

---

## Independent Auditors' Report

To the Shareholders of  
Canaccord Genuity Group Inc.

We have audited the accompanying consolidated financial statements of Canaccord Genuity Group Inc., which comprise the consolidated statements of financial position as at March 31, 2018 and 2017, and the consolidated statements of operations, comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

---

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

### Auditors' Responsibility

---

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

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

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

### Opinion

---

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Canaccord Genuity Group Inc. as at March 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

The signature of Ernst & Young LLP is written in a stylized, cursive script.

Toronto, Canada  
June 6, 2018

Chartered Professional Accountants  
Licensed Public Accountants

## Consolidated Statements of Financial Position

As at (in thousands of Canadian dollars)	Notes	March 31, 2018	March 31, 2017
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents		\$ 862,838	\$ 677,769
Securities owned	6	469,217	784,230
Accounts receivable	9, 22	2,215,837	3,395,736
Income taxes receivable		1,170	1,085
<b>Total current assets</b>		<b>3,549,062</b>	<b>4,858,820</b>
Deferred tax assets	14	19,941	15,323
Investments	10	2,035	2,829
Equipment and leasehold improvements	11	30,967	31,479
Intangible assets	13	160,757	102,799
Goodwill	13	257,974	192,266
		<b>\$ 4,020,736</b>	<b>\$ 5,203,516</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current</b>			
Bank indebtedness	7	\$ —	\$ 25,280
Securities sold short	6	301,006	645,742
Accounts payable and accrued liabilities	9, 22	2,638,954	3,669,883
Provisions	26	8,428	11,793
Income taxes payable		7,851	10,093
Subordinated debt	15	7,500	7,500
Current portion of bank loan	16	9,679	—
<b>Total current liabilities</b>		<b>2,973,418</b>	<b>4,370,291</b>
Deferred tax liabilities	14	13,715	140
Convertible debentures	17	57,081	56,442
Deferred consideration	7, 12	9,997	—
Contingent consideration	7, 12	49,844	—
Bank loan	16	61,758	—
		<b>3,165,813</b>	<b>4,426,873</b>
<b>Equity</b>			
Preferred shares	18	205,641	205,641
Common shares	19	649,846	641,449
Equity portion of convertible debentures	17	2,604	2,604
Warrants	19	1,975	1,975
Contributed surplus		145,426	85,405
Retained deficit		(277,472)	(267,559)
Accumulated other comprehensive income		113,332	95,270
<b>Total shareholders' equity</b>		<b>841,352</b>	<b>764,785</b>
Non-controlling interests	8	13,571	11,858
<b>Total equity</b>		<b>854,923</b>	<b>776,643</b>
		<b>\$ 4,020,736</b>	<b>\$ 5,203,516</b>

See accompanying notes

On behalf of the Board:

"Daniel Daviau"

**DANIEL DAVIAU**  
Director

"Terrence A. Lyons"

**TERRENCE A. LYONS**  
Director

## Consolidated Statements of Operations

For the years ended (in thousands of Canadian dollars, except per share amounts)	Notes	March 31, 2018	March 31, 2017
<b>REVENUE</b>			
Commissions and fees		\$ 461,937	\$ 396,741
Investment banking		282,195	196,129
Advisory fees		122,372	130,749
Principal trading		113,921	119,040
Interest		27,875	16,847
Other		14,577	20,040
		<b>1,022,877</b>	<b>879,546</b>
<b>EXPENSES</b>			
Share-based incentive compensation		94,600	40,322
Non share-based incentive compensation		480,369	414,676
Salaries and benefits		99,239	85,698
Trading costs		68,209	65,211
Premises and equipment		39,605	42,286
Communication and technology		56,346	52,381
Interest		18,437	12,744
General and administrative		83,982	79,011
Amortization	11, 13	24,007	21,124
Development costs		7,664	12,209
Restructuring costs	26	7,643	—
Acquisition-related costs		6,732	—
Share of loss of an associate		298	—
		<b>\$ 987,131</b>	<b>\$ 825,662</b>
Income before income taxes		35,746	53,884
Income tax expense (recovery)	14		
Current		20,620	16,322
Deferred		(1,951)	(5,624)
		<b>18,669</b>	<b>10,698</b>
<b>Net income for the year</b>		<b>\$ 17,077</b>	<b>\$ 43,186</b>
<b>Net income attributable to:</b>			
CGI shareholders		\$ 13,024	\$ 38,103
Non-controlling interests	8	\$ 4,053	\$ 5,083
<b>Weighted average number of common shares outstanding (thousands)</b>			
Basic	19	92,587	91,657
Diluted	19	110,862	101,149
<b>Income per common share</b>			
Basic	19	\$ 0.04	\$ 0.29
Diluted	19	\$ 0.03	\$ 0.27
<b>Dividend per Series A Preferred Share</b>	20	\$ 0.9712	\$ 1.173
<b>Dividend per Series C Preferred Share</b>	20	\$ 1.2482	\$ 1.4375
<b>Dividend per common share</b>	20	\$ 0.15	\$ 0.10

See accompanying notes

## Consolidated Statements of Comprehensive Income

For the years ended (in thousands of Canadian dollars)	March 31, 2018	March 31, 2017
Net income for the year	\$ 17,077	\$ 43,186
Other comprehensive income		
Realized translation gains related to foreign operations disposed of during the year	—	(1,560)
Net change in valuation of available for sale investments, net of tax	2,993	—
Net change in unrealized gains (losses) on translation of foreign operations, net of tax	15,671	(37,889)
<b>Comprehensive income for the year</b>	<b>\$ 35,741</b>	<b>\$ 3,737</b>
<b>Comprehensive income (loss) attributable to:</b>		
CGI shareholders	\$ 31,086	\$ (1,510)
Non-controlling interests	\$ 4,655	\$ 5,247

