
Financial Review

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CAUTION REGARDING FORWARD-LOOKING STATEMENTS:

This document may contain “forward-looking statements” (as defined under applicable securities laws). These statements relate to future events or future performance and reflect management’s expectations, beliefs, plans, estimates, intentions and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts, including business and economic conditions and Canaccord’s growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements reflect management’s current beliefs and are based on information currently available to management. In some cases, forward-looking statements can be identified by terminology such as “may”, “will”, “should”, “expect”, “plan”, “anticipate”, “believe”, “estimate”, “predict”, “potential”, “continue”, “target”, “intend”, “could” or the negative of these terms or other comparable terminology. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and a number of factors could cause actual events or results to differ materially from the results discussed in the forward-looking statements. In evaluating these statements, readers should specifically consider various factors that may cause actual results to differ materially from any forward-looking statement. These factors include, but are not limited to, market and general economic conditions, the nature of the financial services industry and the risks and uncertainties discussed from time to time in the Company’s interim condensed and annual consolidated financial statements and its annual report and the AIF filed on www.sedar.com as well as the factors discussed in the section entitled “Risk Management” in this MD&A, which includes market, liquidity, credit, operational, legal and regulatory risks. Material factors or assumptions that were used by the Company to develop the forward-looking information contained in this document include, but are not limited to, those set out in the Fiscal 2014 Outlook section in the annual MD&A and those discussed from time to time in the Company’s interim condensed and annual consolidated financial statements and its annual report and the AIF filed on www.sedar.com. The preceding list is not exhaustive of all possible risk factors that may influence actual results. Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive.

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

Management's Discussion and Analysis

Fiscal year 2013 ended March 31, 2013 – this document is dated May 21, 2013.

The following discussion of Canaccord Financial Inc.'s financial condition and results of operations is provided to enable a reader to assess material changes in the financial condition and results of operations for the year ended March 31, 2013 compared to the preceding fiscal year, with an emphasis on the most recent year. Unless otherwise indicated or the context otherwise requires, the "Company" refers to Canaccord Financial Inc. and "Canaccord" refers to the Company and its direct and indirect subsidiaries. "Canaccord Genuity" refers to the 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 year ended March 31, 2013, beginning on page 67 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, 2012 and 2013 are prepared in accordance with IFRS.

Non-IFRS Measures

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

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

Assets under administration (AUA) and assets under management (AUM) are non-IFRS measures of client assets that are common to the wealth management business. AUA – Canada, 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 32.

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

Business Overview

Through its principal subsidiaries, Canaccord Financial Inc. is a leading independent, full-service financial services firm, with operations in two principal segments of the securities industry: 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 13 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, Italy, Hong Kong, mainland China, Singapore, Myanmar, Australia and Barbados.

Canaccord Financial 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, including the seasonal variance in these markets.

ABOUT CANACCORD'S OPERATIONS

Canaccord Financial 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.

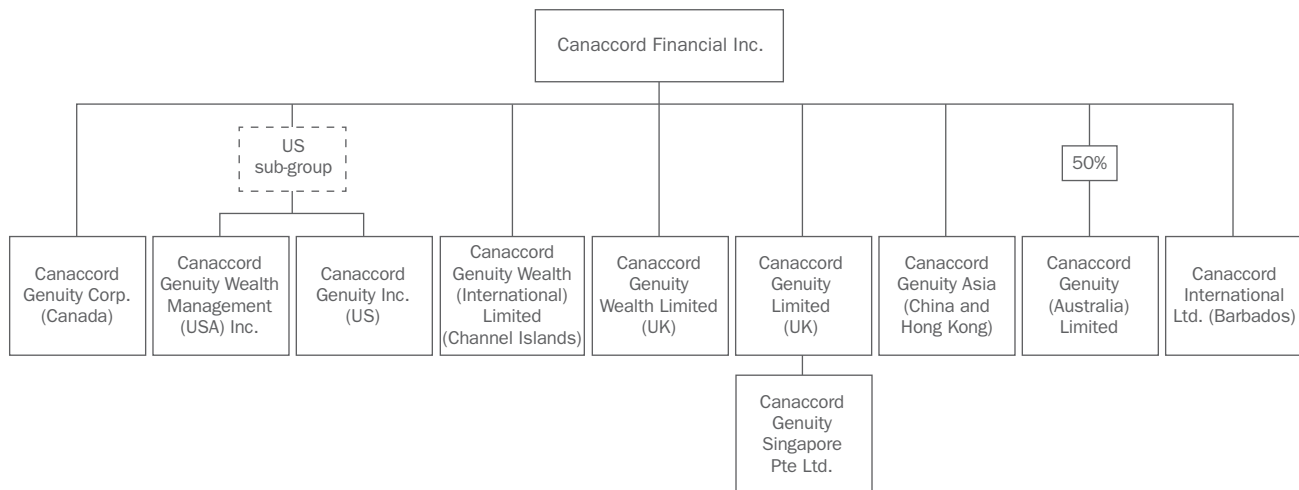
Canaccord Genuity Wealth Management

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) and professionals in Canada, Australia, the UK, Switzerland 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



BUSINESS ACTIVITY

Our business is subject to the overall condition of the worldwide debt and equity markets, including seasonal fluctuations. Historically, North American capital markets are slower during the first half of Canaccord's fiscal year, when Canaccord typically generates less than 50% of its annual revenue. Fiscal 2013 was in line with past seasonality, with 56% of the annual revenue generated in the second half of the fiscal year.

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 efforts 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

	Q1/13	Q2/13	Q3/13	Q4/13	Fiscal 2013	Fiscal 2012	Fiscal 2013/ 2012 change
TSX and TSX Venture (C\$ billions)	10.8	10.4	14.8	9.8	45.8	54.6	(16.1)%
AIM (£ billions)	0.8	0.5	0.9	0.6	2.8	3.6	(22.2)%
NASDAQ (US\$ billions)	9.5	13.7	10.4	15.9	49.5	44.2	12.0%

Source: TSX Statistics, LSE AIM Statistics, Equidesk

Market data

Total financing values on the TSX, TSX Venture and on AIM experienced declines compared to the previous year, while total financing values on the NASDAQ experienced a 12% increase 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. 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 2013, Canaccord's capital markets activities were focused on the Company's sectors: Mining and Metals, Energy, Technology, Health Care and Life Sciences, Agriculture and Fertilizers, Media and Telecommunications, Financials, Consumer and Retail, Real Estate and Hospitality, Infrastructure, Transportation and Industrial Products, Paper and Forestry Products, CleanTech and Sustainability, Support Services, Aerospace and Defense, Leisure, and Private Equity. Coverage of these sectors included investment banking, mergers and acquisitions (M&A) and advisory services, and institutional equity activities, such as sales, trading and research.

Key Developments During Fiscal 2013

CORPORATE

- On April 10, 2012, \$97.5 million of the net proceeds from Canaccord's Series C Preferred Share offering was used to repay a portion of the \$150.0 million short term credit facility the Company secured for bridge financing related to the acquisition of Collins Stewart Hawkpoint plc
- The balance of the short term credit facility related to the acquisition of Collins Stewart Hawkpoint plc was repaid in full on May 22, 2012
- On June 7, 2012, Canaccord announced that Dan Daviau was appointed President of Canaccord Genuity Inc. (Canaccord's US capital markets operation)
- On July 12, 2012, Canaccord Financial Inc. held its 2012 Annual General Meeting of shareholders, where all motions were duly passed
- On July 13, 2012, Canaccord Financial Inc. graduated its UK public listing from AIM to the LSE main market
- On August 13, 2012, Canaccord Financial Inc. renewed its normal course issuer bid (NCIB) share buyback programme, which provides the Company with the ability to purchase, at its discretion, up to 3,000,000 of its common shares through the facilities of the TSX for cancellation
- On September 4, 2012, the Company announced that Alexis de Rosnay joined the firm as CEO of Canaccord's UK and European operations
- On September 16, 2012, Canaccord appointed Peter O'Malley as CEO of Canaccord Genuity Asia
- On September 24, 2012, the Company announced the expansion of its UK wealth management business through the acquisition of Eden Financial Ltd.'s (Eden Financial) wealth management business (completed on October 1, 2012)
- On September 24, 2012, Canaccord announced a new strategy to streamline and refocus its Canadian wealth management operations in larger Canadian centres
- On October 1, 2012, Canaccord appointed Philip Evershed as the Global Head of Investment Banking
- On November 6, 2012, Canaccord appointed Steve Buell as the Global Head of Research
- On November 7, 2012, Canaccord Financial Inc. welcomed Dipesh Shah as an additional independent director on its Board
- On February 1, 2013, Canaccord completed the integration of its UK wealth management business with the business of Eden Financial Ltd.
- On March 1, 2013, Canaccord completed the integration of its UK and European advisory practice, previously known as Canaccord Genuity Hawkpoint, into its broader, global investment banking division
- Subsequent to fiscal 2013, on May 1, 2013, all of Canaccord's wealth management businesses were rebranded Canaccord Genuity Wealth Management

CANACCORD GENUITY

- Canaccord Genuity led 111 transactions globally, each over \$1.5 million, to raise total proceeds of C\$3.7 billion during fiscal 2013. Of this:
 - Canada led 59 transactions, which raised C\$1.4 billion
 - The UK led 19 transactions, which raised C\$1.5 billion
 - The US led 12 transactions, which raised C\$487 million
 - Asia and Australia operations led 21 transactions, which raised C\$331 million

- During fiscal 2013, Canaccord Genuity participated in a total of 382 transactions globally, each over \$1.5 million, to raise gross proceeds of C\$31.4 billion. Of this:
 - Canada participated in 288 transactions, which raised C\$23.7 billion
 - The UK participated in 26 transactions, which raised C\$2.7 billion
 - The US participated in 44 transactions, which raised C\$4.7 billion
 - Asia and Australia participated in 24 transactions, which raised C\$337 million
- During fiscal 2013, Canaccord Genuity led or co-led the following transactions:
 - £695 million for esure on the LSE
 - Three transactions totalling £272.2 million for HICL Infrastructure Company Limited on the LSE
 - £118.0 million for Eland Oil & Gas plc on AIM
 - C\$115.7 million for Artis Real Estate Investment Trust (REIT) on the TSX
 - C\$115.0 million for Trez Capital Mortgage Investment Corporation (non-exchange listed)
 - C\$110.0 million for HealthLease Properties REIT on the TSX
 - C\$103.6 million for Amaya Gaming Group Inc. on the TSX Venture
 - C\$100.1 million for American Hotel Income Properties REIT LP on the TSX
 - C\$100.0 million for Canaccord Financial Inc. on the TSX
 - £100.0 million for Monitise plc on AIM
 - £100.0 million for Newlon Housing Trust (Private Placement)
 - £100.0 million for Raglan Finance plc through a privately placed wholesale bond issue
 - US\$97.8 million for Insulet Corp. on the NASDAQ
 - SGD\$94.0 million for Geo Energy Resources Ltd. on the SGX
 - C\$89.1 million for Trez Capital Senior Mortgage Investment Corporation (non-exchange listed)
 - £80.0 million for Intermediate Capital Group plc through a new retail corporate bond issue
 - US\$75.0 million for Emerald Oil, Inc. on the NYSE
 - C\$69.7 million for Pure Industrial Real Estate Trust on the TSX
 - C\$68.2 million for Sentry Select Primary Metals Corp. on the TSX
 - £65.0 million for CLS Holdings plc through a new retail corporate bond issue
- During fiscal 2013, Canaccord Genuity participated in 107 fixed income transactions in Canada that raised \$855.1 million for clients
- In Canada, Canaccord Genuity raised \$748.0 million for government bond issuances and \$107.1 million for corporate bond issuances during fiscal 2013
- Canaccord Genuity generated record advisory revenue of \$179.7 million during fiscal 2013, 67% higher than the previous record generated last year
 - This is the third consecutive year of record advisory revenue for Canaccord Genuity
- During fiscal 2013, Canaccord Genuity advised on 66 transactions, including the following:
 - Viterra Inc. on its acquisition by Glencore International plc
 - Yellow Media Ltd. on its C\$2.8 billion recapitalization
 - Primaris on its hostile defence and sale to H&R REIT and KingSett Capital
 - Fawkes Holdings Limited on its sale of 42 UK Marriott hotels
 - Sportingbet plc on its acquisition by William Hill and GVC Holdings assets
 - Westcast Industries on its acquisition by Sichuan Bohon Group
 - Score Media Inc. on its acquisition by Rogers Communications Corp.

