p.
US	49.5%	53.7%	(4.2) p.p.
Other Foreign Locations	54.8%	61.9%	(7.1) p.p.
Canaccord Genuity (total)	49.8%	54.1%	(4.3) p.p.

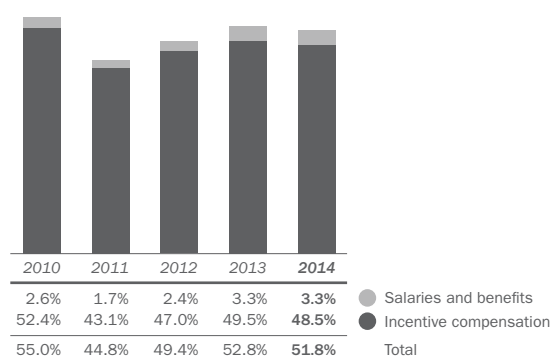
p.p.: percentage points

⁽¹⁾ Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 21.

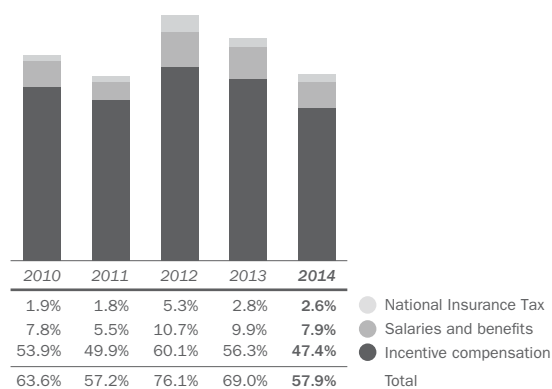
TOTAL COMPENSATION AS A % OF CANACCORD GENUITY REVENUE – OVERALL



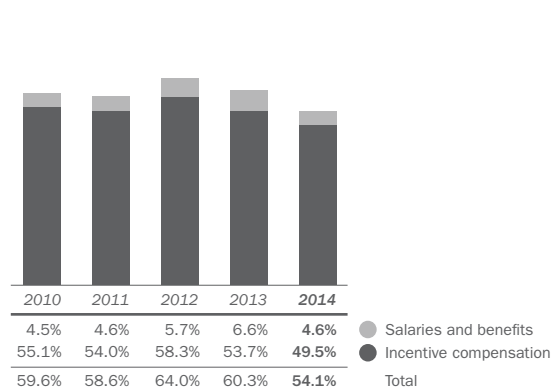
TOTAL COMPENSATION AS A % OF CANACCORD GENUITY REVENUE – CANADA



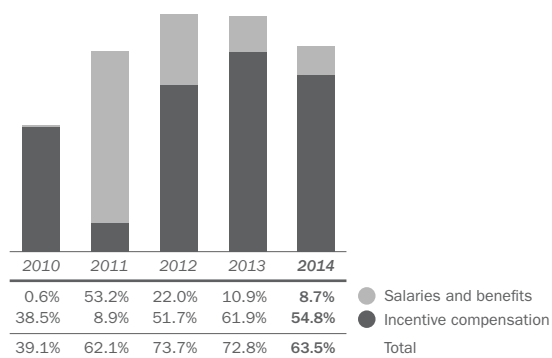
TOTAL COMPENSATION AS A % OF CANACCORD GENUITY REVENUE – UK AND EUROPE



TOTAL COMPENSATION AS A % OF CANACCORD GENUITY REVENUE – US



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



Other overhead expenses

Other overhead expenses excluding significant items⁽¹⁾ were \$179.1 million for fiscal 2014, an increase of \$3.5 million from the prior year. The largest fluctuation in other overhead expenses was a \$10.6 million increase in trading costs. The increase in trading costs was offset by a \$6.2 million decrease in amortization expense, a \$5.0 million decrease in general and administrative expense, a \$3.6 million decrease in communication and technology expense and a \$2.9 million decrease in premises and equipment expense.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 21.

Premises and equipment expense was \$2.9 million lower compared to fiscal 2013 due to the consolidation of office space. Communication and technology expense decreased by \$3.6 million, to \$29.3 million for the year ended March 31, 2014, primarily as a result of cost synergies realized in our US and our UK and Europe operations.

General and administrative expense decreased by \$5.0 million, mainly due to our cost reduction efforts and lower reserve expense against unsecured balances. The \$6.2 million decrease in amortization expense related to a decrease in the amortization of intangible assets as certain intangible assets are fully amortized.

Prior to fiscal 2014, certain trading, clearing and settlement charges were included with the intersegment allocated costs in Canada. Beginning in fiscal 2014, the basis for determining these charges was changed and the charges were classified as a trading cost in the applicable business unit and as a trading cost recovery in the Corporate and Other segment. This change led to a \$2.2 million increase in trading costs in Canada compared to fiscal 2013. Trading costs in the US were up by \$6.8 million as a result of higher customer and principal trading activity. Trading costs increased by \$1.2 million in the UK and Europe compared to fiscal 2013 as a result of higher trading volumes.

In addition to the reasons stated above, the foreign exchange translation of the expenses of our foreign operations into Canadian dollars also partially accounted for the variances from prior year due to the appreciation of the foreign currencies against the Canadian dollar, particularly for our UK and Europe and US operations. Despite the foreign exchange impact and an increase in overall revenue of 13.8% over fiscal 2013, total expenses excluding significant items⁽¹⁾ only increased by 3.4% compared to the prior year as a result of our continued focus on cost efficiencies.