See accompanying notes

## Consolidated Statements of Changes in Equity

As at and for the years ended (in thousands of Canadian dollars)	Notes	March 31, 2018	March 31, 2017
<b>Preferred shares, opening and closing</b>	<b>18</b>	<b>\$ 205,641</b>	<b>\$ 205,641</b>
Common shares, opening		641,449	617,756
Shares issued in connection with share-based payments		101	17,898
Acquisition of common shares for long-term incentive plan (LTIP)		(28,093)	(47,061)
Shares issued in connection with private placement		—	26,601
Release of vested common shares from employee benefit trusts		32,121	21,878
Shares cancelled		—	(1,356)
Net unvested share purchase loans		4,268	5,733
<b>Common shares, closing</b>	<b>19</b>	<b>649,846</b>	<b>641,449</b>
<b>Warrants, opening and closing</b>		<b>1,975</b>	<b>1,975</b>
<b>Convertible debentures – equity, opening and closing</b>		<b>2,604</b>	<b>2,604</b>
Contributed surplus, opening		85,405	86,235
Share-based payments		60,460	3,139
Shares cancelled		—	324
Unvested share purchase loans		(1,427)	(4,293)
Change in deferred tax asset relating to share based payments		988	—
<b>Contributed surplus, closing</b>		<b>145,426</b>	<b>85,405</b>
Retained deficit, opening		(267,559)	(294,586)
Net income attributable to CGGI shareholders		13,024	38,103
Common share dividends	20	(13,344)	—
Preferred share dividends	20	(9,593)	(11,076)
<b>Retained deficit, closing</b>		<b>(277,472)</b>	<b>(267,559)</b>
Accumulated other comprehensive income, opening		95,270	134,883
Other comprehensive income (loss) attributable to CGGI shareholders		18,062	(39,613)
<b>Accumulated other comprehensive income, closing</b>		<b>113,332</b>	<b>95,270</b>
<b>Total shareholders' equity</b>		<b>841,352</b>	<b>764,785</b>
Non-controlling interests, opening		11,858	8,722
Foreign exchange on non-controlling interests		503	409
Comprehensive income attributable to non-controlling interests		4,655	5,247
Dividends paid to non-controlling interests		(3,445)	(2,520)
<b>Non-controlling interests, closing</b>		<b>13,571</b>	<b>11,858</b>
<b>Total equity</b>		<b>\$ 854,923</b>	<b>\$ 776,643</b>

See accompanying notes

## Consolidated Statements of Cash Flows

For the years ended (in thousands of Canadian dollars)	Notes	March 31, 2018	March 31, 2017
<b>OPERATING ACTIVITIES</b>			
Net income for the year		\$ 17,077	\$ 43,186
Items not affecting cash			
Amortization	11, 13	24,007	21,124
Deferred income tax recovery		(1,951)	(5,624)
Share-based compensation expense	21	95,357	40,322
Impairment of investment in a private company	7	—	2,390
Share of loss of associate		298	—
Changes in non-cash working capital			
Decrease (increase) in securities owned		314,871	(219,496)
Decrease (increase) in accounts receivable		1,185,922	(1,394,913)
Increase in income taxes payable, net		8,582	18,514
(Decrease) increase in securities sold short		(344,736)	218,307
(Decrease) increase in accounts payable, accrued liabilities, and provisions		(1,055,366)	1,513,070
<b>Cash provided by operating activities</b>		<b>244,061</b>	<b>236,880</b>
<b>FINANCING ACTIVITIES</b>			
(Decrease) increase in bank indebtedness		(25,280)	10,370
Purchase of shares for cancellation		—	(360)
Acquisition of common shares for long-term incentive plan		(28,093)	(47,061)
Proceeds from Private Placement		—	28,321
Repayment of subordinated debt		—	(7,500)
Proceeds from bank loan		66,016	—
Proceeds from convertible debentures		—	60,000
Cash dividends paid on common shares		(13,345)	—
Cash dividends paid on preferred shares		(9,592)	(11,076)
Cash paid related to CSH Inducement Plan		—	(1,905)
<b>Cash (used in) provided by financing activities</b>		<b>(10,294)</b>	<b>30,789</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of equipment and leasehold improvements		(6,311)	(5,202)
Acquisition of Hargreave Hale Limited, net of cash acquired		(54,051)	—
Investment in associate		(2,500)	—
Purchase of intangible assets		(795)	(440)
<b>Cash used in investing activities</b>		<b>(63,657)</b>	<b>(5,642)</b>
<b>Effect of foreign exchange on cash balances</b>		<b>14,959</b>	<b>(12,587)</b>
<b>Increase in cash position</b>		<b>185,069</b>	<b>249,440</b>
Cash position, beginning of year		677,769	428,329
<b>Cash position, end of year</b>		<b>862,838</b>	<b>677,769</b>
<b>Supplemental cash flow information</b>			
Interest received		\$ 27,900	\$ 12,571
Interest paid		\$ 17,470	\$ 11,009
Income taxes paid		\$ 24,023	\$ 10,385

See accompanying notes

## Notes to Consolidated Financial Statements

As at March 31, 2018 and March 31, 2017  
and for the years ended March 31, 2018 and 2017  
(in thousands of Canadian dollars, except per share amounts)

### NOTE 01

#### Corporate Information

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

Canaccord Genuity Group Inc. was incorporated on February 14, 1997 by the filing of a memorandum and articles with the Registrar of Companies for British Columbia under the *Company Act* (British Columbia) and continues in existence under the *Business Corporations Act* (British Columbia). The Company's head office is located at Suite 2200 – 609 Granville Street, Vancouver, British Columbia, V7Y 1H2. The Company's registered office is located at Suite 400 – 725 Granville Street, Vancouver, British Columbia, V7Y 1G5.

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

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

### NOTE 02

#### Basis of Preparation

##### STATEMENT OF COMPLIANCE

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

These audited consolidated financial statements have been prepared on a historical cost basis except for investments, securities owned, securities sold short and certain impaired non-current assets, which have been measured at fair value as set out in the relevant accounting policies.

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

These audited consolidated financial statements were authorized for issuance by the Company's Board of Directors on June 6, 2018.

##### PRINCIPLES OF CONSOLIDATION

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

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

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

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

##### USE OF JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, accompanying note disclosures, and the disclosure of contingent liabilities at the reporting date. Therefore, actual results may differ from those estimates and assumptions. The

significant judgments, estimates and assumptions include consolidation, revenue recognition, share-based payments, income taxes and valuation of deferred tax assets, impairment of goodwill, intangible assets and other long-lived assets, allowance for credit losses, fair value of financial instruments, capitalization of intangible assets related to software costs, and provisions. Amendments may be made to estimates relating to net assets acquired in an acquisition as well as the allocation of identifiable intangible assets between indefinite life and finite lives. Judgments, estimates and assumptions were also utilized in connection with the valuation of goodwill and intangible assets acquired in connection with the acquisition of Hargreave Hale [Note 12].

### **Consolidation**

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

The Company has employee benefit trusts, which are considered SPEs [Note 21], to fulfill obligations to employees arising from the Company's share-based payment plans. The employee benefit trusts have been consolidated in accordance with IFRS 10 since their activities are conducted on behalf of the Company, and the Company retains the majority of the benefits and risks of the employee benefit trusts.

### **Revenue recognition**

Revenue is recognized to the extent that it is probable that the economic benefit will flow to the Company and the revenue can be reliably measured. Estimation may be required to determine the amount of revenue that can be recognized and also the timing of the substantial completion of the underlying investment banking or advisory transactions.

### **Share-based payments**

The Company measures the cost of equity-settled and cash-settled transactions with employees and directors based on the fair value of the awards granted. The fair value is determined based on the observable share prices or by using an appropriate valuation model. The use of option pricing models to determine the fair value requires the input of highly subjective assumptions including the expected price volatility, expected forfeitures, expected life of the award and dividend yield. Changes in the subjective assumptions can materially affect the fair value estimates. The assumptions and models used for estimating the fair value of share-based payments, if and as applicable, are disclosed in Note 21.