- Research In Motion on the sale of NewBay Software to Synchronoss Technologies, Inc.
- DHX Media Ltd. on its acquisition of Cookie Jar Entertainment
- EndoChoice, Inc. on its merger with Peer Medical Ltd.
- Geomagic, Inc. on its acquisition by 3D Systems Corp.
- Omega Protein Corporation on its acquisition of Wisconsin Specialty Protein, LLC
- GT Advanced Technologies on its acquisition of Twin Creek Technologies
- Mateco Group (Odewald & Compagnie) on its acquisition by TVH Group
- IFG Group plc on the disposal of International Division to AnaCap Financial Partners

Wealth Management (Global)

- Globally, Canaccord Genuity Wealth Management generated \$235.1 million in revenue during fiscal 2013
- Total assets under administration in Canada and assets under management in the UK, Europe and Australia were \$26.8 billion at March 31, 2013
- Canaccord Genuity Wealth Management had 23 offices worldwide as of March 31, 2013

Wealth Management (North America and Australia)

- Canaccord Genuity Wealth Management generated \$143.3 million in revenue during fiscal 2013
- Assets under administration were \$10.9 billion as of March 31, 2013, down 27% from \$14.8 billion at the end of fiscal 2012
 - This decrease is due largely to the strategic repositioning of Canaccord Genuity Wealth Management in Canada, which included the reduction of 16 branches from its Canadian platform during fiscal 2013
- Assets under management were \$835 million, up 23% from \$677 million at the end of fiscal 2012
- At March 31, 2013, Canaccord Genuity Wealth Management had 190 Advisors and Advisory Teams in Canada⁽¹⁾ and Australia, including:
 - 178 Advisory Teams in Canada, a decrease of 102 Advisory Teams from March 31, 2012, due primarily to a strategic repositioning of the business to focus on major Canadian centres
 - 12 Advisors in Australia
- At March 31, 2013, Canaccord Genuity Wealth Management had 16 offices located across Canada, including eight Independent Wealth Management (IWM) locations
- At March 31, 2013, Canaccord Genuity Wealth Management had two offices in Australia

Wealth Management (UK and Europe)

- Canaccord Genuity Wealth Management generated \$91.8 million in revenue and, excluding significant items, recorded net income of \$13.3 million before taxes in fiscal 2013
- Assets under management (discretionary and non-discretionary) were \$15.9 billion (£10.3 billion)
- At March 31, 2013, Canaccord Genuity Wealth Management had 122 investment professionals and fund managers in the UK and Europe
- At March 31, 2013, Canaccord Genuity Wealth Management had five offices, located in London, Guernsey, Jersey, the Isle of Man and Switzerland

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

Market Environment During Fiscal 2013

Fears of renewed European sovereign debt concerns and weakening global economic growth conditions characterized the beginning of fiscal 2013. The Greek financial crisis once again took centre stage in the first half of calendar 2012 with elections and protests over austerity measures unnerving financial markets. In terms of economic performance, fears of a Chinese hard landing developed as China's GDP dropped to 7.4% quarter-over-quarter in Q3/12, its lowest level for three years. In the US, sluggish growth caused investors to fear an earnings recession with a meager 1.9% growth in S&P 500 earnings in Q3/12. Fortunately, this proved to be the bottom in the US earnings cycle.

Economic and earnings-growth scares led to a sharp correction in equities from April to June 2012. This correction pushed US 10-year Treasury bond yields to an all-time low of 1.43%. In order to mitigate impacts to equity markets, the solution from central banks was forceful, in terms of both message and magnitude. First, the President of the European Central Bank (ECB) promised to do "whatever it takes" to save the euro, coupled with a later pledge of potentially "unlimited" bond purchases. Second, the Federal Reserve announced QE3 and QE4, pledging to buy a combined total of US\$85 billion in mortgage backed securities and treasuries per month. Overall, concerted central bank actions and liquidity injections allowed financial markets to recover in the second half of calendar 2012.

The second half of fiscal 2013 was marked by a positive resolution of the US debt-ceiling negotiations following the re-election of President Obama. Thanks to positive monetary conditions and record low borrowing costs, US earnings growth began to reaccelerate in calendar Q4/12, consistent with the strong recovery in US housing and auto markets. Elsewhere, the Bank of Japan and the newly elected Prime Minister Shinzo Abe engineered an ambitious plan to reflate the Japanese economy. As a result of monetary reflation and central bank efforts, equity risk premiums started to decline and investors drove equity markets to new all-time highs in calendar Q1/13.

In all, the S&P/TSX ended fiscal 2013 on a positive note (+3%) but lagged behind the S&P 500 (+11%) by a wide margin due to the weak showing of commodity prices such as gold and base metals. These commodities were negatively affected by the strength of the US dollar as well as renewed tightening measures in China to cool off the housing market. Global oil prices stayed relatively flat, but the rejection of the Keystone pipeline project along with transportation bottlenecks kept Canadian oil products at a substantial discount through fiscal 2013. Investors' exit from commodities was particularly detrimental to small-cap resources stocks with the S&P/TSX Venture exchange falling 30% in fiscal 2013.

Fiscal 2014 Outlook

While worldwide economic growth is expected to remain slow because of global austerity measures, growth should be more visible and less vulnerable to tail-risk accidents compared to last year. Policymakers are acting as a backstop for banks and financial markets, and relaxed monetary conditions should prevail until labour market conditions tighten and capital spending intentions improve. Among factors to watch, it is expected the ECB will eventually follow other central banks and cut interest rates in order to weaken its strong currency. This action is much needed to protect Europe's export markets and redistribute growth among distressed countries in the euro zone. Also, for commodity markets, further moderation in Chinese inflation must happen in order for the People's Bank of China to remove its tightening bias. Out of the 3.3% global GDP growth forecasted by the IMF for 2013, the contribution from China is 35%. Therefore, anything less than the government target of 7.5% growth could renew fears of a hard landing. Finally, should activities fail to steer a growth reacceleration of the world economy during calendar 2013, it will be important for fiscal authorities to act promptly and ease austerity measures through reporting debt/deficit-to-GDP targets further into the future. Overall, it is expected that monetary and fiscal policymakers will continue to provide downside protection to economic growth. As such, capital markets should take their cues from a steady decline in the equity risk premium, which remains far above historical averages.

As far as capital market activities are concerned, fiscal 2014 should reveal the benefits of the acquisitions made by Canaccord over the past few years to expand its platform internationally, as performance will vary by geographic region. With most commodity markets past their peak in consumption growth rates, investment banking and trading revenues related to this area are expected to remain subdued. However, considering the depressed equity valuation of most resource companies, advisory activity should remain healthy as companies try to capture value to shareholders. Most importantly, the majority of capital markets revenues are expected to continue to come from markets outside Canada, where equity market performance is likely to be stronger. The S&P/TSX trades in line with the MSCI World Index and at only a 6% forward price-to-earnings discount to the S&P 500. At historical commodity market troughs, this discount oscillates between 10% and 20%. That noted, it is expected that the ongoing bear market in commodities will be shorter than average owing to the unprecedented amount of stimulus delivered by world central banks. While calendar 2013 should mark the synchronization in world monetary policies, calendar 2014 should give rise to a synchronization in business cycles among economic regions, and therefore above-average global GDP growth.

Overview of Preceding Years – Fiscal 2012 vs. 2011

Total revenue for the year ended March 31, 2012 (fiscal 2012) was \$604.9 million, a decrease of \$198.8 million or 24.7% compared to the previous year. This decrease was primarily due to the challenging economic and market conditions during fiscal 2012 and a general decline in investor risk appetite. Most major indices also experienced declines during fiscal 2012 with the TSX down 12%, the TSX Venture down 32%, and the FTSE 100 down 2%. However, the NASDAQ experienced an increase of 11% compared to 2011.

Canaccord recorded a net loss of \$21.3 million during fiscal 2012, which included \$56.8 million of charges related to the acquisition of Collins Stewart Hawkpoint plc, company-wide restructuring costs and the amortization of intangible assets. Excluding these significant items, net income for fiscal 2012 was \$25.2 million. Compared to Canaccord's record performance during fiscal 2011, Canaccord's performance during fiscal 2012 was in line with a subdued environment for capital raising and advisory activities.

Financial Overview

SELECTED FINANCIAL INFORMATION⁽¹⁾⁽²⁾

(C\$ thousands, except per share and % amounts, and number of employees)	For the years ended March 31				
	2013	2012	2011	2013/2012 change	
Canaccord Financial Inc. (CFI)					
Revenue					
Commissions and fees	\$ 353,125	\$ 252,877	\$ 294,650	\$ 100,248	39.6%
Investment banking	145,772	175,225	327,499	(29,453)	(16.8)%
Advisory fees	179,690	107,370	84,914	72,320	67.4%
Principal trading	66,406	10,647	43,644	55,759	n.m.
Interest	29,199	31,799	24,040	(2,600)	(8.2)%
Other	22,930	26,946	28,884	(4,016)	(14.9)%
Total revenue	797,122	604,864	803,631	192,258	31.8%
Expenses					
Incentive compensation	406,724	304,908	389,046	101,816	33.4%
Salaries and benefits	88,522	63,924	64,420	24,598	38.5%
Other overhead expenses ⁽³⁾	292,242	200,842	194,953	91,400	45.5%
Restructuring costs ⁽⁴⁾	31,617	35,253	—	(3,636)	(10.3)%
Acquisition-related costs	1,719	16,056	12,740	(14,337)	(89.3)%
Total expenses	820,824	620,983	661,159	199,841	32.2%
(Loss) income before income taxes	(23,702)	(16,119)	142,472	(7,583)	(47.0)%
Net (loss) income	\$ (18,775)	\$ (21,346)	\$ 99,743	\$ 2,571	12.0%
Net (loss) income attributable to CFI shareholders	\$ (16,819)	\$ (20,307)	\$ 99,743	\$ 3,488	17.2%
Non-controlling interests	\$ (1,956)	\$ (1,039)	\$ —	\$ (917)	(88.3)%
(Loss) earnings per common share (EPS) – basic	\$ (0.31)	\$ (0.33)	\$ 1.37	\$ 0.02	6.1%
(Loss) earnings per common share (EPS) – diluted	\$ (0.31)	\$ (0.33)	\$ 1.22	\$ 0.02	6.1%
Return on common equity (ROE)	(3.3)%	(3.1)%	14.2%	(0.2) p.p.	
Dividends per share	\$ 0.20	\$ 0.40	\$ 0.275	\$ (0.20)	(50.0)%
Book value per diluted common share ⁽⁵⁾	\$ 7.68	\$ 8.26	\$ 8.79	\$ (0.58)	(7.1)%
Excluding significant items⁽⁶⁾					
Total expenses	\$ 766,893	\$ 564,182	\$ 643,293	\$ 202,771	35.9%
Income before income taxes	\$ 30,229	\$ 40,682	\$ 160,338	\$ (10,453)	(25.7)%
Net income	\$ 25,644	\$ 25,193	\$ 114,126	\$ 451	1.8%
Net income attributable to CFI shareholders	\$ 26,207	\$ 25,591	\$ 114,126	\$ 616	2.4%
EPS – basic	\$ 0.16	\$ 0.28	\$ 1.56	\$ (0.12)	(42.9)%
EPS – diluted	\$ 0.14	\$ 0.25	\$ 1.40	\$ (0.11)	(44.0)%
Balance sheet data					
Total assets	\$ 4,603,502	\$ 5,762,723	\$ 5,097,500	\$ (1,159,221)	(20.1)%
Total liabilities	3,538,170	4,753,144	4,340,608	(1,214,974)	(25.6)%
Non-controlling interests	16,169	17,454	—	(1,285)	(7.4)%
Total shareholders' equity	1,049,163	992,125	756,892	57,038	5.7%
Number of employees	2,060	2,428	1,684	(368)	(15.2)%

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

(2) Data includes the results of Genuity since it was acquired in April 2010, Canaccord Genuity Asia since its acquisition in January 2011 and the results for Canaccord Genuity and Canaccord Genuity Wealth Management operations in Australia since these operations were acquired in November 2011. 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) entities 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 staff restructuring costs and reorganization expenses related to the acquisition of CSHP, as well as restructuring costs related to the reorganization of certain Canadian trading and other operations.

(5) Book value per diluted common share is calculated as total common shareholders' equity divided by the number of diluted common shares outstanding.

(6) Net income and earnings per common share excluding significant items reflect tax-effected adjustments related to such items. See the Selected Financial Information Excluding Significant Items table on 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				
	2013	2012	2011	2013/2012 change	
Total revenue per IFRS	\$ 797,122	\$ 604,864	\$ 803,631	\$ 192,258	31.8%
Total expenses per IFRS	820,824	620,983	661,159	199,841	32.2%
<i>Significant items recorded in Canaccord Genuity</i>					
Restructuring costs	15,232	29,078	—	(13,846)	(47.6)%
Acquisition-related costs	388	10,466	12,740	(10,078)	(96.3)%
Amortization of intangible assets	14,740	5,492	5,126	9,248	168.4%
<i>Significant items recorded in Canaccord Genuity Wealth Management</i>					
Restructuring costs	15,485	900	—	14,585	n.m.
Acquisition-related costs	1,331	4,077	—	(2,746)	(67.4)%
Amortization of intangible assets	5,855	—	—	5,855	n.m.
<i>Significant items recorded in Corporate and Other</i>					
Restructuring costs	900	5,275	—	(4,375)	(82.9)%
Acquisition-related costs	—	1,513	—	(1,513)	(100.0)%
Total significant items	53,931	56,801	17,866	(2,870)	(5.1)%
Total expenses excluding significant items	766,893	564,182	643,293	202,711	35.9%
Net income before tax – adjusted	30,229	40,682	160,338	(10,453)	(25.7)%
Income taxes – adjusted	4,585	15,489	46,212	(10,904)	(70.4)%
Net income – adjusted	\$ 25,644	\$ 25,193	\$ 114,126	\$ 451	1.8%
EPS – basic, adjusted	\$ 0.16	\$ 0.28	\$ 1.56	\$ (0.12)	(42.9)%
EPS – diluted, adjusted	\$ 0.14	\$ 0.25	\$ 1.40	\$ (0.11)	(44.0)%

⁽¹⁾ Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 23.
n.m.: not meaningful

REVENUE

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

Revenue for fiscal 2013 was \$797.1 million, an increase of 31.8% or \$192.3 million from fiscal 2012. Overall, the growth in revenue for the year ended March 31, 2013 was mainly due to the expanded operations achieved through the acquisitions of Collins Stewart Hawkpoint plc (CSHP), a 50% interest in Canaccord Genuity (Australia) Limited (formerly Canaccord BGF) and the wealth management business of Eden Financial Ltd. The Company implemented a number of strategies throughout the year to further integrate our global capital markets and wealth management platforms, which led to the increase in revenue in fiscal 2013.

Commissions and fees revenue is primarily generated from private client trading activity and institutional sales and trading. Revenue generated from commissions and fees revenue increased by \$100.2 million or 39.6% from fiscal 2012 to \$353.1 million in fiscal 2013. Our Canaccord Genuity Wealth Management segment contributed \$192.6 million while our Canaccord Genuity segment contributed \$160.5 million.

Investment banking revenue was \$145.8 million in fiscal 2013, down \$29.5 million or 16.8% from fiscal 2012. Revenue generated from investment banking activities was lower due to a decline in financing activity in Canada.

The expansion in the UK and Europe resulted in the Company achieving another year of record advisory revenue of \$179.7 million, up \$72.3 million from the \$107.4 million in fiscal 2012. The operations in the US also achieved greater revenue in fiscal 2013, from \$83.1 million to \$155.6 million. This record performance was also achieved through increased activity and large scale transactions completed in Canada.