INCOME BEFORE INCOME TAXES

Income before income taxes in fiscal 2014 was \$74.4 million compared to \$3.6 million in fiscal 2013. Excluding significant items⁽¹⁾, income before income taxes was \$86.6 million compared to \$34.0 million in fiscal 2013. The record revenue earned in our US and UK and Europe operations as well as the reduced compensation ratio and lower operating expenses resulted in a 7.8 percentage point improvement in our pre-tax profit margin excluding significant items⁽¹⁾ compared to fiscal 2013.

CANACCORD GENUITY WEALTH MANAGEMENT

Overview

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

Through acquisition activity over the last two years, Canaccord has strategically expanded its wealth management platform into new geographies to enhance the consistency of its revenue streams through market diversification and the addition of largely fee-based wealth management operations.

At March 31, 2014, Canaccord Genuity Wealth Management had 16 offices located across Canada, including eight Independent Wealth Management (IWM) locations.

In the UK and Europe, Canaccord Genuity Wealth Management has five locations, including offices in the UK, the Channel Islands and the Isle of Man. Revenue earned by this business is largely generated through fee-based accounts and portfolio management activities. With 60.6% of its revenue generated from fee-based activity, this geography has a significantly higher proportion of fee-based revenue than Canaccord's Canadian wealth management business. The business caters to both onshore (UK) and offshore client accounts and provides clients with investing options from both third party and proprietary financial products, including 27 funds managed by Canaccord Genuity Wealth Management portfolio managers.

During fiscal 2014, Canaccord continued the strategic refocusing of its Canadian wealth management division, targeting its operations in core Canadian centres. The Company believes this strategy will help to strengthen its Canadian wealth management platform by centering its investments and support services in markets where it has developed a significant presence and in markets that show prospects for market share growth. On January 15, 2014, Stuart Raftus was appointed as President of Canaccord Genuity Wealth Management in Canada. Mr. Raftus has more than 28 years of experience in the securities industry with a strong track record of execution, making him well suited to lead this division.

Over the last three years, Canaccord has focused on repositioning its Canadian wealth management business to cater to the changing needs and preferences of Canadian investors. Pairing advisors who take a traditional brokerage approach with advisors who focus on holistic wealth management services is one example of numerous initiatives the Company has implemented to ensure

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 21.

it meets the needs of a more conservative, aging client base with comprehensive financial planning needs. In addition, Canaccord Genuity Wealth Management has significantly enhanced its training programs over the last several years to ensure Advisory Teams, investment professionals and fund managers have the broad-based expertise required to provide holistic wealth management advice.

Outlook

Management's priorities for Canaccord Genuity Wealth Management will be focused on strengthening the performance of its Canadian business, growing assets under administration and management, and growing fee-based revenues.

With 60.6% of its revenue derived from recurring, fee-based activities, the revenue streams generated through Canaccord's UK and European wealth management business should help to improve the stability of the division's overall performance. Canaccord expects that opportunities to grow the asset and client base of its UK wealth management business will emerge over the next several years, as increasing regulatory requirements in the UK wealth management industry impose uneconomical demands on smaller industry participants. An overall consolidation of the UK wealth management industry is expected, with fewer and larger wealth management firms ultimately competing to provide services in this market.

In Canada, Canaccord's focus will remain on enhancing margins, managing costs, and growing the business through targeted recruitment and training. While the recruiting environment remains challenging, we expect to have some recruiting success in select local markets. The Company also intends to invest further in training programs for new and existing Investment Advisors to continue developing the skills of our Advisory Teams. These training activities are already gaining traction, and are expected to support the growth of fee-based services offered through the Canadian business.

During fiscal 2015, Canaccord will launch Global Portfolio Solutions (GPS), a proprietary asset management product that combines research and portfolio management with forward-looking risk management solutions. Canaccord's successful product, based on a similar model in the UK, has been recognized as a best-in-class investing discipline and is therefore expected to be well received by wealth management clients across our geographies.

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

FINANCIAL PERFORMANCE – NORTH AMERICA⁽¹⁾⁽²⁾

(C\$ thousands, except AUM and AUA (in C\$ millions), number of employees, Advisory Teams and % amounts)	For the years ended March 31			
	2014	2013	2014/2013 change	
Revenue	\$ 110,990	\$ 139,855	\$ (28,865)	(20.6)%
Expenses				
Incentive compensation	56,521	74,323	(17,802)	(24.0)%
Salaries and benefits	13,260	13,845	(585)	(4.2)%
Other overhead expenses	42,653	42,768	(115)	(0.3)%
Restructuring costs	—	13,567	(13,567)	(100.0)%
Total expenses	112,434	144,503	(32,069)	(22.2)%
Intersegment allocations ⁽³⁾	16,672	35,495	(18,823)	(53.0)%
Loss before income taxes ⁽³⁾	\$ (18,116)	\$ (40,143)	\$ 22,027	54.9%
AUM – Canada (discretionary) ⁽⁴⁾	1,204	835	369	44.2%
AUA – Canada ⁽⁵⁾	10,160	10,429	(269)	(2.6)%
Number of Advisory Teams – Canada	160	178	(18)	(10.1)%
Number of employees	420	461	(41)	(8.9)%
Excluding significant items⁽⁶⁾				
Total expenses	\$ 112,434	\$ 130,936	\$ (18,502)	(14.1)%
Intersegment allocations ⁽³⁾	16,672	35,495	(18,823)	(53.0)%
Loss before income taxes ⁽³⁾	(18,116)	(26,576)	8,460	31.8%

(1) Data is in accordance with IFRS except for figures excluding significant items, AUA, AUM, number of Advisory Teams and number of employees. See Non-IFRS Measures on page 21.