### **Income taxes and valuation of deferred taxes**

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

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

### **Impairment of goodwill and indefinite life intangible assets**

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

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



**Impairment of other long-lived assets**

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

**Allowance for credit losses**

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

**Fair value of financial instruments**

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

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

**Provisions**

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

**NOTE 03****Adoption of New and Revised Standards**

There were no new or revised standards adopted by the Company during the fiscal year.

**NOTE 04****Future Changes in Accounting Policies****Standards issued but not yet effective**

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

**IFRS 15, "Revenue from Contracts with Customers"**

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

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

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

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

#### **IFRS 9, "Financial Instruments"**

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

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

##### **Classification – financial assets and liabilities**

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

##### **Impairment – financial assets**

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

##### **Hedge accounting requirement**

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

#### **IFRS 16, "Leases"**

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

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

#### **NOTE 05**

#### **Summary of Significant Accounting Policies**

##### **TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS AND FOREIGN SUBSIDIARIES**

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

##### **Transactions and balances**

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

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

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

#### Translation of foreign subsidiaries

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

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

#### INTANGIBLE ASSETS

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

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

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

Identifiable intangible assets purchased through the acquisitions of Genuity Capital Markets (Genuity), the 50% interest in Canaccord Genuity (Australia) Limited (Canaccord Genuity Australia), Collins Stewart Hawkpoint plc (CSHP), Eden Financial and Hargreave Hale are customer relationships, non-competition agreements, trading licenses, fund management contract and technology, which have finite lives and are amortized on a straight-line basis over their estimated useful lives. Branding acquired through the acquisition of Genuity is considered to have an indefinite life, as it will provide benefit to the Company over a continuous period. Software under development or acquired is amortized over its useful life once the asset is available for use. The estimated amortization periods of the amortizable intangible assets are as follows:

	Acquired in business combinations				Internally developed or acquired	
	Genuity	Canaccord Genuity Australia	CSHP	Eden Financial	Hargreave Hale	Software
Brand names	indefinite	n/a	n/a	n/a	n/a	n/a
Customer relationships	11 years	5 years	8 to 24 years	8 years	11.5 to 12.5 years	n/a
Non-competition agreements	5 years	4.5 years	n/a	n/a	n/a	n/a
Technology	n/a	n/a	3 years	n/a	n/a	10 years
Fund management contract	n/a	n/a	n/a	n/a	10.5 years	n/a

#### Internally developed or acquired software

Expenditures towards the development or acquisition of projects are recognized as intangible assets when the Company can demonstrate that the technical feasibility of the assets for use has been established. The assets are carried at cost less any accumulated amortization and accumulated impairment losses in accordance with IAS 38 "Intangible Assets". Capitalized costs are expenditures directly attributable to the software development, such as employment, consulting or professional fees. Amortization of the assets begins when development is complete, and the assets are available for use. The assets are amortized over the period of expected future benefit.

## IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

Impairment losses are recognized in the consolidated statements of operations.

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

The following assets have specific characteristics for impairment testing:

### Goodwill

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

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

### Intangible assets

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

## CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on deposit, commercial paper and bankers' acceptances with a term to maturity of less than three months from the date of purchase, which are subject to an insignificant risk of changes in value.

## FINANCIAL INSTRUMENTS

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

### [i] Financial assets

#### *Initial recognition and measurement*

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

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

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

**Classification and subsequent measurement***Financial assets classified as fair value through profit or loss*

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

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

*Financial assets classified as available for sale*

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

*Financial assets classified as loans and receivables and held to maturity*

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account discounts or premiums on acquisition and fees or costs that are an integral part of the EIR method. The EIR amortization is included in the consolidated statements of operations. The Company classifies accounts receivable as loans and receivables. The Company did not have any held to maturity investments during the years ended March 31, 2018 and 2017.

**Impairment of financial assets**

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that have occurred since the initial recognition of the asset and those events have had a significant or prolonged impact on the estimated future cash flows of the asset that can be reliably estimated. The determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as available for sale, the impairment is assessed based on the same criteria as financial assets carried at amortized cost.

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

**Derecognition**

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

**[ii] Financial liabilities****Initial recognition and measurement**

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

**Classification and subsequent measurement***Financial liabilities classified as fair value through profit or loss*

Financial liabilities classified as fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on liabilities held for trading are recognized in the statements of operations. The Company has not designated any financial liabilities as fair value through profit or loss that would

not otherwise meet the definition of fair value through profit or loss upon initial recognition. Bank indebtedness, securities sold short, including derivative financial instruments, contingent and deferred considerations are classified as held for trading and recognized at fair value.

#### *Financial liabilities classified as loans and borrowings*

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

#### **[iii] Offsetting of financial instruments**

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

#### **[iv] Derivative financial instruments**

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

The Company uses derivative financial instruments to manage foreign exchange risk on pending security settlements in foreign currencies. The fair value of these contracts is nominal due to their short term to maturity.

Realized and unrealized gains and losses related to these contracts are recognized in the consolidated statements of operations during the reporting period.

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

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

### **FAIR VALUE MEASUREMENT**

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

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

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

The convertible unsecured senior subordinated debentures are classified as compound financial instruments. On initial recognition, the fair value of the liability was calculated based on the present value of future cash flows under the instruments, discounted at 8%, being equal to the rate of interest applied by the market at the time of issue to instruments of comparable credit status and future cash flows, without the conversion feature. The residual amount is recorded as a component of shareholders' equity.



## SECURITIES OWNED AND SOLD SHORT

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

## SECURITIES LENDING AND BORROWING

The Company employs securities lending and borrowing activities primarily to facilitate the securities settlement process. These arrangements are typically short term in nature, with interest being received when cash is delivered, and interest being paid when cash is received. Securities borrowed, and securities loaned are carried at the amounts of cash collateral delivered and received in connection with the transactions.

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

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

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

## SECURITIES PURCHASED UNDER REVERSE REPURCHASE AGREEMENTS AND OBLIGATIONS RELATED TO SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

The Company recognizes these transactions on the trade date at amortized cost using the effective interest rate method. Securities sold and purchased under repurchase agreements remain on the consolidated statement of financial position. Reverse repurchase agreements and repurchase agreements are treated as collateralized lending and borrowing transactions.

## REVENUE RECOGNITION

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

Commissions and fees revenue consists of revenue generated through commission-based brokerage services, recognized on a trade date basis, and the sale of fee-based products and services, recognized on an accrual basis. Realized and unrealized gains and losses on securities purchased for client-related transactions are reported as net facilitation losses and recorded as a reduction of commission revenues. Facilitation losses for the year ended March 31, 2018 were \$8.4 million [March 31, 2017 – \$12.8 million].

Investment banking revenue consists of underwriting fees and commissions earned on corporate finance activities. Revenue from underwritings and other corporate finance activities is recorded when the underlying transaction is 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 revenue earned in connection with principal trading operations and is recognized on a trade date basis.