Revenue derived from principal trading increased \$55.8 million to \$66.4 million compared to fiscal 2012, primarily due to the expansion of the UK and Europe, and US operations.

Interest revenue is derived from interest realized from financial instruments and fixed income securities held by Canaccord, interest earned on cash balances held at the bank and interest paid by clients on margin accounts. As a result of changes in interest rates and additional interest revenue earned from activities in the Fixed Income group, interest revenue dropped by \$2.6 million or 8.2% from fiscal 2012 to \$29.2 million for fiscal 2013.

Other revenue of \$22.9 million was \$4.0 million or 14.9% lower than in the prior year, largely as a result of lower foreign exchange gains due to the fluctuation of the Canadian dollar, offset slightly by the gain on sale of our investment in Alternative Alpha Trading System (Alpha).

EXPENSES

Expenses as a percentage of revenue

	For the years ended March 31		
	2013	2012	2013/2012 change
Incentive compensation	51.0%	50.4%	0.6 p.p.
Salaries and benefits	11.1%	10.6%	0.5 p.p.
Other overhead expenses ⁽¹⁾	36.7%	33.2%	3.5 p.p.
Acquisition-related costs ⁽²⁾	0.2%	2.7%	(2.5) p.p.
Restructuring costs ⁽²⁾⁽³⁾	4.0%	5.8%	(1.8) p.p.
Total	103.0%	102.7%	0.3 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 32.

⁽³⁾ Consists of staff restructuring costs and reorganization expenses related to the acquisition of CSHP, as well as restructuring costs related to the reorganization of certain Canadian trading and other operations.

p.p.: percentage points

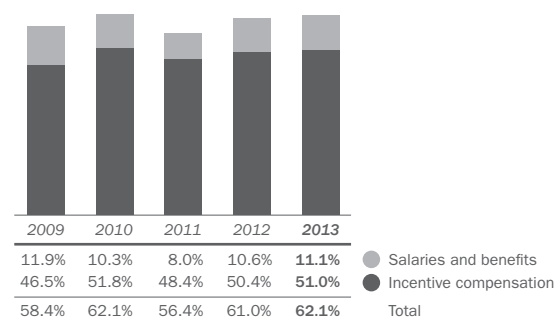
Expenses for fiscal 2013 were \$820.8 million, an increase of 32.2% or \$199.8 million compared to last year; however, total expenses as a percentage of revenue increased slightly by 0.3 percentage points compared to the prior year. Higher expenses were recorded to support the global expansion of the Company. Excluding significant items, total expenses were \$766.9 million, up \$202.7 million or 35.9% from fiscal 2012.

Compensation expenses

Incentive compensation expense was \$406.7 million, an increase of \$101.8 million or 33.4%, which was consistent with the increase in incentive-based revenue. Incentive compensation expense as a percentage of total revenue increased by 0.6 percentage points from fiscal 2012, to 51.0%, as a result of higher long-term incentive plan (LTIP) expense related to amortization of grants that were awarded in prior periods. Salaries and benefits expense was \$88.5 million, an increase of 38.5% from the prior year. Salaries and benefits expense as a percentage of revenue was 11.1% in fiscal 2013 compared to 10.6% in fiscal 2012. The increase in salaries and benefits expense and percentage of revenue compared to fiscal 2012 is consistent with the higher headcount, primarily in the UK and Europe, and the US, as a result of our global expansion.

The total compensation (incentive compensation plus salaries and benefits) expense as a percentage of consolidated revenue was 62.1%, up 1.1 percentage point compared to 61.0% in fiscal 2012. As discussed above, this was mainly due to the higher headcount in the current fiscal year.

TOTAL COMPENSATION AS A % OF REVENUE



Other overhead expenses

(C\$ thousands, except % amounts)	For the years ended March 31		
	2013	2012	2013/2012 change
Trading costs	\$ 43,892	\$ 30,313	44.8%
Premises and equipment	41,124	27,546	49.3%
Communication and technology	49,115	28,343	73.3%
Interest	15,302	9,816	55.9%
General and administrative	89,504	69,523	28.7%
Amortization ⁽¹⁾	33,779	14,108	139.4%
Development costs	19,526	21,193	(7.9)%
Total other overhead expenses	\$ 292,242	\$ 200,842	45.5%

⁽¹⁾ Includes \$20.6 million and \$5.5 million of amortization of intangible assets for the years ended March 31, 2013 and March 31, 2012, respectively. See the Selected Financial Information Excluding Significant Items table on page 32.

Other overhead expenses were \$292.2 million or 45.5% higher in fiscal 2013, which as a percentage of revenue represented an increase of 3.5 percentage points compared to fiscal 2012.

The overall growth in other overhead expenses was driven by the higher communication and technology, general and administrative, amortization, trading, premises and equipment and interest expenses.

Our expanded operations in the US and in the UK and Europe from the acquisition of CSHP were the main contributors to the increase in overhead expenses during fiscal 2013. Communication and technology expense increased by \$20.8 million compared to fiscal 2012 as a result of the additional headcount as well as the global expansion of technology platforms. Trading costs were up \$13.6 million in the current year compared to fiscal 2012, mainly due to the addition of certain principal trading operations in the US from the acquisition of CSHP. The Company's new wealth management operations in the UK and Europe and in Australia also contributed to the higher trading costs. Premises and equipment expense increased by \$13.6 million because of the additional office space acquired from our global expansion. Interest expense increased by \$5.5 million, partially due to an increase in stock borrowing expense in our UK operations. In the US operations, the acquisition of CSHP expanded its existing business, and resulted in the addition of the Fixed Income and International Equity Group (IEG), which led to higher interest expense of \$1.7 million.

General and administrative expense, which includes promotion and travel expense, office expense, professional fees and other expense, was up \$20.0 million, mainly due to our expanded operations, as well as certain integration costs incurred to align the various global business units. On October 25, 2012, our US capital markets division held a charity trading day and generated a \$0.9 million donation for Youth, I.N.C.

Amortization of intangible assets acquired through the purchase of a 50% interest in Canaccord Genuity (Australia) Limited (formerly Canaccord BGF) and the acquisition of CSHP was the main reason for the \$19.7 million increase in amortization expense.

During the year ended March 31, 2013, the Company took a number of steps to contain costs and refocus our Canadian operations. This resulted in \$15.0 million of restructuring costs in Canada. In the US, steps were taken to take advantage of cost saving synergies between the recently acquired CSHP and the existing Canaccord Genuity US operations, which resulted in \$6.8 million of restructuring costs. Furthermore, \$9.8 million of restructuring costs were incurred in the UK and Europe in connection with a review of staff redundancies and the integration of Eden Financial Ltd.'s wealth management business, to grow the client asset base. Acquisition-related costs of \$1.7 million were also incurred for our acquisitions of the wealth management business of Eden Financial and certain assets and liabilities from Kenosis Capital Partners (Kenosis Capital) in Asia, a merchant bank and advisory group.

Including significant items, non-compensation expense as a percentage of revenue dropped from 41.7% in fiscal 2012 to 40.8% in fiscal 2013. Excluding significant items, non-compensation expense as a percentage of revenue increased by 1.8 percentage points compared to the prior year, to 34.1% in fiscal 2013.

NET INCOME (LOSS)

Net loss for fiscal 2013 decreased from \$21.3 million in fiscal 2012 to \$18.8 million. Diluted loss per share was \$0.31 in fiscal 2013 compared to \$0.33 in the prior year. Excluding significant items, net income for fiscal 2013 was \$25.6 million versus a net income of \$25.2 million in fiscal 2012, and diluted earnings per share was \$0.14 compared to diluted earnings per share of \$0.25 in fiscal 2012.

Income tax recovery was \$4.9 million for fiscal 2013, reflecting an effective tax recovery rate of 20.8% compared to an effective tax recovery rate of (32.4)% in the prior year. The effective tax recovery rate for fiscal 2013 was mainly driven by temporary differences not recognized for accounting purposes in certain operations 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 58.

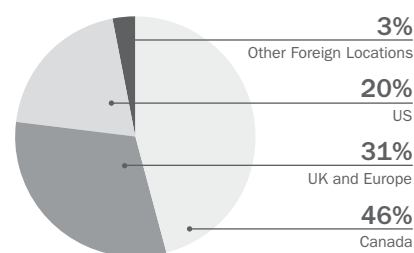
Results by Geographic Segment

This section is an analysis of Canaccord's results by geographic segment. Canaccord's business operations are grouped into four geographic segments: Canada, the United Kingdom (UK) and Europe, the United States (US), and Other Foreign Locations. Revenue in Canada was derived from the Canaccord Genuity, Canaccord Genuity Wealth Management, and Corporate and Other segments. Revenue from the UK and Europe was mainly derived from the Canaccord Genuity segment during fiscal 2013; however, with the acquisition of CSHP, our UK and Europe operations also included revenue earned from wealth management activity. Revenue in the US was mainly derived from the Canaccord Genuity segment, with approximately 1.4% of its revenue originating from operations in the Canaccord Genuity Wealth Management segment during fiscal 2013. Revenue from Other Foreign Locations was primarily made up of Canaccord Genuity activity, with a small portion generated by our Canaccord Genuity Wealth Management business in Australia.

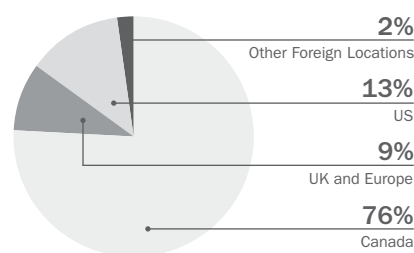
GEOGRAPHIC DISTRIBUTION OF REVENUE

(For the years ended March 31)

2013



2012



For the years ended March 31⁽¹⁾

(C\$ thousands, except number of employees)	2013					2012				
	Canada	UK and Europe ⁽²⁾	US	Other Foreign Locations ⁽³⁾	Total	Canada	UK and Europe ⁽²⁾	US	Other Foreign Locations ⁽³⁾	Total
Revenue	\$ 366,439	\$ 249,811	\$ 155,585	\$ 25,287	\$ 797,122	\$ 458,131	\$ 53,180	\$ 83,061	\$ 10,492	\$ 604,864
Expenses	362,552	259,520	164,147	34,605	820,824	418,692	94,382	90,594	17,315	620,983
Income (loss) before income taxes	\$ 3,887	\$ (9,709)	\$ (8,562)	\$ (9,318)	\$ (23,702)	\$ 39,439	\$ (41,202)	\$ (7,533)	\$ (6,823)	\$ (16,119)
Excluding significant items⁽⁴⁾										
Total expenses	343,402	237,708	157,334	28,449	766,893	395,689	65,959	86,991	15,543	564,182
Income (loss) before income taxes	\$ 23,037	\$ 12,103	\$ (1,749)	\$ (3,162)	\$ 30,229	\$ 62,442	\$ (12,779)	\$ (3,930)	\$ (5,051)	\$ 40,682
Number of employees	1,015	694	253	98	2,060	1,309	737	302	80	2,428

⁽¹⁾ Data is in accordance with IFRS except for figures excluding significant items and number of employees.

⁽²⁾ Canaccord's UK and Europe operations earned most of their revenue from capital markets activities during fiscal 2012. Results of CSHP entities and the wealth management business of Eden Financial Ltd. are included in fiscal 2013 since their acquisition dates.

⁽³⁾ Revenue derived from capital markets activities outside of Canada, the UK and Europe, and the US is reported as Other Foreign Locations, which includes operations for Canaccord International Ltd., Canaccord Genuity Asia, Canaccord Genuity (Australia) Limited, and Canaccord Genuity Singapore. Data in Other Foreign Locations includes results of Canaccord Genuity Asia since the acquisition date of January 17, 2011, results of Canaccord Genuity (Australia) Limited since the closing date of November 1, 2011, and results of Canaccord Genuity Singapore since March 22, 2012.

⁽⁴⁾ Refer to the Selected Financial Information Excluding Significant Items table on page 32.

Revenue for the year ended March 31, 2013 was \$797.1 million, an increase of 31.8% or \$192.3 million compared to the prior year, primarily due to the growing operations in the UK and Europe, and the US. Revenue in Canada declined to \$366.4 million from \$458.1 million in fiscal 2012 as a result of lower capital markets activity attributable to the subdued pace of equity underwriting in our focus sectors due to volatility in the market environment. In the UK and Europe, revenue was \$249.8 million, which was up considerably by \$196.6 million, and revenue in the US was \$155.6 million, up \$72.5 million or 87.3% from the prior year. The acquisition of CSHP also led to expanded operations in our Other Foreign Locations, where revenue increased by \$14.8 million to \$25.3 million in fiscal 2013. Revenue from our Other Foreign Locations represented 3.2% of total revenue, up 1.5 percentage points compared to fiscal 2012 as a result of the Company's global expansion.

Expenses in the Canadian operations

Expenses for fiscal 2013 in Canada were down \$56.1 million or 13.4%. A decrease in incentive compensation expense of \$37.6 million or 17.3%, consistent with the decrease in incentive-based revenue, was the main contributor to the overall reduction in expenses. Salaries and benefits expense was down \$1.0 million due to staff reductions in our Canaccord Genuity Wealth Management group and the Canadian back-office operations. Total compensation expense as a percentage of revenue was 62.7% in fiscal 2013, an increase of 4.1 percentage points from fiscal 2012, mainly attributable to higher LTIP expense related to the amortization of grants awarded in prior periods.

Excluding significant items, non-compensation expense was \$113.6 million in fiscal 2013 compared to \$127.3 million in fiscal 2012, a decrease of \$13.7 million. The main contributor to this drop in expense was a \$9.4 million drop in general and administrative expense and a \$4.4 million decrease in trading costs. The overall decrease in expenses is a result of the Company's cost containment efforts in our Canadian operations.