(2) Includes Canaccord Genuity Wealth Management operations in Canada and the US.

(3) Loss before income taxes includes intersegment allocations. See the Intersegment Allocated Costs section on page 47.

(4) AUM represents assets managed on a discretionary basis under our programs generally described as or known as the Complete Canaccord Investment Counselling Program and the Complete Canaccord Private Investment Management Program.

(5) AUA is the market value of client assets administered by Canaccord, for which Canaccord earns commissions or fees.

(6) Refer to the Selected Financial Information Excluding Significant Items table on page 30.

Revenue from Canaccord Genuity Wealth Management North America was \$111.0 million, a decrease of \$28.9 million from fiscal 2013 as a result of the difficult market conditions that have prevailed during fiscal 2014.

AUA in Canada dropped by 2.6% to \$10.2 billion at March 31, 2014, primarily due to reduced trading activity in Canada. AUM in Canada increased by 44.2% compared to fiscal 2013 due to the Company's increased focus on the transition from traditional commission-based accounts to fee-based and managed accounts. There were 160 Advisory Teams in Canada, down by 18 from a year ago. The fee-based revenue in our North American operations was 6.0 percentage points higher than in the prior year and accounted for 32.2% of the wealth management revenue earned in Canada during the year ended March 31, 2014.

Expenses for the current fiscal year were \$112.4 million, a decrease of \$32.1 million or 22.2% from fiscal 2013.

Incentive compensation expense decreased by \$17.8 million as a result of lower incentive-based revenue. Total compensation expense as a percentage of revenue has remained relatively unchanged from the prior year at 62.9% for the year ended March 31, 2014.

Overhead expenses such as general and administrative expense, amortization expense and development costs have all decreased in fiscal 2014 compared to the prior year. General and administrative expense decreased by \$3.8 million over the prior year, partially due to lower promotion and travel expense. Amortization expense decreased by \$2.4 million as a result of the acceleration of amortization expense of leasehold improvements related to the branch closures in fiscal 2013. A reduction in hiring incentives led to a drop in development costs of \$1.5 million compared to the prior year.

Offsetting these decreases in expenses was an increase in trading costs of \$8.5 million from the prior year. The increase in trading costs was a result of a change in the basis for allocating certain trading, clearing and settlement charges among the Canadian business units. This increase was more than offset by a decrease in intersegment allocations of \$18.8 million, for a combined net decrease of \$10.3 million in trading and allocated costs.

Loss before income taxes for fiscal 2014 was \$18.1 million compared to a loss before income taxes of \$40.1 million for fiscal 2013. Excluding significant items⁽¹⁾, loss before income taxes for fiscal 2014 was \$18.1 million compared to \$26.6 million for the prior year. Despite the lower revenue, the Company's efforts to continuously monitor costs and implement cost reduction initiatives resulted in a lower loss before income taxes for the year compared to fiscal 2013.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 21.

FINANCIAL PERFORMANCE – UK AND EUROPE⁽¹⁾⁽²⁾

(C\$ thousands, except AUM (in C\$ millions), number of employees, investment professionals and fund managers, and % amounts)	For the years ended March 31			
	2014	2013	2014/2013 change	
Revenue	\$ 113,046	\$ 91,757	\$ 21,289	23.2%
Expenses				
Incentive compensation	40,139	34,780	5,359	15.4%
Salaries and benefits	14,656	9,735	4,921	50.5%
Other overhead expenses	39,477	33,092	6,385	19.3%
Restructuring costs	—	1,918	(1,918)	(100.0)%
Acquisition-related costs	—	1,331	(1,331)	(100.0)%
Total expenses	94,272	80,856	13,416	16.6%
Intersegment allocations ⁽³⁾	8,047	6,736	1,311	19.5%
Income before income taxes ⁽³⁾	\$ 10,727	\$ 4,165	\$ 6,562	157.6%
AUM – UK and Europe ⁽⁴⁾	20,156	15,936	4,220	26.5%
Number of investment professionals and fund managers – UK and Europe	118	122	(4)	(3.3)%
Number of employees	294	294	—	—
Excluding significant items⁽⁵⁾				
Total expenses	\$ 86,431	\$ 71,752	\$ 14,679	20.5%
Intersegment allocations ⁽³⁾	8,047	6,736	1,311	19.5%
Income before income taxes ⁽³⁾	18,568	13,269	5,299	39.9%

(1) Data is in accordance with IFRS except for figures excluding significant items, AUM, number of investment professionals and fund managers, and number of employees. See Non-IFRS Measures on page 21.

(2) Results of the wealth management business of Eden Financial Ltd. since October 1, 2012 are also included.

(3) Income before income taxes includes intersegment allocations. See the Intersegment Allocated Costs section on page 47.

(4) AUM in the UK and Europe is the market value of client assets managed and administered by Canaccord, for which Canaccord earns commissions or fees. This measure includes both discretionary and non-discretionary accounts.

(5) Refer to the Selected Financial Information Excluding Significant Items table on page 30.

Revenue generated by our UK and Europe operations is largely produced through fee-based accounts and portfolio management activities, and, as such, is less sensitive to changes in market conditions. Revenue for fiscal 2014 was \$113.0 million, an increase of 23.2% compared to fiscal 2013.