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

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

## EQUIPMENT AND LEASEHOLD IMPROVEMENTS

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

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

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

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

## INCOME TAXES

### Current income tax

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

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

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

### Deferred tax

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

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

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

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

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

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

### Sales tax

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



## TREASURY SHARES

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

## EARNINGS (LOSS) PER COMMON SHARE

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

## SHARE-BASED PAYMENTS

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

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

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

### Equity-settled transactions

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

Effective as of March 31, 2018 the Plan was changed to remove certain employment-related conditions for the vesting of RSU awards made as part of the normal course incentive compensation payment cycle. With the change, RSUs will continue to vest after termination of employment so long as the employee does not violate certain post-termination restrictions and is not engaged in certain competitive or soliciting activities as provided in the Plan. Because of this change, the Company determined that the awards do not meet the criteria for an in-substance service condition, as defined by IFRS 2. Accordingly, RSUs granted as part of the normal course incentive compensation payment cycle are expensed in the period in which those awards are deemed to be earned with a corresponding increase in contributed surplus, which is generally the fiscal period in which the awards are either made or the immediately preceding fiscal year for those awards made after the end of such fiscal year but were determined and earned in respect of that fiscal year.

For certain awards, typically new hire awards or retention awards, vesting is subject to continued employment and therefore these awards are subject to a continuing service requirement. Accordingly, the Company recognizes the cost of such awards as an expense on a graded basis over the applicable vesting period with a corresponding increase in contributed surplus.

The Company estimates the number of equity instruments that will ultimately vest when calculating the expense attributable to equity-settled transactions. No expense is recognized for awards that do not ultimately vest.

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

### Cash-settled transactions

The cost of cash-settled transactions is measured initially at fair value at the grant date. The fair values of DSUs and PSUs are expensed upon grant [Note 21]. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognized through the statements of operations.

## PROVISIONS

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

**Legal provisions**

Legal provisions are recognized when it is probable that the Company will be liable for the future obligation as a result of a past event related to legal matters and when they can be reasonably estimated.

**Restructuring provisions**

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

**LEASES**

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

**CLIENT MONEY**

The Company's UK and Europe operations hold money on behalf of their clients in accordance with the client money rules of the Financial Conduct Authority in the United Kingdom. Such money and the corresponding liabilities to clients are not included in the consolidated statements of financial position as the Company is not beneficially entitled thereto. The amounts held on behalf of clients at the reporting date are included in Note 25.

**SEGMENT REPORTING**

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

**NOTE 06****Securities Owned and Securities Sold Short**

	March 31, 2018		March 31, 2017	
	Securities owned	Securities sold short	Securities owned	Securities sold short
Corporate and government debt	\$ 254,671	\$ 220,792	\$ 571,066	\$ 541,827
Equities and convertible debentures	214,546	80,214	213,164	103,915
	<b>\$ 469,217</b>	<b>\$ 301,006</b>	<b>\$ 784,230</b>	<b>\$ 645,742</b>

As at March 31, 2018, corporate and government debt maturities range from 2018 to 2098 [March 31, 2017 – 2017 to 2098] and bear interest ranging from 0.00% to 14.00% [March 31, 2017 – 0.00% to 14.00%].

## NOTE 07

## Financial Instruments

## CATEGORIES OF FINANCIAL INSTRUMENTS

The categories of financial instruments, other than cash and cash equivalents and bank indebtedness, held by the Company at March 31, 2018 and 2017 are as follows:

	Held for trading		Available for sale		Loans and receivables		Loans and borrowings		Total	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
<b>Financial assets</b>										
Securities owned	\$ 469,217	\$ 784,230	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 469,217	\$ 784,230
Accounts receivable from brokers and investment dealers	—	—	—	—	1,405,380	2,625,939	—	—	1,405,380	2,625,939
Accounts receivable from clients	—	—	—	—	333,434	373,300	—	—	333,434	373,300
RRSP cash balances held in trust	—	—	—	—	330,369	302,532	—	—	330,369	302,532
Other accounts receivable	—	—	—	—	146,654	93,965	—	—	146,654	93,965
Investments	—	—	—	2,829	—	—	—	—	—	2,829
<b>Total financial assets</b>	<b>\$ 469,217</b>	<b>\$ 784,230</b>	<b>\$ —</b>	<b>\$ 2,829</b>	<b>\$ 2,215,837</b>	<b>\$ 3,395,736</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 2,685,054</b>	<b>\$ 4,182,795</b>
<b>Financial liabilities</b>										
Securities sold short	\$ 301,006	\$ 645,742	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 301,006	\$ 645,742
Accounts payable to brokers and investment dealers	—	—	—	—	—	—	1,051,546	1,913,177	1,051,546	1,913,177
Accounts payable to clients	—	—	—	—	—	—	1,228,201	1,468,410	1,228,201	1,468,410
Other accounts payable and accrued liabilities	—	—	—	—	—	—	359,207	288,296	359,207	288,296
Subordinated debt	—	—	—	—	—	—	7,500	7,500	7,500	7,500
Convertible debentures	—	—	—	—	—	—	57,081	56,442	57,081	56,442
Deferred consideration	—	—	—	—	—	—	9,997	—	9,997	—
Contingent consideration	—	—	—	—	—	—	49,844	—	49,844	—
Bank loan	—	—	—	—	—	—	71,437	—	71,437	—
<b>Total financial liabilities</b>	<b>\$ 301,006</b>	<b>\$ 645,742</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 2,834,813</b>	<b>\$ 3,733,825</b>	<b>\$ 3,135,819</b>	<b>\$ 4,379,567</b>

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

## FAIR VALUE HIERARCHY

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

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

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

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

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

As at March 31, 2018 and 2017, the Company held the following classes of financial instruments measured at fair value:

	March 31, 2018	Estimated fair value		
		March 31, 2018		
		Level 1	Level 2	Level 3
<b>Securities owned</b>				
Corporate debt	\$ 13,794	\$ —	\$ 13,794	\$ —
Government debt	240,877	30,593	210,284	—
<b>Corporate and government debt</b>	<b>254,671</b>	<b>30,593</b>	<b>224,078</b>	<b>—</b>
Equities	214,086	165,546	48,404	136
Convertible debentures	460	—	460	—
<b>Equities and convertible debentures</b>	<b>214,546</b>	<b>165,546</b>	<b>48,864</b>	<b>136</b>
	<b>469,217</b>	<b>196,139</b>	<b>272,942</b>	<b>136</b>
<b>Securities sold short</b>				
Corporate debt	(4,836)	—	(4,836)	—
Government debt	(215,956)	(34,388)	(181,568)	—
<b>Corporate and government debt</b>	<b>(220,792)</b>	<b>(34,388)</b>	<b>(186,404)</b>	<b>—</b>
Equities	(79,011)	(66,714)	(12,297)	—
Convertible debentures	(1,203)	—	(1,203)	—
<b>Equities and convertible debentures</b>	<b>(80,214)</b>	<b>(66,714)</b>	<b>(13,500)</b>	<b>—</b>
	<b>(301,006)</b>	<b>(101,102)</b>	<b>(199,904)</b>	<b>—</b>
<b>Deferred considerations</b>	<b>(9,997)</b>	<b>—</b>	<b>—</b>	<b>(9,997)</b>
<b>Contingent consideration</b>	<b>(49,844)</b>	<b>—</b>	<b>—</b>	<b>(49,844)</b>
	<b>(360,847)</b>	<b>(101,102)</b>	<b>(199,904)</b>	<b>(59,841)</b>