Our Canadian capital markets operations incurred \$2.8 million less in promotion and travel expense compared to fiscal 2012. Professional fees were \$1.4 million lower and other expenses were \$2.0 million lower in the Corporate and Other segment compared to the prior year, for the reasons stated above. Lower client settlement expense in fiscal 2013 also contributed \$2.1 million to the decrease in general and administrative expense. Trading costs were 20.1% or \$4.4 million lower than the prior year, consistent with lower trading volume.

The overall decrease in expenses was offset by a \$2.3 million increase in amortization expense. As part of the Company's strategic efforts to refocus its Canadian wealth management business, underperforming branches were closed during the fiscal year. As a result, the amortization of leasehold expenses related to closed branches was accelerated, which led to an increase in amortization expense.

In fiscal 2013, significant items in the amount of \$19.2 million were recorded in our Canadian operations. Significant items included \$15.0 million for restructuring expenses as well as \$0.4 million for acquisition-related expense items. Excluding significant items, total expenses in Canada were \$343.4 million compared to \$395.7 million during the previous year. Total non-compensation expenses excluding significant items as a percentage of revenue increased from 27.8% in fiscal 2012 to 31.0% in fiscal 2013.

Expenses in the UK and Europe operations

Expenses in the UK and Europe were \$259.5 million, \$165.1 million or 175.0% higher than the prior year. Incentive compensation expense increased by \$93.8 million as a result of higher incentive-based revenue. Total compensation expense as a percentage of revenue was down from 75.4% to 61.5% for fiscal 2013 due to the significant growth in revenue.

The expansion of the Company through its acquisition of CSHP was the main driver for the increase in general and administrative expense, salaries and benefits expense, communication and technology expense, amortization expense, premises and equipment expense, trading costs, interest expense and development costs. The higher expenses resulted from the expansion of our UK and Europe operations through the acquisition of CSHP, as well as from certain integration costs incurred by the combined operations that were inevitable during the current fiscal year.

Restructuring costs of \$9.8 million were recorded to eliminate staffing redundancies and fully utilize synergies from the CSHP acquisition. The Company enhanced its global wealth management platform by acquiring the wealth management business of Eden Financial in the UK. Acquisition-related costs of \$1.3 million were incurred in fiscal 2013 in relation to the acquisition. Excluding these significant items, total expenses in the UK and Europe increased by \$171.7 million or 260.4%, to \$237.7 million.

Expenses in the US operations

Expenses in the US for the year were \$164.1 million, up \$73.6 million. Incentive compensation expense was \$35.3 million or 73.5% higher due to the increase in incentive-based revenue. Total compensation expense as a percentage of revenue declined by 3.3 percentage points to 60.0% for fiscal 2013.

Excluding significant items, non-compensation expense was \$64.0 million in fiscal 2013, an increase of \$29.6 million from the prior year. The main contributors were a \$13.5 million increase in trading costs, a \$6.7 million increase in communication and technology expense, a \$4.2 million increase in general and administrative expense, a \$3.4 million increase in premises and equipment expense and a \$1.7 million increase in interest expense. As with the operations in the UK and Europe, the US operations experienced a significant increase in overall expenditures as a result of the growth in operations through the Company's acquisition of CSHP.

Restructuring costs of \$6.8 million were related to the reorganization of the US operations to take advantage of cost saving synergies between the CSHP and Canaccord Genuity operations.

Expenses in the Other Foreign Locations operations

Expenses in Other Foreign Locations for the year were \$34.6 million, up \$17.3 million, mainly due to the expansion of our operations into China, Australia and Singapore over the past fiscal year. The largest expenses include incentive compensation expense of \$15.7 million, amortization expense of \$6.7 million, general and administrative expense of \$5.3 million, and salaries and benefits expense of \$2.8 million. The \$10.2 million increase in incentive compensation expense was due to the increase in revenue and expansion of our Other Foreign Locations operations. The amortization of intangible assets acquired relating to the acquisitions of CSHP and Canaccord Genuity (Australia) Limited was \$6.2 million. Higher salaries and benefits and general and administrative expenses were recorded to support the expansion of operations in these countries.

Quarterly Financial Information⁽¹⁾⁽²⁾

The following table provides selected quarterly financial information for the eight most recently completed financial quarters ended March 31, 2013. 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)	Fiscal 2013				Fiscal 2012			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue								
Commissions and fees	\$ 87,438	\$ 89,415	\$ 87,525	\$ 88,747	\$ 74,170	\$ 57,380	\$ 60,299	\$ 61,028
Investment banking	38,541	40,609	37,961	28,661	53,553	32,015	29,799	59,858
Advisory fees	56,145	69,348	28,571	25,626	24,634	38,541	21,664	22,531
Principal trading	22,780	18,670	17,109	7,847	6,769	3,304	(1,379)	1,953
Interest	6,758	7,291	6,758	8,392	8,205	8,147	7,590	7,857
Other	6,309	4,670	8,675	3,276	10,361	8,502	1,527	6,556
Total revenue	217,971	230,003	186,599	162,549	177,692	147,889	119,500	159,783
Total expenses	211,984	216,882	204,910	187,048	207,731	142,822	126,396	144,034
Net income (loss)								
before taxes	5,987	13,121	(18,311)	(24,499)	(30,039)	5,067	(6,896)	15,749
Net income (loss)	\$ 6,424	\$ 10,264	\$ (14,841)	\$ (20,622)	\$ (31,794)	\$ 2,531	\$ (5,278)	\$ 13,195
Earnings (loss) per share – basic	\$ 0.04	\$ 0.09	\$ (0.19)	\$ (0.24)	\$ (0.42)	\$ 0.02	\$ (0.09)	\$ 0.17
Earnings (loss) per share – diluted	\$ 0.04	\$ 0.08	\$ (0.19)	\$ (0.24)	\$ (0.42)	\$ 0.01	\$ (0.09)	\$ 0.16
Excluding significant items ⁽³⁾								
Net income (loss)	\$ 15,579	\$ 20,453	\$ 5,907	\$ (16,295)	\$ 2,089	\$ 10,644	\$ (1,665)	\$ 14,125
Earnings (loss) per share – basic	\$ 0.14	\$ 0.19	\$ 0.03	\$ (0.20)	\$ 0.02	\$ 0.12	\$ (0.05)	\$ 0.19
Earnings (loss) per share – diluted	\$ 0.12	\$ 0.17	\$ 0.03	\$ (0.20)	\$ 0.02	\$ 0.11	\$ (0.05)	\$ 0.17

⁽¹⁾ Data is in accordance with IFRS except for figures excluding significant items.

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

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

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

(C\$ thousands, except per share amounts)	Q4	Q3	Q2	Fiscal 2013 Q1	Q4	Q3	Q2	Fiscal 2012 Q1
Total revenue per IFRS	\$ 217,971	\$ 230,003	\$ 186,599	\$ 162,549	\$ 177,692	\$ 147,889	\$ 119,500	\$ 159,783
Total expenses per IFRS	211,984	216,882	204,910	187,048	207,731	142,822	126,396	144,034
<i>Significant items recorded in Canaccord Genuity</i>								
Restructuring costs	5,561	5,276	4,395	—	27,786	1,292	—	—
Acquisition-related costs	—	—	388	—	6,323	2,700	1,443	—
Amortization of intangible assets	3,458	3,473	3,436	4,373	1,865	1,767	930	930
<i>Significant items recorded in Canaccord Genuity Wealth Management</i>								
Restructuring costs	884	1,034	13,567	—	900	—	—	—
Acquisition-related costs	—	431	900	—	4,077	—	—	—
Amortization of intangible assets	1,600	1,643	1,614	998	—	—	—	—
<i>Significant items recorded in Corporate and Other</i>								
Restructuring costs	—	—	900	—	275	5,000	—	—
Acquisition-related costs	—	—	—	—	—	—	1,513	—
Total significant items	11,503	11,857	25,200	5,371	41,226	10,759	3,886	930
Total expenses excluding significant items	200,481	205,025	179,710	181,677	166,505	132,063	122,510	143,104
Net income (loss) before tax – adjusted	17,490	24,978	6,889	(19,128)	11,187	15,826	(3,010)	16,679
Income taxes (recovery) – adjusted	1,911	4,525	982	(2,833)	9,098	5,182	(1,345)	2,554
Net income (loss) – adjusted	\$ 15,579	\$ 20,453	\$ 5,907	\$ (16,295)	\$ 2,089	\$ 10,644	\$ (1,665)	\$ 14,125
EPS – basic – adjusted	\$ 0.14	\$ 0.19	\$ 0.03	\$ (0.20)	\$ 0.02	\$ 0.12	\$ (0.05)	\$ 0.19
EPS – diluted – adjusted	\$ 0.12	\$ 0.17	\$ 0.03	\$ (0.20)	\$ 0.02	\$ 0.11	\$ (0.05)	\$ 0.17

⁽¹⁾ Figures excluding significant items are non-IFRS measures.

⁽²⁾ Data includes the results of Genuity since the closing date of April 23, 2010. Results of Canaccord Genuity Asia since the closing date of January 17, 2011 and results of Canaccord Genuity (Australia) Limited since the closing date of November 1, 2011 are also included. The operating results of Canaccord Genuity (Australia) Limited have been consolidated and a 50% non-controlling interest has been recognized. Results of former CSHP entities since March 22, 2012 and the wealth management business of Eden Financial Ltd. since October 1, 2012 are also included.

Quarterly trends and risks

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

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

Capital markets activity remained subdued during the first quarter of fiscal 2013. This was reflected by an 8.5% decrease in revenue from Q4/12 to Q1/13. Q1/13 revenue was up slightly, by 1.7%, compared to the first quarter of fiscal 2012.

The second fiscal quarter is typically Canaccord's least active, Canaccord began to see the momentum expected from the acquisition of CSHP in Q2/13, with revenue increased approximately 14.8% compared to Q1/13.

The results of Canaccord's fiscal third quarter were characterized by record M&A and advisory revenue, achieved by several very large client transactions. This resulted in revenue of \$230.0 million in Q3/13, which was 23.3% higher compared to Q2/13 and 55.5% higher than Q3/12, which was prior to the acquisition of CSHP. The fiscal third quarter was the strongest quarter of the year.

Canaccord recorded \$218.0 million in revenue during its fiscal fourth quarter – a decrease of 5.2% from the prior quarter but an increase of 22.7% compared to the same quarter in the previous year. The increase from Q4/12 was mostly due to increased advisory revenue from the Company's expanded advisory practice and contributions for wealth management operations in the UK and Europe.

Fourth quarter 2013 performance

Revenue for the fourth quarter was \$218.0 million, an increase of \$40.3 million or 22.7% compared to the same period in the previous year, due to the significant growth in advisory fees, principal trading, and commissions and fees revenues, offset partially by a drop in investment banking revenue. The global expansion in the UK and Europe and the US led to an increase in advisory fees of \$31.5 million. Our Canadian capital markets activity also contributed to the increase in advisory fees in Q4/13 compared to Q4/12. Principal trading revenue also increased, by \$16.0 million, and commissions and fees revenue by \$13.3 million. Investment banking revenue was \$15.0 million lower compared to Q4/12, due to lower corporate finance activity. Both our operating segments, Canaccord Genuity and Canaccord Genuity Wealth Management, experienced increases in revenue compared to Q4/12, of \$39.6 million and \$5.7 million, respectively.

Expenses were \$212.0 million, up \$4.3 million or 2.0% from Q4/12. This increase was largely attributable to higher compensation expense, amortization, trading costs, communication and technology expense, and premises and equipment expense in Q4/13. Total expenses excluding significant items were \$200.5 million, an increase of \$34.0 million or 20.4% from Q4/12.

Incentive compensation expense was \$17.6 million higher compared to Q4/12, which was consistent with the higher incentive-based revenue. Total compensation expense as a percentage of revenue was down 1.3 percentage points to 62.4% in Q4/13, attributable to slight decreases in incentive compensation in the UK and Europe and in the US. The increase in salaries and benefits expense of \$5.2 million to \$22.8 million in Q4/13 is consistent with the higher average headcount, primarily in the UK and Europe and the US, as a result of our global expansion.

Our expanded operations in the US, and the UK and Europe from the acquisition of CSHP were the main contributors to the increase in overhead expenses during Q4/13. Trading costs were up \$4.5 million in Q4/13 compared to the same quarter of the prior year, mainly due to the addition of certain principal trading operations in the US from the acquisition of CSHP. The Company's new wealth management operations in the UK and Europe and in Australia also contributed to the higher trading costs. Communication and technology expense increased by \$2.9 million compared to Q4/12 in connection with the expansion of our global information technology infrastructure. Premises and equipment expense increased by \$2.6 million because of the additional office space acquired from our global expansion.

Amortization expense was up \$5.1 million or 118.2% as the Company began amortizing the intangible assets acquired in connection to CSHP commencing in Q1/13.

Net income for the fourth quarter of fiscal 2013 was \$6.4 million, compared to net loss of \$31.8 million in Q4/12. The increase in net income was mainly related to additional revenue from the expanded operations as well as acquisition-related and restructuring costs incurred in Q4/12. Diluted earnings per share in the current quarter was \$0.04, compared to a diluted loss per share of \$0.42 in Q4/12. Book value per diluted common share decreased by 7.1%, down from \$8.26 in Q4/12 to \$7.68 in Q4/13.

There were \$11.5 million and \$41.2 million of significant items included in the fourth quarters of 2013 and 2012, respectively. Excluding significant items, net income for Q4/13 was \$15.6 million, compared to net income of \$2.1 million in Q4/12, and diluted EPS was \$0.12, compared to diluted EPS of \$0.02 in Q4/12.