AUM in the UK and Europe as of March 31, 2014 was \$20.2 billion. The fee-based revenue in our UK and European operations accounted for 60.6% of total revenue in this geography, a slight decrease of 0.5 percentage points compared to fiscal 2013. As discussed above, this business has a higher proportion of fee-based revenue and managed accounts compared to our Canadian wealth management business.

Incentive compensation expense was \$40.1 million, up from \$34.8 million in fiscal 2013. Total compensation (incentive compensation plus salaries and benefits) as a percentage of revenue showed no change from 48.5% in fiscal 2013. The increase in salaries and benefits expense of \$4.9 million was due to certain redundancy costs incurred in the operation during the current fiscal year as well as a reclassification of certain costs to salaries and benefits expense. Development costs were \$4.9 million in fiscal 2014, an increase of \$1.8 million, resulting from the amortization cost related to the CSH Inducement Plan and other incentive plans.

Amortization expense increased by \$1.9 million as a result of the amortization of intangible assets acquired through the acquisition of the wealth management business of Eden Financial Ltd.

Income before income taxes was \$10.7 million compared to \$4.2 million in the prior year as a result of higher revenue generated in fiscal 2014, as well as a reduction in acquisition-related and restructuring costs. Excluding significant items⁽¹⁾, income before income taxes was \$18.6 million, an increase of 39.9% from the prior year.

CORPORATE AND OTHER SEGMENT

Overview

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

Also included in this segment are Canaccord's administrative, operational and support services departments, which are responsible for front- and back-office information technology systems, compliance and risk management, operations, legal, finance, and other administrative functions. Canaccord has approximately 316 employees in the Corporate and Other segment. The majority of Canaccord's corporate support functions are based in Vancouver and Toronto, Canada.

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

During fiscal 2014, the back-office team at Canaccord focused on further IT and systems integration between geographies to ensure efficient information sharing; identifying cost saving opportunities within the Company's operating platform; brand and communication strategies; and supporting operational changes in the Company's wealth management division. Staffing levels were also evaluated and adjusted in some support departments during the year, to better align support levels with changing demands from the business.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 21.

FINANCIAL PERFORMANCE⁽¹⁾

(C\$ thousands, except number of employees and % amounts)	For the years ended March 31			
	2014	2013	2014/2013 change	
Revenue	\$ 15,418	\$ 24,477	\$ (9,059)	(37.0)%
Expenses				
Incentive compensation	9,933	5,031	4,902	97.4%
Salaries and benefits	28,430	29,701	(1,271)	(4.3)%
Other overhead expenses	12,725	26,006	(13,281)	(51.1)%
Restructuring costs	—	900	(900)	(100.0)%
Total expenses	51,088	61,638	(10,550)	(17.1)%
Intersegment allocations ⁽²⁾	(33,256)	(45,797)	12,541	27.4%
(Loss) income before income taxes ⁽²⁾	\$ (2,414)	\$ 8,636	\$ (11,050)	(128.0)%
Number of employees	316	332	(16)	(4.8)%
Excluding significant items⁽³⁾				
Total expenses	\$ 51,088	\$ 60,738	\$ (9,650)	(15.9)%
Intersegment allocations ⁽²⁾	(33,256)	(45,797)	12,541	27.4%
(Loss) income before income taxes ⁽²⁾	(2,414)	9,536	(11,950)	(125.3)%

(1) Data is in accordance with IFRS except for figures excluding significant items and number of employees. See Non-IFRS Measures on page 21.

(2) Loss before income taxes includes intersegment allocations. See the Intersegment Allocated Costs section below.

(3) Refer to the Selected Financial Information Excluding Significant Items table on page 30.

Revenue for fiscal 2014 was \$15.4 million, a decrease of \$9.1 million or 37.0% from fiscal 2013. The change was mainly due to a \$3.7 million decrease in revenue earned from our correspondent brokerage services activity, a \$2.3 million decrease in foreign exchange gains, and a \$2.1 million decrease in interest income. The reduction in foreign exchange gains related to the fluctuations in the Canadian dollar, while interest revenue decreased due to lower interest rates and lower balances held in interest-earning accounts.

Fiscal 2014 expenses were \$51.1 million, a decrease of \$10.6 million or 17.1%. The \$4.9 million increase in incentive compensation expense resulted from the higher profitability of the consolidated group of companies. Salaries and benefits expense decreased by \$1.3 million, mainly due to reorganization expense incurred in fiscal 2013 related to headcount reduction in this segment.

The majority of the increase in other overhead expenses relate to trading costs and general and administrative expense. General and administrative expense increased by \$2.2 million or 24.5% due to recovery of client expense recorded in fiscal 2013. During the year ended March 31, 2014, the Company changed the basis for recording certain trading, clearing and settlement charges to Canaccord Genuity and Canaccord Genuity Wealth Management business units in Canada, resulting in a \$14.7 million decrease in trading costs.

Loss before income taxes was \$2.4 million for fiscal 2014 compared to income before income taxes of \$8.6 million for the prior year, mostly due to lower revenue earned during the current fiscal year.

INTERSEGMENT ALLOCATED COSTS

Included in the Corporate and Other segment are certain support services, research and other expenses that have been incurred to support the activities within the Canaccord Genuity and Canaccord Genuity Wealth Management segments in Canada. Prior to fiscal 2014, certain trading, clearing and settlement charges were included as an intersegment allocated cost. Beginning in fiscal 2014, these costs were classified as a trading cost in the applicable business units and as a trading cost recovery in Corporate and Other. In addition, certain overhead costs are charged by Canaccord Genuity UK and Europe to Canaccord Genuity Wealth Management UK and Europe and included in intersegment allocated costs for these business units.