  

	March 31, 2017	Estimated fair value		
		March 31, 2017		
		Level 1	Level 2	Level 3
<b>Securities owned</b>				
Corporate debt	\$ 15,071	\$ —	\$ 15,071	\$ —
Government debt	555,995	277,121	278,874	—
<b>Corporate and government debt</b>	<b>571,066</b>	<b>277,121</b>	<b>293,945</b>	<b>—</b>
Equities	207,050	165,292	41,616	142
Convertible debentures	6,114	—	6,114	—
<b>Equities and convertible debentures</b>	<b>213,164</b>	<b>165,292</b>	<b>47,730</b>	<b>142</b>
<b>Available for sale investments</b>	<b>2,829</b>	<b>—</b>	<b>2,829</b>	<b>—</b>
	<b>787,059</b>	<b>442,413</b>	<b>344,504</b>	<b>142</b>
<b>Securities sold short</b>				
Corporate debt	(11,524)	—	(11,524)	—
Government debt	(530,303)	(313,077)	(217,226)	—
<b>Corporate and government debt</b>	<b>(541,827)</b>	<b>(313,077)</b>	<b>(228,750)</b>	<b>—</b>
Equities	(103,915)	(77,562)	(26,353)	—
	<b>(645,742)</b>	<b>(390,639)</b>	<b>(255,103)</b>	<b>—</b>

**Movement in net Level 3 financial liabilities**

Balance, March 31, 2016	\$	2,593
Purchase of Level 3 assets		(2,390)
Other		(61)
Balance, March 31, 2017	\$	142
Other		(6)
Addition of deferred consideration		(9,997)
Addition of contingent consideration		(49,844)
<b>Balance, March 31, 2018</b>	<b>\$</b>	<b>(59,705)</b>

There were \$59.8 million of contingent and deferred consideration included as part of the total purchase consideration for the acquisition of Hargreave Hale Limited [Note 12]. The deferred and contingent considerations are settled in cash and are therefore classified as financial liability measured at fair value, with any subsequent gains or losses recognized in earnings.

During the year ended March 31, 2017, the Company recorded an unrealized loss of \$2.4 million related to the impairment of an investment in a private company.

**Fair value estimation****i. Level 2 financial instruments**

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

Level 2 financial instruments also include the Company's equity investment in Euroclear, which has an estimated fair value of \$6.4 million as at March 31, 2018 [March 31, 2017 – \$2.8 million]. The current fair value is determined using a market-based approach based on recent share buyback transactions.

**ii. Level 3 financial instruments***Held for Trading*

The fair value for level 3 investments classified as held for trading is determined by the Company using a market-based approach with information that the Company has determined to be reliable, and represents the best estimate of fair value readily available. Prices for held for trading investments are determined based on the last trade price or offer price, or, if these prices are considered stale, the Company obtains information based on certain inquiries, recent trades or pending new issues. The fair value of the held for trading investments as at March 31, 2018 was \$0.1 million [March 31, 2017 – \$0.1 million].

Level 3 financial liabilities also include the deferred and contingent considerations included as part of the total purchase consideration for the acquisition of Hargreave Hale [Note 12]. The fair value for these financial liabilities approximate their carrying value as of March 31, 2018.

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

**RISK MANAGEMENT****Credit risk**

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Credit risk arises from cash and cash equivalents, net receivables from clients and brokers and investment dealers, and other accounts receivable. The maximum exposure of the Company to credit risk before taking into account any collateral held or other credit enhancements is the carrying amount of financial assets as disclosed in the consolidated financial statements as at March 31, 2018 and 2017.

The primary source of credit risk to the Company is in connection with trading activity by private clients and private client margin accounts. To minimize its exposure, the Company applies certain credit standards, applies limits to transactions and requires settlement of securities transactions on a cash basis or delivery against payment. Margin transactions are collateralized by securities in the clients' accounts in accordance with limits established by the applicable regulatory authorities and are subject to the Company's credit review and daily monitoring procedures. Management monitors the collectability of receivables and estimates an allowance for doubtful accounts. The accounts receivable outstanding are expected to be collectible within one year. The Company has recorded an allowance for doubtful accounts of \$3.4 million as at March 31, 2018 [March 31, 2017 – \$4.9 million] [Note 9].

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

As at March 31, 2018 and 2017, the Company's most significant counterparty concentrations were with financial institutions and institutional clients. Management believes that they are in the normal course of business and does not anticipate loss for non-performance.

### Liquidity risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they become due. The Company's management is responsible for reviewing liquidity resources to ensure funds are readily available to meet its financial obligations as they become due, as well as ensuring adequate funds exist to support business strategies and operational growth. The Company's business requires capital for operating and regulatory purposes. The current assets reflected on the statements of financial position are highly liquid. The majority of the positions held as securities owned are readily marketable and all are recorded at their fair value. Client receivables are generally collateralized by readily marketable securities and are reviewed daily for impairment in value and collectability. Receivables and payables from brokers and dealers represent the following: current open transactions that generally settle within the normal three-day settlement cycle; collateralized securities borrowed and/or loaned in transactions that can be closed within a few days on demand; and balances on behalf of introducing brokers representing net balances in connection with their client accounts. Additional information regarding the Company's capital structure and capital management objectives is discussed in Note 24.

The following table presents the contractual terms to maturity of the financial liabilities owed by the Company as at March 31, 2018:

Financial liability	Carrying amount		Contractual term to maturity
	March 31, 2018	March 31, 2017	
Bank indebtedness	\$ —	\$ 25,280	Due on demand
Accounts payable and accrued liabilities	2,638,954	3,669,883	Due within one year
Securities sold short	301,006	645,742	Due within one year
Subordinated debt	7,500	7,500	Due on demand <sup>(1)</sup>
Convertible debentures	57,081	56,442	Due in December 2021
Current portion of bank loan	9,679	—	Due within one year
Bank loan	61,758	—	2019 to 2021
Deferred consideration	9,997	—	September 2023

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

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

### Market risk

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

### Fair value risk

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

The following table summarizes the effect on earnings as a result of a fair value change in financial instruments as at March 31, 2018. This analysis assumes all other variables remain constant. The methodology used to calculate the fair value sensitivity is consistent with the prior year.