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

	For the years ended March 31							
	2013				2012			
(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	\$ 204,337	\$ 137,625	\$ 24,477	\$ 366,439	\$ 232,306	\$ 195,728	\$ 30,097	\$ 458,131
UK and Europe	158,054	91,757	—	249,811	51,193	1,987	—	53,180
US	153,355	2,230	—	155,585	79,486	3,575	—	83,061
Other Foreign Locations	21,814	3,473	—	25,287	10,492	—	—	10,492
Total revenue	537,560	235,085	24,477	797,122	373,477	201,290	30,097	604,864
Expenses	529,677	229,507	61,640	820,380	375,144	166,465	79,374	620,983
Income (loss) before income taxes	\$ 7,883	\$ 5,578	\$ (37,163)	\$ (23,702)	\$ (1,667)	\$ 34,825	\$ (49,277)	\$ (16,119)
Excluding significant items ⁽³⁾								
Expenses	499,317	206,836	60,740	766,893	330,108	161,488	72,586	564,182
Income (loss) before income taxes	\$ 38,243	\$ 28,249	\$ (36,263)	\$ 30,229	\$ 43,369	\$ 39,802	\$ (42,489)	\$ 40,682
Number of employees	959	769	332	2,060	1,090	960	378	2,428

(1) Data is in accordance with IFRS except for figures excluding significant items and number of employees. Detailed financial results for the business segments are shown in Note 19 of the Audited Consolidated Financial Statements on page 106.

(2) Canaccord Genuity data includes the results of Genuity since the closing date of April 23, 2010. Results of Canaccord Genuity Asia since the closing date of January 17, 2011 and results of Canaccord Genuity (Australia) Limited since the closing date of November 1, 2011 are also included. The operating results of Canaccord Genuity (Australia) Limited have been consolidated and a 50% non-controlling interest has been recognized. Results of former CSHP entities since March 22, 2012 and the wealth management business of Eden Financial Ltd. since October 1, 2012 are also included.

(3) See the Selected Financial Information Excluding Significant Items table on page 32.

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

Canaccord Genuity provides investment banking, research, and sales and trading services to corporate, institutional and government clients as well as conducting principal trading activities in Canada, the US, the UK and Europe, and Other Foreign Locations. Canaccord Genuity's revenue is generated from commissions and fees earned in connection with investment banking transactions and institutional sales and trading activity, as well as trading gains and losses from Canaccord's principal and international trading operations. For fiscal 2013, total revenue was \$537.6 million, up \$164.1 million or 43.9% from fiscal 2012. Fiscal 2013 expenses for Canaccord Genuity were \$529.7 million, an increase of \$154.5 million or 41.2% from fiscal 2012. Excluding significant items, expenses were \$499.3 million, 51.3% or \$169.2 million higher than in fiscal 2012.

Canaccord Genuity Wealth Management provides brokerage services and investment advice to private clients in Canada and, to a lesser degree, the US. As a result of the acquisitions of CSHP, Canaccord Genuity (Australia) Limited, and the wealth management business of Eden Financial, our Canaccord Genuity Wealth Management operations also expanded into the UK and Europe and Australia. Canaccord Genuity Wealth Management's revenue is generated through traditional commission-based brokerage services; the sale of fee-based products and services; client-related interest; and fees and commissions earned by Advisory Teams for investment banking and venture capital transactions by private clients. In fiscal 2013, total revenue was \$235.1 million, up 16.8% from the previous year. Total expenses for Canaccord Genuity Wealth Management for fiscal 2013 were \$229.5 million, up 37.9% compared to fiscal 2012.

The Corporate and Other segment includes correspondent brokerage services, interest, and foreign exchange revenue and expenses not specifically allocable to the Canaccord Genuity and Canaccord Genuity Wealth Management divisions. Also included in this segment are Canaccord's operations and support services departments, which are responsible for front- and back-office information technology systems, compliance and risk management, operations, finance and other administrative functions. For fiscal 2013, revenue for the Corporate and Other segment was \$24.5 million, a decrease of 18.7% from the previous year. Expenses also decreased by 22.3% to \$61.6 million for the current year compared to fiscal 2012.

CANACCORD GENUITY

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

Revenue for this segment is generated from four geographic segments: Canada, the UK and Europe, the US and Other Foreign Locations. Canaccord Genuity has 23 locations in 12 countries worldwide. Canaccord Genuity's recent expansion efforts in the UK have firmly positioned the Company as a leading independent investment bank in that market. As at March 31, 2013, Canaccord Genuity had the third greatest number of corporate broking clients in the UK of all investment banks.⁽¹⁾ Canaccord Genuity has also developed a prominent position in Canada for its M&A and advisory practice.

Capital markets activity remained relatively subdued in fiscal 2013 compared to previous years; however, M&A and advisory activity was strong, due largely to challenging macroeconomic conditions and economic uncertainty during periods of the year. Despite this market environment, Canaccord Genuity participated in 382 transactions globally for clients, which raised gross proceeds of \$31.4 billion⁽²⁾. Of these, Canaccord Genuity led or co-led 111 transactions globally, raising total proceeds of \$3.7 billion.

Canaccord Genuity sector diversification remains a core component of the Company's strategy. Resource-related revenue was 21% of Canaccord Genuity's total investment banking revenue in fiscal 2013, versus 50% in fiscal 2012. Resource-related transactions comprised 31% of the total number of Canaccord Genuity's investment banking transactions in fiscal 2013, approximately equal to 30% in fiscal 2012. Canaccord's sector diversification was bolstered by the acquisition of CSHP in March 2012, providing additional strength in non-resource sectors during fiscal 2013.

During fiscal 2013, Canaccord Genuity expanded its research coverage and investment banking activity to include more companies in the following sectors:

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

⁽¹⁾ Source: Corporate Advisers Rankings Guide – March 2013

⁽²⁾ Transactions over \$1.5 million

Industry profile

Canaccord Genuity is active in stocks listed or quoted on ten exchanges internationally – the TSX, TSX Venture, LSE, AIM, NASDAQ, NYSE, AMEX, ASX, SGX and SGX Catalist. Our expertise in these markets allows us to lower costs of capital, broaden shareholder bases and provide best execution and liquidity for our clients. For fiscal 2013, financing values were down on the TSX, TSX Venture and AIM, but up on the NASDAQ compared to the prior year.

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 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 amongst competition.

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. During fiscal 2014, there will be a stronger emphasis on globalizing key leadership positions and departments.

In the year ahead, 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 platforms provide a competitive advantage for the business compared to many of the domestically focused firms we compete with. This is especially true in advisory services, where clients are recognizing the value of cross-border transactions. Canaccord Genuity continues to have a very strong pipeline of M&A activity, and expects another strong year of advisory performance. Equity underwriting is expected to remain subdued in many of our markets, including Canada; however, signs of a rebound in underwriting activity are occurring in the US.

The continued shift towards electronic trading, and increased trading on alternative platforms, is expected to shift some trading market share away from the main stock exchanges. Canaccord Genuity is active in offering trading services on many of the alternative exchanges. The Company has also developed a strong presence in the US with its American Depositary Receipts (ADR) and foreign equity trading capabilities from its International Equities Group.

It is not expected that Canaccord Genuity will be materially impacted by any regulatory changes in the next year; however, the Company is closely monitoring the European parliaments' proposed bank bonus legislation. This legislation may impact Canaccord's operations in the UK and Europe depending on how the proposed bonus restrictions and regulations are adopted.

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

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

FINANCIAL PERFORMANCE⁽¹⁾⁽²⁾

For the years ended March 31

(C\$ thousands, except number of employees)	2013					2012				
	Canada	UK and Europe	US	Other Foreign Locations	Total	Canada	UK and Europe	US	Other Foreign Locations	Total
Revenue	\$ 204,337	\$ 158,054	\$ 153,355	\$ 21,814	\$ 537,560	\$ 232,306	\$ 51,193	\$ 79,486	\$ 10,492	\$ 373,477
Expenses										
Incentive compensation	101,082	93,502	82,353	13,171	290,108	109,180	33,481	46,319	5,425	194,405
Salaries and benefits	6,822	15,593	10,064	2,691	35,170	5,465	5,471	4,572	2,308	17,816
Other overhead expenses	48,929	61,717	63,539	14,594	188,779	54,567	25,358	33,872	9,582	123,379
Acquisition-related costs	388	—	—	—	388	4,143	5,886	437	—	10,466
Restructuring costs	575	7,852	6,805	—	15,232	7,452	18,460	3,166	—	29,078
Total expenses	157,796	178,664	162,761	30,456	529,677	180,807	88,656	88,366	17,315	375,144
Income (loss) before income taxes ⁽³⁾	\$ 46,541	\$ (20,610)	\$ (9,406)	\$ (8,642)	\$ 7,883	\$ 51,499	\$ (37,463)	\$ (8,880)	\$ (6,823)	\$ (1,667)
Excluding significant items ⁽⁴⁾										
Total expenses	153,112	165,955	155,952	24,298	499,317	165,492	64,310	84,763	15,543	330,108
Income (loss) before income taxes (recovery)	\$ 51,225	\$ (7,901)	\$ (2,597)	\$ (2,484)	\$ 38,243	\$ 66,814	\$ (13,117)	\$ (5,277)	\$ (5,051)	\$ 43,369
Number of employees	222	400	253	84	959	247	461	302	80	1,090

(1) Data is in accordance with IFRS except for figures excluding significant items and number of employees.

(2) Data in Canada includes the results of Genuity since the closing date of April 23, 2010. Results of The Balloch Group Limited (TBG) since the closing date of January 17, 2011 are included in Other Foreign Locations. The operating results of Canaccord Genuity (Australia) Limited have been consolidated and a 50% non-controlling interest has been recognized. Results of former CSHP entities since March 22, 2012 are also included.

(3) See the Intersegment Allocated Costs section on page 52.

(4) Refer to the Selected Financial Information Excluding Significant Items table on page 32.

REVENUE

Despite the uncertainties in the global economy that continued into fiscal 2013, the Company focused its efforts on the global integration of our capital markets team. This led to an overall increase in revenue in our Canaccord Genuity segment. For fiscal year 2013, revenue was \$537.6 million, which was 43.9% or \$164.1 million higher than in fiscal 2012.

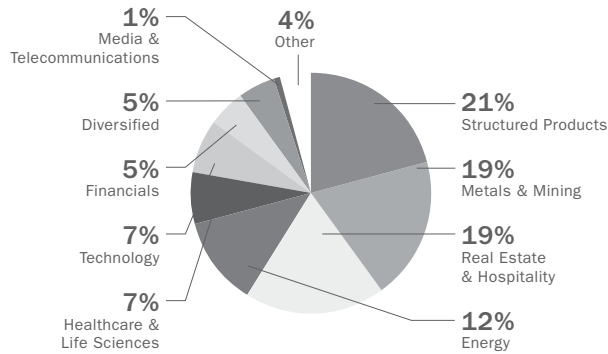
Capital markets activities dropped in our Canadian operations during fiscal 2013, mainly as a result of the subdued pace of equity underwriting due to volatility in the market environment, leading to a decrease in revenue of 12.0%. Revenue from our UK and Europe and our US operations increased by 208.7% and 92.9%, respectively, due to the larger scale operations in these geographic regions, achieved through the acquisition of CSHP. Revenue from our Other Foreign Locations represented 4.1% or \$21.8 million of total Canaccord Genuity revenue, up 1.3 percentage points compared to 2.8% or \$10.5 million in fiscal 2012 as a result of the Company's expansion in Asia and Australia.

Investment banking activity

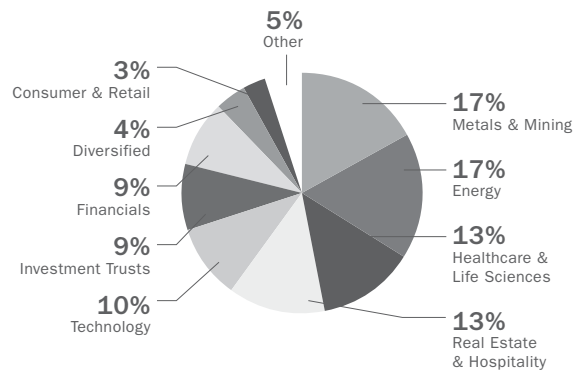
During fiscal 2013, Canaccord participated in raising \$31.4 billion in 382 equity offerings of \$1.5 million and greater, excluding venture capital. Canaccord Genuity's sector mix in fiscal 2013 showed increasing diversity, with over 64% of the transactions occurring in the Structured Products, Technology, Healthcare & Life Sciences, Financials, Real Estate & Hospitality, Diversified and other sectors. The Metals & Mining and Energy sectors, traditionally Canaccord's strength, made up nearly 31% of the investment banking transactions the Company participated in, and brought in nearly 34% of investment banking revenue.