Financial Condition

Below are selected balance sheet items for the past five years:⁽¹⁾

(C\$ thousands)	Balance sheet summary as at March 31				
	2014	2013	2012	2011	2010
	IFRS	IFRS	IFRS	IFRS	CGAAP
Assets					
Cash and cash equivalents	\$ 364,296	\$ 491,012	\$ 814,238	\$ 954,068	\$ 731,852
Securities owned	1,143,201	924,337	1,171,988	947,185	362,755
Accounts receivable	2,785,898	2,513,958	3,081,640	2,828,812	1,972,924
Income taxes recoverable	3,983	—	8,301	—	—
Deferred tax assets	9,735	12,552	3,959	1,503	13,190
Investments	9,977	3,695	9,493	5,934	5,000
Equipment and leasehold improvements	50,975	42,979	51,084	40,818	38,127
Goodwill and other intangible assets	646,557	614,969	622,020	319,180	—
Total assets	\$ 5,014,622	\$ 4,603,502	\$ 5,762,723	\$ 5,097,500	\$ 3,123,848
Liabilities and shareholders' equity					
Bank indebtedness	\$ —	\$ 66,138	\$ 75,141	\$ 13,580	\$ 29,435
Short term credit facility	—	—	150,000	—	—
Securities sold short	913,913	689,020	914,649	722,613	364,137
Accounts payable and accrued liabilities	2,877,933	2,726,735	3,550,600	3,551,124	2,308,146
Provisions	10,334	20,055	39,666	6,151	—
Income taxes payable	10,822	4,428	—	23,977	5,385
Contingent consideration	—	14,218	—	—	—
Deferred tax liabilities	3,028	2,576	8,088	8,163	—
Subordinated debt	15,000	15,000	15,000	15,000	15,000
Shareholders' equity	1,168,680	1,049,163	992,125	756,892	401,745
Non-controlling interests	14,912	16,169	17,454	—	—
Total liabilities and shareholders' equity	\$ 5,014,622	\$ 4,603,502	\$ 5,762,723	\$ 5,097,500	\$ 3,123,848

(1) The Company adopted IFRS beginning April 1, 2011. Figures for periods prior to March 31, 2011 are in accordance with CGAAP.

ASSETS

Cash and cash equivalents were \$364.3 million on March 31, 2014 compared to \$491.0 million on March 31, 2013. Refer to the Liquidity and Capital Resources section for more details.

Securities owned were \$1.1 billion compared to \$0.9 billion on March 31, 2013, mainly attributable to an increase in both corporate and government debt, and equities and convertible debentures.

Accounts receivable were \$2.8 billion on March 31, 2014 compared to \$2.5 billion on March 31, 2013, as a result of higher receivable balances from brokers and investment dealers and clients. Goodwill was \$514.9 million and intangible assets were \$131.7 million, representing the goodwill and intangible assets acquired through the acquisitions of Genuity, The Balloch Group (TBG), a 50% interest in Canaccord Genuity (Australia) Limited, CSHP, certain assets and liabilities of Kenosis Capital Partners, and the wealth management business of Eden Financial Ltd.

Other assets in aggregate were \$74.7 million at March 31, 2014 compared to \$59.2 million at March 31, 2013. The increase was mainly due to increases in income taxes recoverable, investments and equipment and leasehold improvements, offset by a decrease in deferred tax assets. Equipment and leasehold improvements increased mainly as a result of the addition of leasehold improvements in our UK and Europe and Canadian operations. The increase was also due to the impact of foreign exchange translation of equipment and leasehold improvements held by our foreign subsidiaries. The \$5.7 million investment made during fiscal 2014 in Canadian First Financial Holdings Limited (Canadian First), a private company which has been established as a Canadian retail financial services organization, led to the increase in investments compared to fiscal 2013. Deferred tax assets decreased mainly due to the reversal of deductible temporary differences as a result of the utilization of tax loss carryforwards in the UK and Europe.

LIABILITIES AND SHAREHOLDERS' EQUITY

Bank overdrafts and call loan facilities utilized by Canaccord may vary significantly on a day-to-day basis and depend on securities trading activity. On March 31, 2014, Canaccord had available credit facilities with banks in Canada and the UK and Europe in the aggregate amount of \$720.8 million [March 31, 2013 – \$705.5 million]. These credit facilities, consisting of call loans, letters of credit and daylight overdraft facilities, are collateralized by unpaid client securities and/or securities owned by the Company. On March 31, 2014, there was no bank indebtedness balance, compared to \$66.1 million on March 31, 2013.

Accounts payable and accrued liabilities were \$2.9 billion, an increase from \$2.7 billion on March 31, 2013, mainly due to an increase in payables to brokers and investment dealers. Provisions decreased by \$9.8 million, from \$20.1 million to \$10.3 million, as restructuring and legal provisions utilized exceeded additional provisions accrued during the year.

Securities sold short were \$913.9 million, an increase of \$224.9 million compared to \$689.0 million at March 31, 2013, due mostly to an increase in holdings of short positions in both corporate and government debt, and equities and convertible debentures.

Other liabilities, including subordinated debt, contingent consideration, deferred tax liabilities, and income taxes payable, were \$28.9 million at March 31, 2014 and \$36.2 million at March 31, 2013. This decrease was mainly due to the payment of contingent consideration related to the acquisition of Eden Financial Ltd. and the reversal of the contingent consideration for the acquisition of certain assets and liabilities of Kenosis Capital Partners as performance targets were not met. The decrease was partially offset by a \$6.4 million increase in income taxes payable from March 31, 2013.