Financial instrument	March 31, 2018			March 31, 2017		
	Carrying value Asset (Liability)	Effect of a 10% increase in fair value on net income	Effect of a 10% decrease in fair value on net income	Carrying value Asset (Liability)	Effect of a 10% increase in fair value on net income	Effect of a 10% decrease in fair value on net income
Equities and convertible debentures owned	214,546	8,850	(8,850)	213,164	8,793	(8,793)
Equities and convertible debentures sold short	(80,214)	(3,308)	3,308	(103,915)	(4,286)	4,286

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

Financial instrument	March 31, 2018			March 31, 2017		
	Carrying value	Effect of a 10% increase in fair value on OCI	Effect of a 10% decrease in fair value on OCI	Carrying value	Effect of a 10% increase in fair value on OCI	Effect of a 10% decrease in fair value on OCI
Investments	\$ —	\$ —	\$ —	\$ 2,829	\$ 283	\$ (283)

### Interest rate risk

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

All cash and cash equivalents mature within three months. Net clients' receivable (payable) balances charge (incur) interest based on floating interest rates. Subordinated debt bears interest at a rate of prime plus 4.0%, payable monthly.

The following table provides the effect on net income for the years ended March 31, 2018 and 2017 if interest rates had increased or decreased by 100 basis points applied to balances as of March 31, 2018 and 2017. Fluctuations in interest rates do not have an effect on OCI. This sensitivity analysis assumes all other variables remain constant. The methodology used to calculate the interest rate sensitivity is consistent with the prior year.

	March 31, 2018			March 31, 2017		
	Carrying value Asset (Liability)	Net income effect of a 100 bps increase in interest rates	Net income effect of a 100 bps decreases in interest rates <sup>(1)</sup>	Carrying value Asset (Liability)	Net income effect of a 100 bps increase in interest rates	Net income effect of a 100 bps decreases in interest rates <sup>(1)</sup>
Cash and cash equivalents, net of bank indebtedness	\$ 862,838	\$ 6,471	\$ (6,471)	\$ 652,489	\$ 4,894	\$ (4,894)
Marketable securities owned, net of marketable securities sold short	168,211	(1,211)	1,365	138,488	(359)	225
Clients' payable, net	(894,767)	(6,783)	(1,949)	(1,095,110)	(8,215)	(2,249)
RRSP cash balances held in trust	330,369	2,478	(2,478)	302,532	2,269	(2,269)
Brokers' and investment dealers' balance, net	353,834	1,343	(3,560)	712,762	(8,117)	406
Subordinated debt	(7,500)	(56)	56	7,500	(56)	56
Bank loan	(71,437)	(536)	536	—	—	—

(1) Subject to a floor of zero



### Foreign exchange risk

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

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

The following table summarizes the estimated effects on net income (loss) and OCI as a result of a 5% change in the value of the foreign currencies where there is significant exposure. The analysis assumes all other variables remain constant. The methodology used to calculate the foreign exchange rate sensitivity is consistent with the prior year.

As at March 31, 2018:

Currency	Effect of a 5% appreciation in foreign exchange rate on net income	Effect of a 5% depreciation in foreign exchange rate on net income	Effect of a 5% appreciation in foreign exchange rate on OCI	Effect of a 5% depreciation in foreign exchange rate on OCI
US dollar	\$ (1,074)	\$ 1,074	\$ 16,956	\$ (16,956)
Pound sterling	(1,560)	1,560	74,619	(74,619)
Australian dollar	nil	nil	1,724	(1,724)

As at March 31, 2017:

Currency	Effect of a 5% appreciation in foreign exchange rate on net income	Effect of a 5% depreciation in foreign exchange rate on net income	Effect of a 5% appreciation in foreign exchange rate on OCI	Effect of a 5% depreciation in foreign exchange rate on OCI
US dollar	\$ (395)	\$ 395	\$ 11,120	\$ (11,120)
Pound sterling	(560)	560	27,578	(27,578)
Australian dollar	nil	nil	1,407	(1,407)

### DERIVATIVE FINANCIAL INSTRUMENTS

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

#### Foreign exchange forward contracts

The Company uses derivative financial instruments to manage foreign exchange risk on pending security settlements in foreign currencies. The fair value of these contracts is nominal due to their short term to maturity.

Realized and unrealized gains and losses related to these contracts are recognized in the consolidated statements of operations during the reporting period.

Forward contracts outstanding at March 31, 2018:

	Notional amount (millions)	Average price	Maturity	Fair value
To sell US dollars	USD \$ 17.7	\$1.28 (CAD/USD)	April 2, 2018	\$ (240)
To buy US dollars	USD \$ 2.1	\$1.29 (CAD/USD)	April 2, 2018	\$ 3

Forward contracts outstanding at March 31, 2017:

	Notional amount (millions)	Average price	Maturity	Fair value
To sell US dollars	USD \$ 22.1	\$1.33 (CAD/USD)	April 3, 2017	\$ 71
To buy US dollars	USD \$ 2.9	\$1.33 (CAD/USD)	April 3, 2017	\$ (2)



The Company's Canaccord Genuity Wealth Management segment in the UK and Europe trades foreign exchange forward contracts on behalf of its clients, and establishes matching contracts with the counterparties. The Company has no significant net exposure, assuming no counterparty default. The principal currencies of the forward contracts are: the UK pound sterling, the US dollar, or the euro. The weighted average term to maturity is 85 days as at March 31, 2018 [March 31, 2017 – 61 days]. The table below shows the fair value of the forward contract assets and liabilities, and the notional value of these forward contracts as at March 31, 2018. The fair value of the forward contract assets and liabilities is included in the accounts receivable and payable balances.

	March 31, 2018			March 31, 2017		
	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount
Foreign exchange forward contracts	\$ 847	\$ 747	\$ 141,662	\$ 1,806	\$ 1,640	\$ 177,384

## FUTURES

The Company's Canadian operations are involved in trading bond futures contracts, which are agreements to buy or sell a standardized amount of an underlying Government of Canada bond, at a predetermined future date and price, in accordance with terms specified by a regulated futures exchange, and are subject to daily cash margining. The Company's Canadian operations trade in bond futures in an attempt to mitigate interest rate risk, yield curve risk and liquidity risk. At March 31, 2018, the notional amount of the bond futures contracts outstanding was long \$0.1 million [March 31, 2017 – \$0.5 million].

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

The fair value of all of the above futures contracts is nominal due to their short term to maturity and are included in accounts receivable and accounts payable and accrued liabilities. Realized and unrealized gains and losses related to these contracts are recognized in the statement of operations during the reporting period.

## SECURITIES LENDING AND BORROWING

The Company employs securities lending and borrowing primarily to facilitate the securities settlement process. These arrangements are typically short term in nature, with interest being received when cash is delivered, and interest being paid when cash is received. These transactions are fully collateralized and are subject to daily margin calls for any deficiency between the market value of the security given and the amount of collateral received. These transactions are collateralized by either cash or securities, including government treasury bills and government bonds, and are reflected within accounts receivable and accounts payable. Interest earned on cash collateral is based on a floating rate. At March 31, 2018, the floating rates ranged from 0.50% to 0.75% [March 31, 2017 – 0.00% to 0.25%].