CANACCORD GENUITY - OVERALL

Investment banking transactions by sector

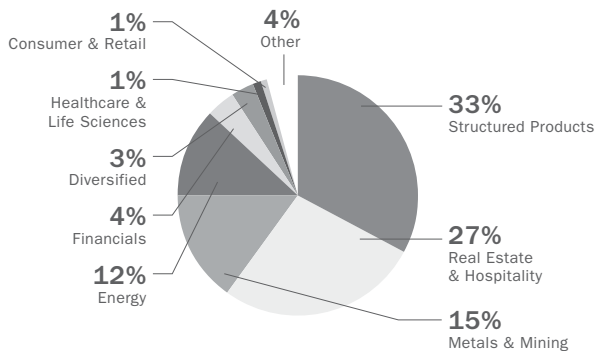


Investment banking revenue by sector

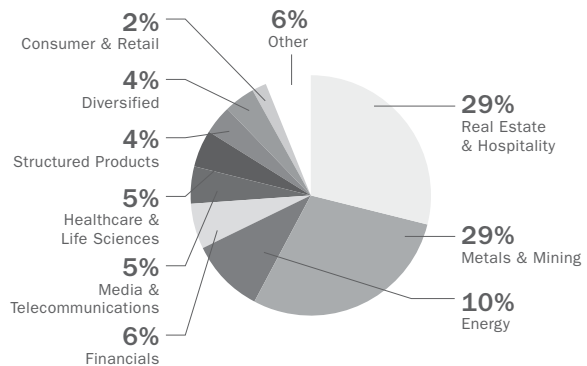


CANACCORD GENUITY - CANADA

Investment banking transactions by sector

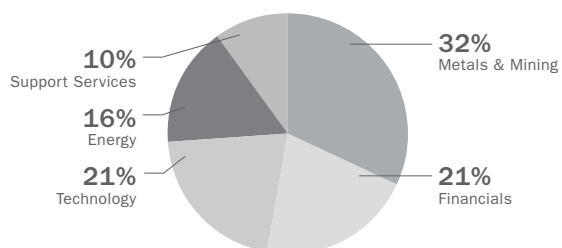


Investment banking revenue by sector

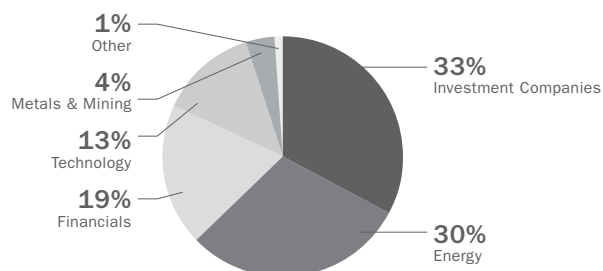


CANACCORD GENUITY – UK AND EUROPE

Investment banking transactions by sector

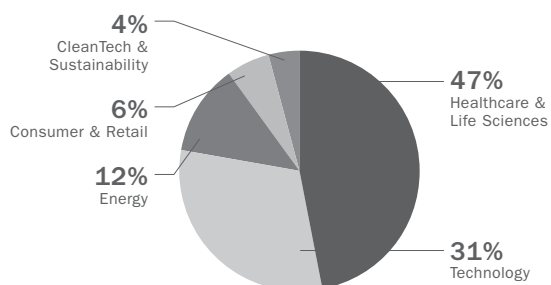


Investment banking revenue by sector

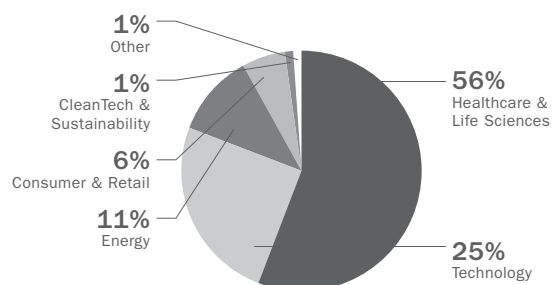


CANACCORD GENUITY – US

Investment banking transactions by sector

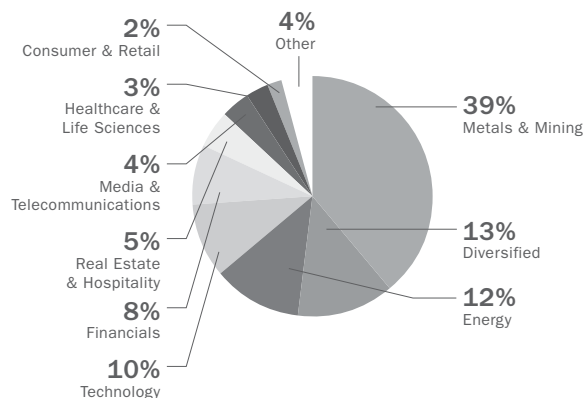


Investment banking revenue by sector

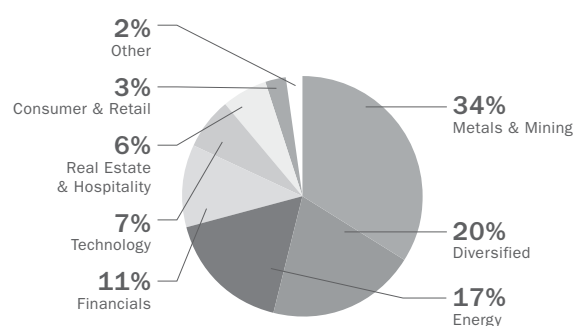


CANACCORD GENUITY – OTHER FOREIGN LOCATIONS

Investment banking transactions by sector



Investment banking revenue by sector



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

For the years ended March 31

(C\$ billions, except number of transactions)	2013		2012	
	Number of transactions	Aggregate transaction value	Number of transactions	Aggregate transaction value
Market				
Canada	288	\$ 23.7	274	\$ 2.4
UK and Europe	26	2.7	11	0.7
US	44	4.7	38	3.7
Other Foreign Locations	24	0.3	—	—
Total	382	\$ 31.4	323	\$ 6.8

Sources: Financial Post Data Group and Company sources

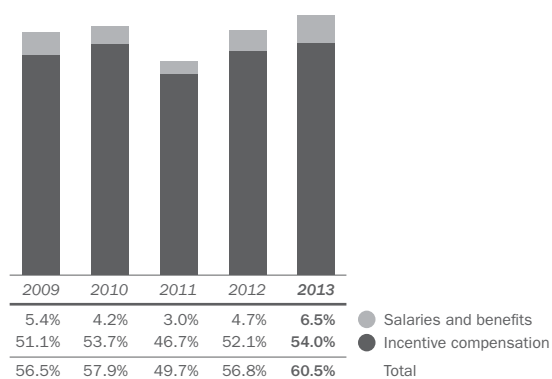
EXPENSES

Expenses for fiscal 2013 were \$529.7 million, an increase of 41.2% year over year. The Canaccord Genuity segment recognized \$30.4 million of significant items including restructuring costs incurred to better utilize the synergies between CSHP and the existing Canaccord Genuity operations and acquisition-related expense items in relation to its acquisition of Kenosis Capital Partners. In the prior year, Canaccord Genuity recognized \$45.0 million of significant items related to the purchase of CSHP and a 50% interest in Canaccord Genuity (Australia) Limited (formerly Canaccord BGF). Excluding significant items, fiscal 2013 total expenses were \$499.3 million, an increase of 51.3% or \$169.2 million compared to fiscal 2012, mainly due to additional expenses incurred for the expanded operations.

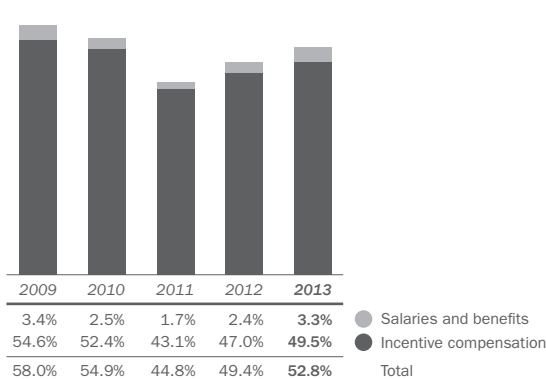
Incentive compensation and salaries and benefits

Incentive compensation expense for fiscal 2013 grew by \$95.7 million or 49.2% compared to fiscal 2012 as a result of the growth in incentive-based revenue. Incentive compensation expense as a percentage of revenue was 54.0%, up 1.9 percentage points from fiscal 2012 due to higher LTIP expense in the current year related to the amortization of grants awarded in prior periods. Salaries and benefits expense for fiscal 2013 was up \$17.4 million or 97.4% compared to fiscal 2012 due to our global expansion in the UK and Europe, and the US. Total compensation expense as a percentage of revenue was 3.7 percentage points higher at 60.5%.

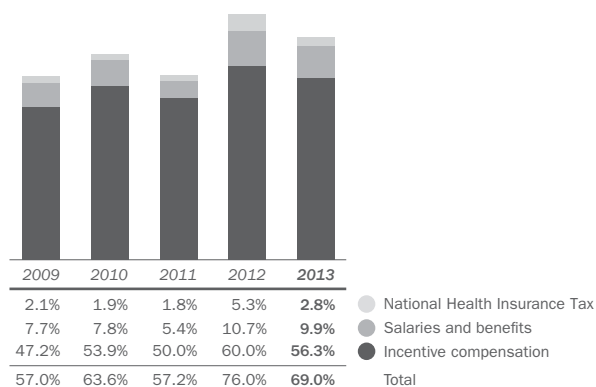
TOTAL COMPENSATION AS A % OF CANACCORD GENUITY REVENUE – OVERALL



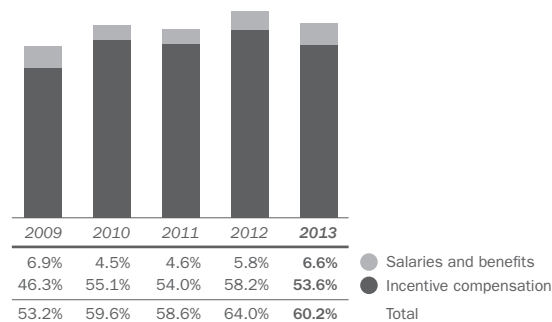
TOTAL COMPENSATION AS A % OF CANACCORD GENUITY REVENUE – CANADA



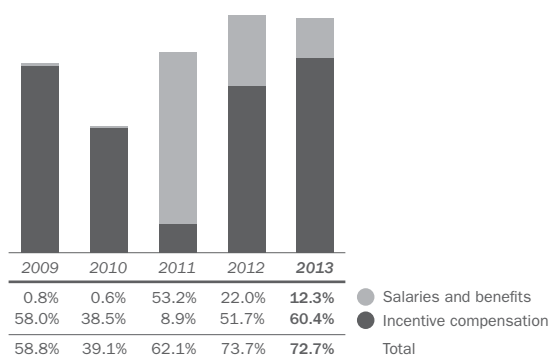
TOTAL COMPENSATION AS A % OF CANACCORD GENUITY REVENUE – UK AND EUROPE



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 were \$174.0 million, an increase of \$56.2 million. The largest fluctuation in other overhead expenses was a \$15.0 million increase in general and administrative expense. The remainder of the change in other overhead expenses is mostly due to the following: a \$14.8 million increase in communication and technology expense, a \$12.1 million increase in premises and equipment expense, a \$10.7 million increase in trading costs, a \$10.6 million increase in amortization expense and a \$5.2 million increase in interest expense.

Overhead expenses increased significantly, as was necessary to support the growth and integration of the acquired businesses in our Canaccord Genuity segment in the US, the UK and Europe, and Other Foreign Locations. Communication and technology expense increased by \$14.8 million compared to fiscal 2012 due to the higher average headcount in fiscal 2013 as well as the global expansion of technology platforms. Premises and equipment expense increased by \$12.1 million due to additional office space acquired. Trading costs were up \$10.7 million in fiscal 2013 compared to the prior year, mainly due to the addition of certain principal trading operations in the US. Interest expense increased by \$5.2 million due to increased stock borrowings in our UK operations. General and administrative expense, which includes promotion and travel expense, office expense, professional fees and donation expense, was up \$15.0 million, mainly due to our expanded operations, as well as certain integration costs incurred to align the various global business units.

Amortization of intangible assets acquired through the purchase of a 50% interest in Canaccord Genuity (Australia) Limited and the acquisition of CSHP was the main reason for the \$10.6 million increase in amortization expense.

Significant items include restructuring costs, acquisition-related costs, and amortization of intangible assets related to the acquisitions of Genuity, a 50% interest in Canaccord Genuity (Australia) Limited, and CSHP. In fiscal 2013, Canaccord Genuity incurred \$15.2 million of restructuring costs related to the reorganization of operations in the US, the UK and Europe, and Canada

to better integrate the acquired operations and generate stronger future performance. Acquisition-related costs of \$0.4 million were also recorded in relation to the acquisition of Kenosis Capital. In addition, our Canaccord Genuity segment recognized \$14.7 million of amortization of intangible assets, up \$9.2 million or 168.4% from the prior year.

INCOME BEFORE INCOME TAXES AND INTERSEGMENT ALLOCATED COSTS

Income before income taxes and intersegment allocated costs in fiscal 2013 was \$7.9 million compared to loss before income taxes and intersegment allocated costs of \$1.7 million in fiscal 2012. Excluding significant items, income before income taxes and intersegment allocated costs was \$38.2 million compared to \$43.4 million in fiscal 2012. The challenging market conditions that carried into fiscal 2013 coupled with higher integration costs for our newly acquired operations resulted in lower income excluding significant items in fiscal 2013.

CANACCORD GENUITY WEALTH MANAGEMENT

Overview

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

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

In the UK and Europe, Canaccord Genuity Wealth Management has six locations, including offices in the UK, the Channel Islands, the Isle of Man and Switzerland. Revenue earned by this business is largely generated through fee-based accounts and portfolio management activities. With 61% of the revenue from this business generated from fee-based activity, it 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 11 funds managed by Canaccord Genuity Wealth Management portfolio managers.

During fiscal 2013, Canaccord implemented a 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 markets that show prospects for market share growth.

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 with different business approaches and enhancing the support provided to advisors with holistic wealth management approaches are examples of initiatives the Company has implemented to ensure we meet the needs of a more conservative, aging client base with comprehensive financial planning needs. In addition to this, Canaccord Genuity Wealth Management has significantly enhanced its advisor training programs over the last several years to ensure Advisory Teams have the broad-based expertise required to provide holistic wealth management advice. During fiscal 2013, the Company had the highest participation in training programs ever recorded, with over 3,020 separate training engagements from the Company's Canadian advisor force.

In Australia, Canaccord Genuity Wealth Management continued to grow its presence during fiscal 2013. During the year, the business welcomed Trent McCamley as Head of Wealth Management (Australia) and welcomed several new advisors. As at March 31, 2013, the Company had 11 Investment Advisors in Australia. Collectively, they grew assets under management by almost 50% to \$451 million in this geography.

On May 1, 2013, subsequent to fiscal 2013, all of Canaccord's wealth management businesses were rebranded as Canaccord Genuity Wealth Management. Prior to this, the businesses were known as:

- Canaccord Wealth Management (Canada and Australia)
- Collins Stewart Wealth Management (UK and Europe)
- Eden Financial (UK)

Industry profile

Consolidation of wealth management businesses continues to be an industry theme in both Canada and the UK. In Canada, where operating scale and underwriting activity is a key determinant of success for smaller brokerages, the industry has seen many participants exit the market, shift to new client service models or become acquired. In the UK, increasing regulatory burden is expected to create some challenges for many smaller, sub-scale wealth management firms. As a result, M&A activity is expected to grow in the industry over the next few years, as the largely fragmented UK wealth management industry consolidates in order to operate successfully amid growing compliance requirements.