Non-controlling interests were \$14.9 million at March 31, 2014 compared to \$16.2 million at March 31, 2013, which represents 50% of the net assets of our operations in Australia.

Off-Balance Sheet Arrangements

A subsidiary of the Company has entered into secured irrevocable standby letters of credit from a financial institution totalling \$0.9 million (US\$0.9 million) [March 31, 2013 – \$3.3 million (US\$3.2 million)] as rent guarantees for its leased premises in New York.

The following table summarizes Canaccord's long term contractual obligations on March 31, 2014.

(C\$ thousands)	Total	Contractual obligations payments due by period			
		Fiscal 2015	Fiscal 2016– Fiscal 2017	Fiscal 2018– Fiscal 2019	Thereafter
Premises and equipment operating leases	\$ 199,951	\$ 33,896	\$ 58,420	\$ 41,670	\$ 65,965

Liquidity and Capital Resources

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

On March 31, 2014, cash and cash equivalents were \$364.3 million, a decrease of \$126.7 million from \$491.0 million as of March 31, 2013. During the fiscal year ended March 31, 2014, financing activities used cash in the amount of \$131.1 million, which was primarily due to the decrease in bank indebtedness of \$66.1 million, \$32.8 million used for cash dividends paid on common and preferred shares, \$21.1 million used for redemption of share capital, and \$11.0 million used for the acquisition of common shares for the long-term incentive plan. Investing activities used cash in the amount of \$38.0 million, primarily related to the purchase of equipment and leasehold improvements, the payment of contingent consideration related to Eden Financial Ltd., the purchase of intangible assets, and the investment in Canadian First. Operating activities provided cash in the amount of \$17.0 million, which was due to net income recognized during the year and changes in working capital. An increase in cash of \$25.4 million was attributable to the effect of foreign exchange on cash balances. In total, there was a decrease in cash of \$126.7 million compared to March 31, 2013.

Canaccord's business requires capital for operating and regulatory purposes. The majority of current assets reflected on Canaccord's balance sheet are highly liquid. The majority of the positions held as securities owned are readily marketable and all are recorded at their fair value. The fair value of these securities fluctuates daily as factors such as changes in market conditions, economic conditions and investor outlook affect market prices. Client receivables are secured by readily marketable securities and are reviewed daily for impairment in value and collectibility. Receivables and payables from brokers and dealers represent the

following: current open transactions that generally settle within the normal three-day settlement cycle; collateralized securities borrowed and/or loaned in transactions that can be closed within a few days on demand; and balances on behalf of introducing brokers representing net balances in connection with their client accounts.

Preferred Shares

SERIES A PREFERRED SHARES

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

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

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

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

SERIES C PREFERRED SHARES

In fiscal 2013, the Company issued 4,000,000 Cumulative 5-Year Rate Reset First Preferred Shares, Series C (Series C Preferred Shares) at a purchase price of \$25.00 per share for gross proceeds of \$100 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.

Outstanding Preferred Share Data

ISSUANCE OF PREFERRED SHARE CAPITAL

	Series A	Series C
Preferred shares issued and outstanding as of March 31, 2012	4,540,000	—
Preferred share issuance	—	4,000,000
Shares held in treasury	—	(106,794)
Preferred shares issued and outstanding as of March 31, 2013	4,540,000	3,893,206
Shares held in treasury	—	—
Total preferred shares issued and outstanding as of March 31, 2014	4,540,000	3,893,206

Outstanding Common Share Data

	Outstanding common shares as of March 31	
	2014	2013
Issued shares outstanding excluding unvested shares ⁽¹⁾	93,115,359	93,061,796
Issued shares outstanding ⁽²⁾	101,471,456	102,896,172
Issued shares outstanding – diluted ⁽³⁾	107,937,492	109,879,724
Average shares outstanding – basic	94,124,672	92,217,726
Average shares outstanding – diluted ⁽⁴⁾	101,992,679	n/a

(1) Excludes 3,576,051 outstanding unvested shares related to share purchase loans for recruitment, 4,734,446 unvested shares purchased by the employee benefit trust for the LTIP and 45,600 shares held in treasury.

(2) Includes 3,576,051 unvested shares related to share purchase loans for recruitment, 4,734,446 unvested shares purchased by the employee benefit trust for the LTIP and 45,600 shares held in treasury.

(3) Includes 6,466,036 of share issuance commitments.

(4) This is the diluted share number used to calculate diluted EPS. 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.

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 represents 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.

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

Purchases under the current NCIB commenced on August 13, 2013, and will continue for one year (to August 12, 2014) at the discretion of the Company. The maximum consideration will be the market price of the securities at the time of acquisition. In order to comply with the trading rules of the TSX and the conditions for trading under the *EU Buy-back and Stabilisation Regulation*, the daily purchases are limited to 26,456 common shares of the Company (which is the lesser of (a) 25% of the average daily trading volume of common shares of the Company on the TSX in the six calendar months from February 2013 to July 2013 and (b) 25% of the average daily trading volume of common shares of the Company on the TSX in the month of July 2013). To fulfill its regulatory reporting requirements in Canada and in the UK, Canaccord will issue a press release no later than the end of the seventh daily market session following the date of execution of the purchases.

As of June 3, 2014, the Company has 100,982,528 common shares issued and outstanding.