	Cash		Securities	
	Loaned or delivered as collateral	Borrowed or received as collateral	Loaned or delivered as collateral	Borrowed or received as collateral
March 31, 2018	\$ 185,042	\$ 36,359	\$ 52,685	\$ 227,677
March 31, 2017	182,474	41,098	43,252	233,811

## BANK INDEBTEDNESS

The Company enters into call loans or overdraft positions primarily to facilitate the securities settlement process for both client and Company securities transactions. The bank indebtedness is collateralized by unpaid client securities and/or securities owned by the Company. As at March 31, 2018 the Company had \$nil bank indebtedness outstanding [March 31, 2017 – \$25.3 million].

## BANK LOAN

A subsidiary of the Company entered a £40.0 million (C\$72.5 million as of March 31, 2018) senior credit facility to finance a portion of the cash consideration for its acquisition of Hargreave Hale Limited [Notes 12 and 16]. The balance outstanding as of March 31, 2018 net of unamortized financing fees was \$71.4 million. The loan is repayable in instalments of principal and interest over a period of 4 years. The interest rate on this loan is LIBOR plus 3.375% per annum.

## OTHER CREDIT FACILITIES

Subsidiaries of the Company have credit facilities with banks in Canada and the UK for an aggregate amount of \$669.2 million [March 31, 2017 – \$602.6 million]. These credit facilities, consisting of call loans, letters of credit and daylight overdraft facilities, are collateralized by unpaid client securities and/or securities owned by the Company. As of March 31, 2018 and 2017, there were no balances outstanding under these other credit facilities.

A subsidiary of the Company has also entered into secured irrevocable standby letters of credit from a financial institution totaling \$2.6 million (US\$2.0 million) [March 31, 2017 – \$2.7 million (US\$2.0 million)] as rent guarantees for its leased premises in New York. As of March 31, 2018 and 2017, there were no outstanding balances under these standby letters of credit.

## NOTE 08 Interest in Other Entities

The Company has a 58% controlling interest for accounting purposes in Canaccord Financial Group (Australia) Pty Ltd. and Canaccord Genuity (Australia) Limited as of March 31, 2018 [March 31, 2017 – 58%]. Together, these entities operate as Canaccord Genuity Australia and the operation's principal place of business is in Australia. As discussed in Note 24, Canaccord Genuity (Australia) Limited is regulated by the Australian Securities and Investments Commission.

Canaccord Genuity Australia reported total net income of \$9.6 million in fiscal 2018 [2017: net income of \$12.5 million]. As at March 31, 2018, accumulated non-controlling interest was \$13.6 million [March 31, 2017 – \$11.9 million]. Summarized financial information including goodwill on acquisition and consolidation adjustments before inter-company eliminations is presented.

Summarized statement of profit or loss for the years ended March 31, 2018 and 2017:

	Canaccord Genuity Australia	
	March 31, 2018	March 31, 2017
For the years ended		
Revenue	\$ 57,022	\$ 59,693
Expenses	(42,113)	(42,088)
Net income before taxes	14,909	17,605
Income tax expense	5,261	5,153
<b>Net income</b>	<b>9,648</b>	<b>12,452</b>
Attributable to:		
CGGI shareholders	5,595	7,369
Non-controlling interests	4,053	5,083
<b>Total comprehensive income</b>	<b>11,084</b>	<b>12,844</b>
Attributable to:		
CGGI shareholders	6,429	7,597
Non-controlling interests	4,655	5,247
Dividends paid to non-controlling interests	3,445	2,520

Summarized statement of financial position as at March 31, 2018 and 2017:

	Canaccord Genuity Australia	
	March 31, 2018	March 31, 2017
Current assets	\$ 55,486	\$ 51,817
Non-current assets	1,302	5,460
Current liabilities	21,974	25,189
Non-current liabilities	3,525	—

Summarized cash flow information for the years ended March 31, 2018 and 2017:

	Canaccord Genuity Australia	
	March 31, 2018	March 31, 2017
Cash provided by operating activities	\$ 2,069	\$ 11,623
Cash used by financing activities	(6,890)	(3,679)
Cash used by investing activities	(120)	(201)
Foreign exchange impact on cash balance	10	276
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>\$(4,931)</b>	<b>\$ 8,019</b>

**NOTE 09****Accounts Receivable and Accounts Payable and Accrued Liabilities****ACCOUNTS RECEIVABLE**

	March 31, 2018	March 31, 2017
Brokers and investment dealers	\$ 1,405,380	\$ 2,625,939
Clients	333,434	373,300
RRSP cash balances held in trust	330,369	302,532
Other	146,654	93,965
	<b>\$ 2,215,837</b>	<b>\$ 3,395,736</b>

**ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	March 31, 2018	March 31, 2017
Brokers and investment dealers	\$ 1,051,546	\$ 1,913,177
Clients	1,228,201	1,468,410
Other	359,207	288,296
	<b>\$ 2,638,954</b>	<b>\$ 3,669,883</b>

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

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

Amounts due from and to clients are due by the settlement date of the trade transaction. Margin loans are due on demand and are collateralized by the assets in the clients' accounts. Interest on margin loans and on amounts due to clients is based on a floating rate [March 31, 2018 – 6.45% to 7.50% and 0.00% to 0.45%, respectively; March 31, 2017 – 5.70% to 6.75% and 0.00% to 0.05%, respectively].

As at March 31, 2018, the allowance for doubtful accounts was \$3.4 million [March 31, 2017 – \$4.9 million]. See below for the movements in the allowance for doubtful accounts:

Balance, March 31, 2016	\$	10,763
Charge for the year		4,153
Recoveries		(4,601)
Write-offs		(5,317)
Foreign exchange		(56)
<b>Balance, March 31, 2017</b>	<b>\$</b>	<b>4,942</b>
Charge for the year		<b>4,831</b>
Recoveries		<b>(4,168)</b>
Write-offs		<b>(2,235)</b>
Foreign exchange		<b>(7)</b>
<b>Balance, March 31, 2018</b>	<b>\$</b>	<b>3,363</b>

**NOTE 10 Investments**

	March 31, 2018	March 31, 2017
Available for sale	\$ 2,035	\$ 2,829

During the year ended March 31, 2018, the Company reclassified its investment in Euroclear, one of the principal clearing houses for securities traded in the Euromarket, from investments to securities owned as a result of a change in the business model in which it is held. The investment is classified as level 2 available for sale financial instrument.

During the year ended March 31, 2018, the Company, through a wholly-owned subsidiary, invested \$2.5 million for 833,333 Class B Units, at \$3.00 per unit, in Canaccord Genuity Acquisition Corp. ("CGAC"). CGAC is a special purpose acquisition corporation formed to effect an acquisition of one or more businesses. Each Class B Unit consists of one Class B Share and one warrant.

The Company holds a 26.2% interest in CGAC and is considered to exert significant influence over the operations of CGAC. Accordingly, the investment in CGAC is accounted for using the equity method.

The Company's equity portion of the net loss of CGAC for the year ended March 31, 2018 was \$0.3 million.