The recruiting environment for high quality Investment Advisors in Canada continues to be very competitive – with some market participants making historically high offers to recruit advisors in order to gain scale or expand their distribution channels for proprietary fund products. Margins for Canadian wealth management firms continue to be compressed as market volumes remain low compared to previous years.

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 over 60% 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 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. The Company's acquisition of Eden Financial's wealth management business during fiscal 2013 was its first acquisition to demonstrate this opportunity. An overall consolidation of the UK wealth management industry is expected, with fewer and larger wealth management firms ultimately competing to provide services in this market.

In Canada, Canaccord's focus will remain on operating a high quality, comprehensive wealth management platform. 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. As well, efforts to grow fee-based activities in Canada are underway by pairing advisors who take a traditional brokerage business approach with advisors who focus on comprehensive wealth management services.

With changing client preferences, Canaccord Genuity Wealth Management is also evaluating opportunities in all geographies to enhance its digital platform, provide greater online access and/or leverage social media platforms to communicate with clients.

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⁽⁴⁾⁽²⁾

(C\$ thousands, except AUM and AUA (in C\$ millions), number of employees, Advisory Teams, advisors, investment professionals and fund managers, and % amounts)

	For the years ended March 31			
	2013	2012	2013/2012 change	
Revenue	\$ 235,085	\$ 201,290	\$ 33,795	16.8%
Expenses				
Incentive compensation	111,583	101,364	10,219	10.1%
Salaries and benefits	23,651	15,437	8,214	53.2%
Other overhead expenses	77,457	44,687	32,770	73.3%
Restructuring costs	15,485	900	14,585	n.m.
Acquisition-related costs	1,331	4,077	(2,746)	(67.4)%
Total expenses	229,507	166,465	63,042	37.9%
Income before income taxes ⁽³⁾	\$ 5,579	\$ 34,825	\$ (29,246)	(84.0)%
AUM – Canada (discretionary) ⁽⁴⁾	835	677	158	23.3%
AUA – Canada ⁽⁵⁾	10,429	14,828	(4,399)	(29.7)%
AUM – UK and Europe ⁽⁶⁾	15,936	13,087	2,849	21.8%
AUM – Australia ⁽⁷⁾	451	—	451	n.m.
Total	26,816	27,915	(1,099)	(3.9)%
Number of Advisory Teams – Canada	178	280	(102)	(36.4)%
Number of investment professionals and fund managers – UK and Europe	122	106	16	15.1%
Number of advisors – Australia	12	—	12	n.m.
Number of employees	769	960	(191)	(19.9)%
Excluding significant items				
Total expenses	206,836	161,488	45,348	28.1%
Income (loss) before income taxes	28,249	39,802	(11,553)	(29.0)%

⁽¹⁾ Data is in accordance with IFRS except for figures excluding significant items, AUA, AUM, number of Advisory Teams, number of investment professionals and fund managers, and number of employees.

⁽²⁾ Includes Canaccord Genuity Wealth Management operations in Canada, the US, Australia and the UK and Europe. Operating results from former Collins Stewart Wealth Management entities since March 22, 2012 and the wealth management business of Eden Financial Ltd. since October 1, 2012 are also included.

⁽³⁾ See the Intersegment Allocated Costs section on page 52.

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

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

⁽⁶⁾ AUM in the UK and Europe is the market value of client assets managed and administered by Canaccord, for which Canaccord earns commissions or fees. This measure includes both discretionary and non-discretionary accounts.

⁽⁷⁾ AUM in Australia is the market value of client assets administered by Canaccord, from which Canaccord earns commissions and fees. This measure includes both discretionary and non-discretionary accounts.

n.m.: not meaningful

Fiscal 2013 revenue from Canaccord Genuity Wealth Management was \$235.1 million, an increase of 16.8% or \$33.8 million from fiscal 2012. The expansion of our wealth management operations into the UK and Europe led to the overall increase in revenues, offset by a decrease in revenue in our Canadian wealth management operations. 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 volatilities in market conditions.

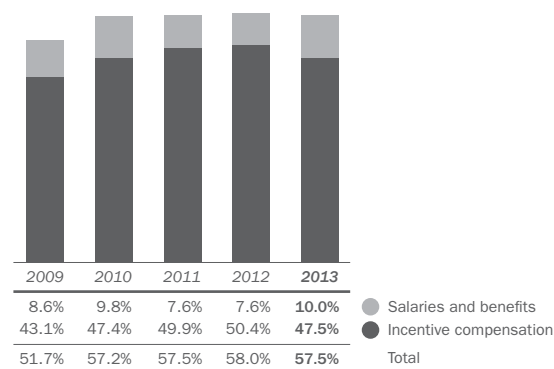
During fiscal 2013, the Company closed 16 underperforming branches across Canada to refocus the Canadian wealth management business.

AUA in Canada dropped by 29.7% to \$10.4 billion at March 31, 2013, primarily due to poor market performance and branch closures as a result of the restructuring of the Canadian wealth management operations. AUM in Canada increased by 23.3% compared to fiscal 2012 due to the Company's strategic emphasis on increasing this less volatile revenue stream. There were 178 Advisory Teams in Canada, down by 102 from a year ago.

Through the acquisition of the wealth management business of Eden Financial, Canaccord Genuity Wealth Management further expanded its wealth management business segment in the UK and Europe. AUM in the UK and Europe as of March 31, 2013 was \$15.9 billion, up \$2.8 billion or 21.8% from March 31, 2012. The fee-based revenue in our UK and Europe operations accounted for 61.1% of total revenue in this geography. As discussed above, this business has a higher proportion of fee-based revenue compared to our Canadian wealth management business.

Expenses for fiscal 2013 were \$229.5 million, an increase of 37.9% or \$63.0 million from fiscal 2012. Total compensation expense increased due to a \$10.2 million increase in incentive compensation expense and an \$8.2 million increase in salaries and benefits expense as a result of the expansion of our wealth management operations in the UK and Europe.

TOTAL COMPENSATION AS A % OF CANACCORD GENUITY WEALTH MANAGEMENT REVENUE



Excluding significant items, non-compensation expense was \$71.6 million, up \$26.9 million compared to \$44.7 million in the prior year. This was mainly due to an increase of \$11.9 million in general and administrative expense because of an increase in client settlement expense. The expansion of operations achieved through our acquisition of CSHP resulted in a \$10.2 million increase in general and administrative expense, a \$5.7 million increase in communication and technology expense, a \$6.7 million increase in amortization expense, a \$4.3 million increase in trading costs, and a \$2.9 million increase in development costs.

Significant items incurred during fiscal 2013 included acquisition-related costs of \$1.3 million in connection with the purchase of the wealth management business of Eden Financial and restructuring costs of \$15.5 million related to the closure of underperforming Canadian branches discussed above, as well as the integration of the UK and Europe wealth management businesses.

Income before income taxes and intersegment allocated costs for Canaccord Genuity Wealth Management during fiscal 2013 and 2012 was \$5.6 million and \$34.8 million, respectively. Lower revenue in our Canadian operations combined with significant restructuring costs was the primary contributor to the decrease in income before income taxes and intersegment allocated costs during fiscal 2013.

CORPORATE AND OTHER SEGMENT

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

Also included in this segment are Canaccord's operations and support services departments, which are responsible for front- and back-office information technology systems, compliance and risk management, operations, legal, finance, and other administrative functions. Canaccord has approximately 332 employees in the Corporate and Other segment. The majority of Canaccord's corporate support functions are based in Vancouver and Toronto, Canada.

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

FINANCIAL PERFORMANCE⁽¹⁾

	For the years ended March 31			
(C\$ thousands, except number of employees and % amounts)	2013	2012	2013/2012 change	
Revenue	\$ 24,477	\$ 30,097	\$ (5,620)	(18.7)%
Expenses				
Incentive compensation	5,033	9,139	(4,106)	(44.9)%
Salaries and benefits	29,701	30,671	(970)	(3.2)%
Other overhead expenses	26,006	32,776	(6,770)	(20.7)%
Restructuring costs	900	5,275	(4,375)	(82.9)%
Acquisition-related costs	—	1,513	(1,513)	(100.0)%
Total expenses	61,640	79,374	(17,734)	(22.3)%
Loss before income taxes ⁽²⁾	\$ (37,163)	\$ (49,277)	\$ 12,114	24.6%
Number of employees	332	378	(46)	(12.2)%
Excluding significant items				
Total expenses	60,740	72,586	(11,846)	(16.3)%
Loss before income taxes	\$ (36,263)	\$ (42,489)	\$ 6,226	14.7%

⁽¹⁾ Data is in accordance with IFRS except for figures excluding significant items and number of employees.

⁽²⁾ See the Intersegment Allocated Costs section below.

Revenue for fiscal 2013 was \$24.5 million, a decrease of \$5.6 million or 18.7% from fiscal 2012. The change was mainly due to a \$2.6 million decrease in other revenue and a \$2.9 million decrease in interest expense. Other revenue decreased as a result of a reduction in foreign exchange gains related to the fluctuations in the Canadian dollar, and interest revenue decreased due to lower interest rates and lower balances held in interest-earning accounts.

Fiscal 2013 expenses were \$61.6 million, a decrease of \$17.7 million or 22.3%. The \$4.1 million decrease in incentive compensation expense resulted from the lower profitability of the consolidated group of companies. General and administrative expense decreased by \$6.9 million or 43.1% due to cost containment efforts in this segment. During the year ended March 31, 2013, the Company incurred restructuring charges of \$0.9 million related to back-office staff reductions.

Loss before income taxes and intersegment allocated costs was \$37.2 million for fiscal 2013 compared to a loss of \$49.3 million for the prior year.

OPERATIONAL HIGHLIGHTS

During fiscal 2013, 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.

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

INTERSEGMENT ALLOCATED COSTS

Included in the Corporate and Other segment are certain trade processing, support services, research and other expenses that have been incurred to support the activities within the Canaccord Genuity and Canaccord Genuity Wealth Management segments. Excluding executive incentive compensation and certain administrative support, foreign exchange gains and losses, and net interest, management has determined that allocable costs from Corporate and Other to Canaccord Genuity Wealth Management were \$35.5 million for the year ended March 31, 2013, and to Canaccord Genuity were \$10.3 million.

Financial Condition

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

(C\$ thousands)	Balance sheet summary as at March 31				
	2013	2012	2011	2010	2009
	IFRS	IFRS	IFRS	CGAAP	CGAAP
Assets					
Cash and cash equivalents	\$ 491,012	\$ 814,238	\$ 954,068	\$ 731,852	\$ 701,173
Securities owned	924,337	1,171,988	947,185	362,755	133,691
Accounts receivable	2,513,958	3,081,640	2,828,812	1,972,924	1,061,161
Income taxes recoverable	—	8,301	—	—	23,771
Deferred tax assets	12,552	3,959	1,503	13,190	15,680
Investments	3,695	9,493	5,934	5,000	5,000
Investment in asset-backed commercial paper (ABCP)	—	—	—	—	35,312
Equipment and leasehold improvements	42,979	51,084	40,818	38,127	46,311
Goodwill and other intangible assets	614,969	622,020	319,180	—	—
Total assets	\$ 4,603,502	\$ 5,762,723	\$ 5,097,500	\$ 3,123,848	\$ 2,022,099
Liabilities and shareholders' equity					
Bank indebtedness	\$ 66,138	\$ 75,141	\$ 13,580	\$ 29,435	\$ 75,600
Short term credit facility	—	150,000	—	—	—
Securities sold short	689,020	914,649	722,613	364,137	79,426
Accounts payable and accrued liabilities	2,746,790	3,590,266	3,557,275	2,308,146	1,469,369
Income taxes payable	4,428	—	23,977	5,385	—
Contingent consideration	14,218	—	—	—	—
Deferred tax liabilities	2,576	8,088	8,163	—	—
Subordinated debt	15,000	15,000	15,000	15,000	25,000
Shareholders' equity	1,049,163	992,125	756,892	401,745	372,704
Non-controlling interests	16,619	17,454	—	—	—
Total liabilities and shareholders' equity	\$ 4,603,502	\$ 5,762,723	\$ 5,097,500	\$ 3,123,848	\$ 2,022,099

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

ASSETS

Cash and cash equivalents were \$491.0 million on March 31, 2013 compared to \$814.2 million on March 31, 2012. Refer to the Liquidity and Capital Resources section for more details.

Securities owned were \$0.9 billion compared to \$1.2 billion on March 31, 2012, mainly attributable to a decrease in both corporate and government debt, and equities and convertible debentures.

Accounts receivable were \$2.5 billion on March 31, 2013 compared to \$3.1 billion on March 31, 2012, as a result of a decrease in receivables from clients and RRSP cash balances held in trust. Goodwill was \$484.7 million and intangible assets were \$130.3 million, representing the goodwill and intangible assets acquired from the acquisitions of Genuity, The Balloch Group (TBG), 50% interest in Canaccord Genuity (Australia) Limited, CSHP, Kenosis Capital Partners, and Eden Financial Ltd.

Other assets in aggregate were \$59.2 million at March 31, 2013 compared to \$72.8 million at March 31, 2012. The decrease was mainly due to decreases in income taxes recoverable, investments, and equipment and leasehold improvements, offset by an increase in deferred tax assets. Equipment and leasehold improvements decreased mainly as a result of the normal amortization of these assets. Income taxes recoverable decreased due to large refunds expected in Canada and the UK in the prior year. Deferred tax assets increased due to balances acquired from CSHP and Canaccord Genuity (Australia) Limited, and investments decreased due to the sale of our investment in Alpha.

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, 2013, Canaccord had available credit facilities with banks in Canada, and the UK and Europe in the aggregate amount of \$705.5 million [March 31, 2012 – \$650.4 million]. These credit facilities, consisting of call loans, letters of credit and daylight overdraft facilities, are collateralized by unpaid client securities and/or securities owned by the Company. On March 31, 2013, there was bank indebtedness of \$66.1 million, compared to \$75.1 million on March 31, 2012.