ISSUANCE AND CANCELLATION OF COMMON SHARE CAPITAL

	Fiscal 2014
Total common shares issued and outstanding as of March 31, 2013	102,896,172
Shares issued in connection with the LTIP	1,629,285
Shares issued in connection with retention plan	160,656
Shares issued in connection with replacement plans	526,483
Shares cancelled	(3,741,140)
Total common shares issued and outstanding as of March 31, 2014	101,471,456

Share-Based Payment Plans

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. Historically, for employees in the United States and the United Kingdom, at the time of each restricted share unit award, the Company has allotted common shares and these shares have been issued from treasury to plan participants following vesting of restricted share units. Effective from June 2014, key employee benefit trusts have also been established in the United States and the United Kingdom and the Company or Canaccord Genuity Inc. or Canaccord Genuity Limited, as the case may be, will fund the trusts with cash which is used by a trustee to purchase common shares on the open market that will be held in trusts by their trustees until restricted share units vest, or the Company will issue common shares from treasury to plan participants following vesting of restricted share units.

FORGIVABLE COMMON SHARE PURCHASE LOANS

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

REPLACEMENT PLANS

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

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. 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.

SHARE OPTIONS

The Company grants share options to purchase common shares of the Company to independent directors and senior management. The independent directors and senior management have been granted options to purchase common shares of the Company. As at March 31, 2014, there were 2,034,632 options outstanding. The stock options vest over a four- to five-year period and expire seven years after the grant date. The weighted average exercise price of the share options is \$9.23 per common share.

DEFERRED SHARE UNITS

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

OTHER RETENTION AND INCENTIVE PLANS

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

International Financial Centre

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

Foreign Exchange

Canaccord manages its foreign exchange risk by periodically hedging pending settlements in foreign currencies. Realized and unrealized gains and losses related to these transactions are recognized in income during the period. On March 31, 2014, forward contracts outstanding to sell US dollars had a notional amount of US\$13.8 million, a decrease of US\$1.0 million from a year ago. Forward contracts outstanding to buy US dollars had a notional amount of US\$5.5 million, an increase of US\$1.7 million compared to a year ago. Canaccord's operations in the US, the UK and Europe, Australia, Hong Kong and China are conducted in the local currency; however, any foreign exchange risk in respect of these transactions is generally limited as pending settlements on both sides of the transaction are typically in the local currency.

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

Related Party Transactions

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

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

	Country of incorporation	% equity interest	
		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%

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

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

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 March 31, 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

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

Critical Accounting Policies and Estimates

The following is a summary of Canaccord's critical accounting estimates. Canaccord's accounting policies are in accordance with IFRS and are described in Note 5 to the Audited Consolidated Financial Statements for the year ended March 31, 2014. The Company's consolidated financial statements for the years ended March 31, 2013 and 2012 were also prepared in accordance with IFRS.

The preparation of the March 31, 2014 Audited Consolidated Financial Statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Therefore, actual results may differ from those estimates and assumptions. The significant estimates include share-based payments, income taxes, tax losses available for carryforward, impairment of goodwill, indefinite life intangible assets and other long-lived assets, allowance for credit losses, fair value of financial instruments, and provisions. Significant accounting policies used and policies requiring management's judgment and estimates are disclosed in Notes 2 and 5 of the Audited Consolidated Financial Statements for the year ended March 31, 2014.

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 established an employee benefit trust, a special purpose entity (SPE), 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.

INTANGIBLE ASSETS

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

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

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

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

The following assets have specific characteristics for impairment testing:

Goodwill

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

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

Intangible assets

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

REVENUE RECOGNITION

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

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

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

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

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

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

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

INCOME TAXES

Current income tax

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

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

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

Deferred tax

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

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

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

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

Sales tax

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

SHARE-BASED PAYMENTS

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

Equity-settled transactions

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

The Company estimates the number of equity instruments that will ultimately vest when calculating the 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

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

TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS AND FOREIGN SUBSIDIARIES

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

Transactions and balances

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

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

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

Translation of foreign subsidiaries

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

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

PROVISIONS

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

Future Changes in Accounting Policies and Estimates

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

Please see Note 4 of the Audited Consolidated Financial Statements for the year ended March 31, 2014 for further information.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

DISCLOSURE CONTROLS AND PROCEDURES

As of March 31, 2014, an evaluation was carried out, under the supervision of and with the participation of management, including the President & CEO and the Executive Vice President & CFO, of the effectiveness of our disclosure controls and procedures as defined under *National Instrument 52-109*. Based on that evaluation, the President & CEO and the Executive Vice President & CFO concluded that the design and operation of these disclosure controls and procedures were effective as of and during the fiscal year ended March 31, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management, including the President & CEO and the Executive Vice President & CFO, has designed internal control over financial reporting as defined under *National Instrument 52-109* to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Based on that evaluation, the President & CEO and the Executive Vice President & CFO concluded that the Company's internal control over financial reporting was designed and operating effectively as of and during the year ended March 31, 2014 and that there were no material weaknesses in our internal control over financial reporting.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in internal control over financial reporting that occurred during the year ended March 31, 2014 that have materially affected, or are reasonably likely to materially affect, Canaccord's internal control over financial reporting.

Risk Management

OVERVIEW

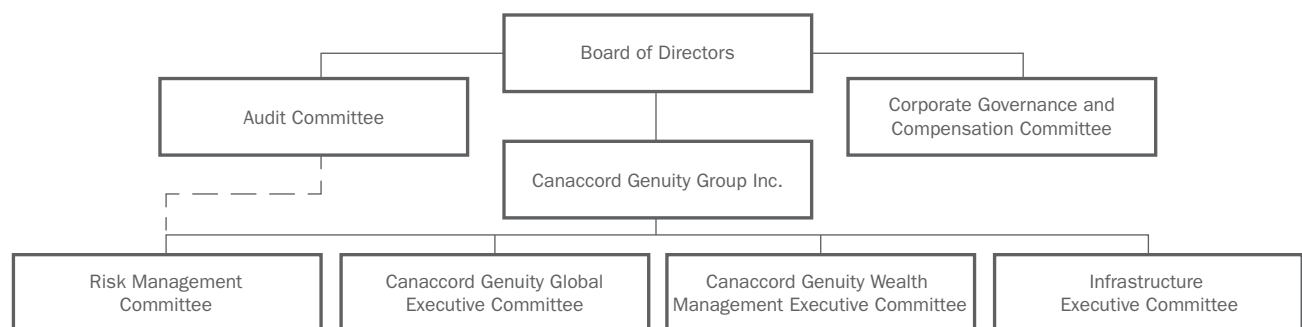
Uncertainty and risk are inherent in any financial markets activity. As an active participant in the Canadian and international capital markets, Canaccord is exposed to risks that could result in financial losses. Canaccord has identified its principal risks as: market risk, credit risk, operational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

RISK MANAGEMENT STRUCTURE AND GOVERNANCE

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

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

Canaccord's governance structure includes the following elements:



The Board of Directors (the Board) has oversight of the company-wide risk management framework. These responsibilities are delegated to the Audit and Risk Management Committees. The Audit Committee's mandate was updated in fiscal 2013 to better reflect the committee's oversight of the Company's risk management function. See Canaccord's 2014 Annual Information Form (AIF) for more details.

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

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

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

MARKET RISK

Market risk is the risk that a change in market prices and/or any of the underlying market factors will result in losses. Each business area is responsible for ensuring that its market risk exposures are prudent. In addition, Canaccord has established procedures to ensure that risks are measured, closely monitored, controlled and visible to senior levels of management.

Canaccord is exposed to equity price risk, liquidity risk and volatility risk as a result of its principal trading activities in equity securities. Canaccord is also exposed to specific interest rate risk, credit spread risk and liquidity risk in respect of its principal trading in fixed income securities. In addition to active supervision and review of trading activities by senior management, Canaccord mitigates its risk exposure through a variety of limits to control concentration, capital allocation and usage, as well as through trading policies and guidelines. Canaccord manages and monitors its risks in this area using both qualitative and quantitative measures, on a company-wide basis, and also by trading desk and by individual trader. Canaccord operates a firm-wide scenario analysis and Value-at-Risk (VaR) risk measurement system for its equity and fixed income inventories. Management also regularly reviews and monitors inventory levels and positions, trading results, aging and concentration levels. Consequently, Canaccord can ensure that it is adequately diversified with respect to market risk factors and that trading activity is within the risk tolerance levels established by senior management. For a detailed description of Canaccord's VaR methodology, see the Market Risk section in Canaccord's fiscal 2014 AIF.

CREDIT RISK

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

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

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

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

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

OPERATIONAL RISK

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

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

Risk and Control Self-Assessment (RCSA)

The purpose of RCSAs is to:

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

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

OTHER RISKS

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

Regulatory and legal risk

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

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

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

Reputational risk

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

RISK FACTORS

For a detailed list of the risk factors that are relevant to Canaccord's business and the industry in which it operates, see the Risk Factors section in Canaccord's fiscal 2014 AIF. Risks include, but are not necessarily limited to, those listed in the AIF. Investors should carefully consider the information about risks, together with the other information in this document, before making investment decisions. It should be noted that this list is not exhaustive, but contains risks that Canaccord considers to be of particular relevance. Other risk factors may apply.

CONTROL RISK

As of March 31, 2014, senior officers and directors of Canaccord collectively owned approximately 19.8% of the issued and outstanding common shares of Canaccord Genuity Group Inc. If a sufficient number of these shareholders act or vote together, they will have the power to exercise significant influence over all matters requiring shareholder approval, including the election of the Company's directors, amendments to its articles, amalgamations and plans of arrangement under Canadian law and mergers or sales of substantially all of its assets. This could prevent Canaccord from entering into transactions that could be beneficial to the Company or its other shareholders. Also, third parties could be discouraged from making a tender offer or takeover bid to acquire any or all of the outstanding common shares of the Company.

In addition, as at March 31, 2014, the single largest shareholder that management was aware of was Franklin Templeton Investments Corp. by one or more of its mutual funds or other managed accounts. The most recent filing that confirms its total holdings was filed on December 15, 2011, which indicated the company owned 5,464,873 shares of Canaccord Genuity Group Inc. Canaccord has not been made aware of any shareholding changes since this filing. The company's ownership outlined in this filing represents 5.4% of common shares issued and outstanding as at March 31, 2014.

Any significant change in these shareholdings through sale or other disposition, or significant acquisitions by others of the common shares in the public market or by way of private transactions, could result in a change of control and changes in business focus or practices that could affect the profitability of Canaccord's business.

Restrictions on ownership and transfer of common shares

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

Dividend Policy

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

Dividend Declaration

On June 3, 2014, the Board of Directors approved a quarterly dividend of \$0.05 per common share payable on July 2, 2014 with a record date of June 20, 2014. The Board of Directors also approved a cash dividend of \$0.34375 per Series A Preferred Share payable on June 30, 2014 with a record date of June 13, 2014; as well as a cash dividend of \$0.359375 per Series C Preferred Share payable on June 30, 2014 with a record date of June 13, 2014.

Additional Information

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