In addition to the credit facilities discussed above, in fiscal 2012, the Company entered into a \$150.0 million senior secured credit agreement to finance a portion of the cash consideration for its acquisition of CSHP. The credit facility was repaid in full during the 2013 fiscal year.

Accounts payable and provisions were \$2.7 billion, a decrease from \$3.6 billion on March 31, 2012, mainly due to a decrease in both payables to clients and payables to brokers and investment dealers.

Securities sold short were \$689.0 million, a decrease of \$225.6 million compared to \$914.6 million at March 31, 2012. This decrease was a result of a decrease 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 \$36.2 million at March 31, 2013 and \$23.1 million at March 31, 2012. The Company accrued a contingent consideration of \$6.0 million in relation to the purchase of assets and liabilities from Kenosis Capital, and \$8.2 million in relation to the purchase of the wealth management business of Eden Financial. The increase was also due to higher income taxes payable.

Non-controlling interests were \$16.2 million at March 31, 2013 compared to \$17.5 million on March 31, 2012, 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 \$3.3 million (US\$3.2 million) [March 31, 2012 – \$1.9 million (US\$1.9 million)] as rent guarantees for its leased premises in Boston and New York.

The following table summarizes Canaccord's long term contractual obligations on March 31, 2013.

(C\$ thousands)	Total	Contractual obligations payments due by period			
		Fiscal 2014	Fiscal 2015– Fiscal 2016	Fiscal 2017– Fiscal 2018	Thereafter
Premises and equipment operating leases	\$ 233,800	\$ 33,626	\$ 63,915	\$ 48,162	\$ 88,097

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, 2013, cash and cash equivalents were \$491.0 million, a decrease of \$323.2 million from \$814.2 million as of March 31, 2012. During the fiscal year ended March 31, 2013, financing activities used cash in the amount of \$130.4 million, which was primarily due to the drawdown of the \$150 million short term credit facility, net against by the \$94.8 million of net proceeds from the Series C Preferred Shares issuance. The Company also paid \$37.7 million of dividends on the preferred and common shares and acquired \$14.9 million of common shares for the long-term incentive plan. Investing activities used cash in the amount of \$13.1 million, primarily related to the purchase of equipment and leasehold improvements, and the acquisition of Eden Financial and Kenosis Capital. Operating activities used cash in the amount of \$176.6 million, which was due to net loss recognized during the year and changes in working capital. A decrease in cash of \$3.2 million was attributable to the effect of foreign exchange on cash balances.

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

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

Outstanding Common Share Data

	Outstanding common shares as of March 31	
	2013	2012
Issued shares outstanding excluding unvested shares ⁽¹⁾	93,061,796	94,025,877
Issued shares outstanding ⁽²⁾	102,896,172	101,688,721
Issued shares outstanding – diluted ⁽³⁾	109,879,724	106,883,242
Average shares outstanding – basic	92,217,726	76,715,248
Average shares outstanding – diluted ⁽⁴⁾	102,402,082	84,682,497

⁽¹⁾ Excludes 4,872,547 outstanding unvested shares related to share purchase loans for recruitment and 4,961,829 unvested shares purchased by the employee benefit trust for the LTIP.

⁽²⁾ Includes 4,872,547 unvested shares related to share purchase loans for recruitment and 4,961,829 unvested shares purchased by the employee benefit trust for the LTIP.

⁽³⁾ Includes 6,983,552 of share issuance commitments.

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

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 no shares repurchased through the NCIB between August 31, 2012 and March 31, 2013.

As of May 21, 2013, the Company has 102,822,669 common shares issued and outstanding.

ISSUANCE AND CANCELLATION OF COMMON SHARE CAPITAL

	Fiscal 2013
Total common shares issued and outstanding as of March 31, 2012	101,688,721
Shares issued in connection with the LTIP	844,766
Shares issued in connection with the Corazon Capital Group Limited Share Plan	170,562
Shares issued in connection with retention plan	109,979
Shares issued in connection with replacement plans	198,872
Shares cancelled	(116,728)
Total common shares issued and outstanding as of March 31, 2013	102,896,172

Preferred Shares

SERIES A PREFERRED SHARES

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

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

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

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

SERIES C PREFERRED SHARES

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

Holder 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.

The offering closed on April 10, 2012. The net amount recognized after deducting issue costs, net of deferred taxes of \$1.0 million, was \$97.5 million.

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

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. For employees in the US and the UK, the Company will allot common shares at the time of each RSU award, and these shares will be issued from treasury at the time they vest for each participant.

COMMON SHARE PURCHASE LOANS

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

REPLACEMENT PLANS

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

CORAZON CAPITAL GROUP LIMITED SHARE PLAN

In connection with the acquisition of CSHP, the Company assumed the outstanding obligation under the Corazon Capital Group Limited Share Plan (the Corazon Share Plan). The Corazon Share Plan was entered into by CSHP in relation to its acquisition of Corazon Capital Group Limited, an independent, Guernsey-based investment management firm. The obligation was paid by the issuance of 170,562 Canaccord common shares, which vested in March 2013, and cash consideration of \$2.2 million (£1.4 million). Canaccord will not award any future grants under the Corazon Share Plan.

SHARE OPTIONS

The Company grants share options to purchase common shares of the Company to independent directors and senior management. The independent directors and senior management have been granted options to purchase up to an aggregate of 2,384,910 common shares of the Company. The stock options vest over a four- to five-year period and expire seven years after the grant date. The weighted average exercise price of the share options is \$9.84 per common share.

RETENTION PLAN

In connection with the acquisition of The Balloch Group (TBG), the Company established a retention plan that provides for the issuance of 1,187,847 common shares of the Company to key employees of Canaccord Genuity Asia over a five-year graded vesting period based on future Asia-linked revenue. In addition, the applicable number of retention shares is included in diluted common shares outstanding. As of March 31, 2013, due to the departure of several key employees, this plan was settled. This resulted in the forfeiture of 917,212 shares, and accelerated vesting of 270,635 shares.

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, 2013, forward contracts outstanding to sell US dollars had a notional amount of US\$14.8 million, an increase of US\$1.5 million from a year ago. Forward contracts outstanding to buy US dollars had a notional amount of US\$3.8 million, a decrease of US\$5.5 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.

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

The Company offers various share-based payment plans to its key management personnel, including common share purchase loans, a long-term incentive plan and share options. Directors have also been granted share options and have the right to acquire DSUs. Please see Note 18 of the Audited Consolidated Financial Statements for the year ended March 31, 2013 for further information on the compensation of and transactions with key management personnel. Note 18 of the March 31, 2013 Consolidated Financial Statements also includes the accounts receivable and accounts payable and accrued liabilities balance with key management personnel.

Critical Accounting Policies and Estimates

The following is a summary of Canaccord's critical accounting estimates. Canaccord's accounting policies are in accordance with IFRS and are described in Note 4 to the Audited Consolidated Financial Statements for the year ended March 31, 2013.

The preparation of the March 31, 2013 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 4 of the Audited Consolidated Financial Statements for the year ended March 31, 2013.

BUSINESS COMBINATIONS

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

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

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

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

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

INTANGIBLE ASSETS

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

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

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

IMPAIRMENT OF 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. 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 value-in-use, 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 of continuing operations 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 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.

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

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

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

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

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

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

INCOME TAXES

Current income tax

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

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

Deferred tax

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

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

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

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

SHARE-BASED PAYMENTS

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

Equity-settled transactions

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

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

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

Cash-settled transactions

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

PROVISIONS

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

Future Changes in Accounting Policies and Estimates

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 3 of the Audited Consolidated Financial Statements for the year ended March 31, 2013 for further information.

Business Combinations

[i] Eden Financial Ltd.

On October 1, 2012, the Company acquired 100% of the wealth management business of Eden Financial Ltd., an owner-managed private client investment management business, for purchase consideration of \$20.3 million (£12.8 million), of which \$12.2 million (£7.7 million) was paid on closing and \$8.1 million (£5.1 million) is payable after 12 months, contingent on achieving certain performance targets related to revenue. Further incentives of up to \$6.3 million (£4.0 million) will be paid to certain continuing Eden Financial employees subject to certain performance conditions and will be recognized as an expense over a four-year period as the amounts are earned. An additional incentive payment of \$3.3 million (£2.0 million) has also been awarded to certain Eden Financial employees of which one-half will be recognized as an expense over a one-year vesting period and one-half will be recognized over a two-year vesting period. The Company recorded goodwill of \$10.2 million and intangible assets with finite useful lives of \$2.4 million related to this acquisition.

[ii] Kenosis Capital Partners

On September 14, 2012, the Company signed an agreement with Kenosis Capital Partners (Kenosis Capital), a merchant bank and advisory group, to acquire certain assets and liabilities for cash consideration of \$1.2 million and additional contingent cash consideration based upon the achievement of certain performance criteria. This transaction qualifies as a business combination under IFRS 3, "Business Combinations" (IFRS 3), and has been accounted for under the acquisition method. The transaction was completed on September 16, 2012. The Company recorded goodwill of \$7.2 million related to this acquisition.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

DISCLOSURE CONTROLS AND PROCEDURES

As of March 31, 2013, 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, 2013.

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, 2013 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, 2013 that have materially affected, or are reasonably likely to materially affect, Canaccord's internal control over financial reporting.

Risk Management

OVERVIEW

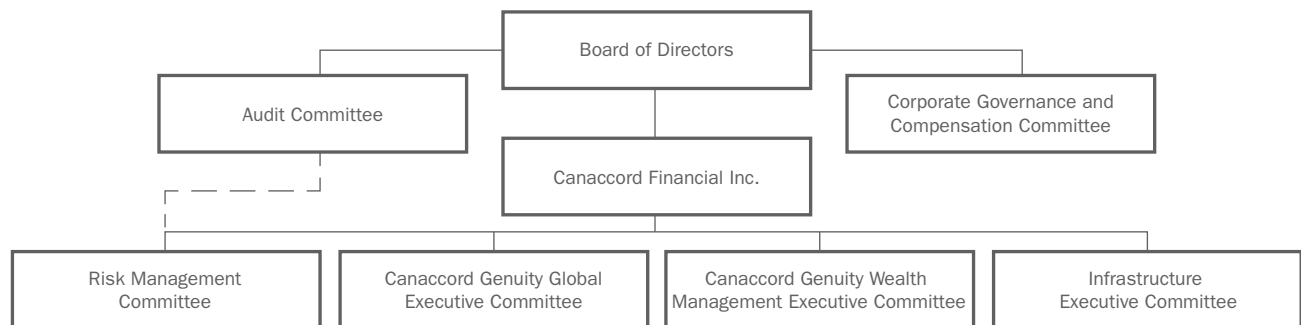
Uncertainty and risk are inherent in any financial markets activity. As an active participant in the Canadian and international capital markets, Canaccord is exposed to risks that could result in financial losses. Canaccord has identified its principal risks as: market risk, credit risk, operational 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 2013 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 and the overall risk management program.

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

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

MARKET RISK

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

Canaccord is exposed to equity price risk, liquidity risk and volatility risk as a result of its principal trading activities in equity securities. Canaccord is also exposed to specific interest rate risk, credit spread risk and liquidity risk in respect of its principal trading in fixed income securities. In addition to active supervision and review of trading activities by senior management, Canaccord mitigates its risk exposure through a variety of limits to control concentration, capital allocation and usage, as well as through trading policies and guidelines. Canaccord manages and monitors its risks in this area using both qualitative and quantitative measures, on a company-wide basis, and also by trading desk and by individual trader. Canaccord operates a firm-wide Value-at-Risk (VaR) risk measurement system for its equity and fixed income inventories. Management also reviews and monitors inventory levels and positions, trading results, aging and concentration levels. Consequently, Canaccord can ensure

that it is adequately diversified with respect to market risk factors and that trading activity is within the risk tolerance levels established by senior management. For a detailed description of Canaccord's VaR methodology, see the Market Risk section in Canaccord's fiscal 2013 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 expenses. Any actual losses arising from or associated with client trading activity as described above are charged to this provision. Historically, this provision has been sufficient to cover actual losses.

OPERATIONAL RISK

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

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

Risk and Control Self-Assessment (RCSA)

The purpose of RCSAs is to:

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

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

OTHER RISKS

Other risks encompass those risks that can have an adverse material 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 expenses in Canaccord's Audited Consolidated Financial Statements.

Reputational risk

Reputational risk is the risk that an activity undertaken by an organization or its representatives will impair its image in the community or lower public confidence in it, resulting in a loss of business, legal action or increased regulatory oversight. Possible sources of reputational risk could come from operational failures, non-compliance with laws and regulations, or 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 2013 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, 2013, senior officers and directors of Canaccord collectively owned approximately 6.1% of the issued and outstanding common shares of Canaccord Financial Inc. If a sufficient number of these shareholders act or vote together, they will have the power to exercise significant influence over all matters requiring shareholder approval, including the election of the Company's directors, amendments to its articles, amalgamations and plans of arrangement under Canadian law and mergers or sales of substantially all of its assets. This could prevent Canaccord from entering into transactions that could be beneficial to the Company or its other shareholders. Also, third parties could be discouraged from making a tender offer or takeover bid to acquire any or all of the outstanding common shares of the Company.

In addition, as at March 31, 2013, 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 their total holdings was filed on December 15, 2011, which indicated the company owned 5,464,873 shares of Canaccord Financial Inc. Canaccord has not been made aware of any shareholding changes since this filing. Their ownership outlined in this filing represents 5.3% of common shares issued and outstanding as at March 31, 2013.

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

Restrictions on ownership and transfer of common shares

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

Dividend Policy

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

Dividend Declaration

On May 21, 2013, the Board of Directors approved a quarterly dividend of \$0.05 per common share payable on June 10, 2013, with a record date of May 31, 2013. The Board of Directors also approved a cash dividend of \$0.34375 per Series A Preferred Share payable on July 2, 2013, with a record date of June 21, 2013; as well as a cash dividend of \$0.359375 per Series C Preferred Share payable on July 2, 2013 and with a record date of June 21, 2013.

Additional Information

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