**NOTE 11 Equipment and Leasehold Improvements**

		Cost	Accumulated amortization	Net book value	
<b>March 31, 2018</b>					
Computer equipment		\$ 19,929	\$ 13,350	\$ 6,579	
Furniture and equipment		26,265	20,237	6,028	
Leasehold improvements		86,533	68,173	18,360	
		132,727	101,760	30,967	
<b>March 31, 2017</b>					
Computer equipment		9,999	4,476	5,523	
Furniture and equipment		21,953	17,764	4,189	
Leasehold improvements		83,513	61,746	21,767	
		115,465	83,986	31,479	
		Computer equipment	Furniture and equipment	Leasehold improvements	Total
<b>Cost</b>					
Balance, March 31, 2016	\$	10,825	\$ 21,446	\$ 82,734	\$ 115,005
Additions		1,358	915	2,929	5,202
Disposals		(1,525)	(131)	(929)	(2,585)
Foreign exchange		(659)	(277)	(1,221)	(2,157)
Balance, March 31, 2017	\$	9,999	\$ 21,953	\$ 83,513	\$ 115,465
Acquisition of a subsidiary		6,523	3,933	—	10,456
Additions		2,656	1,390	2,265	6,311
Disposals		(501)	(1,567)	(239)	(2,307)
Foreign exchange		1,252	556	994	2,802
<b>Balance, March 31, 2018</b>	<b>\$</b>	<b>19,929</b>	<b>\$ 26,265</b>	<b>\$ 86,533</b>	<b>\$ 132,727</b>

	Computer equipment	Furniture and equipment	Leasehold improvements	Total
<b>Accumulated amortization and impairment</b>				
Balance, March 31, 2016	\$ 3,603	\$ 16,555	\$ 57,798	\$ 77,956
Amortization	2,474	1,537	5,314	9,325
Disposals	(1,130)	(130)	(918)	(2,178)
Foreign exchange	(471)	(198)	(448)	(1,117)
Balance, March 31, 2017	\$ 4,476	\$ 17,764	\$ 61,746	\$ 83,986
Acquisition of a subsidiary	5,083	2,608	—	7,691
Amortization	3,347	934	5,964	10,245
Disposals	(501)	(1,474)	(238)	(2,213)
Foreign exchange	945	405	701	2,051
<b>Balance, March 31, 2018</b>	<b>\$ 13,350</b>	<b>\$ 20,237</b>	<b>\$ 68,173</b>	<b>\$ 101,760</b>

The carrying value of any temporarily idle property, plant and equipment is not considered material as at March 31, 2018 and March 31, 2017.

**NOTE 12****Business Combinations**

On July 5, 2017, the Company announced that it has agreed to acquire 100% of the outstanding shares of Hargreave Hale Limited ("Hargreave Hale"), a leading independent UK-based investment and wealth management business. This transaction closed on September 18, 2017. This acquisition is part of the Company's strategy of growing its global wealth management business and increasing its wealth management contribution to overall consolidated results. Total purchase consideration was \$131.4 million (£79.6 million), of which \$76.1 million (£46.1 million) was paid on closing. There is deferred consideration of \$9.9 million (£6.0 million) which has been withheld by the Company for a maximum period of six years from completion pending the outcome of a regulatory matter. In addition, there is contingent consideration of up to \$45.4 million (£27.5 million) which will be payable over a period of up to three years, subject to achievement of certain performance targets related to the retention and growth of client assets and revenues and an amount determined with reference to the fund management business.

Further payments of up to \$4.1 million (£2.5 million) will be paid to certain continuing Hargreave Hale employees subject to achievement of certain performance targets related to the retention and growth of client assets and revenues. This amount has been recognized as an expense during the year ended March 31, 2018 in connection with the acquisition.

The purchase price, determined by the fair value of the consideration given at the date of the acquisition and the fair value of the net assets acquired on the date of the acquisition, was as follows:

**Consideration paid**

Cash	\$ 76,103
Deferred consideration	9,902
Contingent consideration	45,386
	<b>\$ 131,391</b>

**Net assets acquired**

Cash	\$ 22,052
Accounts receivable	21,710
Other tangible assets	1,408
Liabilities	(16,793)
Identifiable intangible assets	61,560
Deferred tax liability related to identifiable intangible assets	(10,800)
Goodwill	52,254
	<b>131,391</b>

Identifiable intangible assets of \$61.6 million were recognized and include customer relationships and a fund management contract. The goodwill of \$52.3 million represents the value of expected synergies arising from the acquisition. Goodwill is not deductible for tax purposes.

Management has estimated the fair value of the contingent consideration related to this acquisition to be up to \$45.4 million (£27.5 million) as of the acquisition date and will be payable over a period of three years. The contingent consideration must be settled in cash and meets the definition of a financial liability, and subsequent changes to the fair value of the contingent consideration will be recognized in the statement of operations. The determination of the fair value is based upon discounted cash flows, and the key assumption affecting the fair value is the probability that the performance targets will be met.

The above amounts are estimates, which were made by management at the time of the preparation of these consolidated financial statements based on available information. Amendments may be made to these amounts as well as the allocation of identifiable intangible assets between indefinite life and finite lives. Values based on estimates are subject to changes during the period ending 12 months after the acquisition date.

The aggregate acquisition-related expenses incurred by the Company in connection with the acquisition of Hargreave Hale are \$6.7 million. These expenses are mainly comprised of professional and consulting fees. In addition, the Company also incurred restructuring expenses of \$2.9 million related to an onerous lease provision related to the acquisition.

Contributions to revenue and net loss by Hargreave Hale, including restructuring and acquisition-related costs, were \$52.9 million and \$4.8 million respectively since the acquisition date.

Had Hargreave Hale been consolidated from April 1, 2017, as part of the consolidated statement of operations, the consolidated revenue and net income would have been approximately \$1.1 billion and \$21.4 million, respectively, for the year ended March 31, 2018. These figures represent historical results and are not necessarily indicative of future performance.

**NOTE 13****Goodwill and Other Intangible Assets**

	Identifiable intangible assets								Total
	Goodwill	Brand names	Customer relationships	Technology	Software under development	Non-competition	Trading licenses	Fund management	
<b>Gross amount</b>									
Balance, March 31, 2016	\$ 526,364	\$ 44,930	\$ 97,426	\$ 30,512	\$ 4,506	\$ 14,153	\$ 196	\$ —	\$ 191,723
Additions	—	—	—	440	—	—	—	—	440
Transfer between categories	—	—	—	1,382	(1,382)	—	—	—	—
Foreign exchange	(11,466)	—	(6,303)	(3,132)	(79)	—	—	—	(9,514)
<b>Balance, March 31, 2017</b>	<b>514,898</b>	<b>44,930</b>	<b>91,123</b>	<b>29,202</b>	<b>3,045</b>	<b>14,153</b>	<b>196</b>	<b>—</b>	<b>182,649</b>
Additions	<b>52,254</b>	—	<b>24,921</b>	<b>795</b>	—	—	—	<b>36,639</b>	<b>62,355</b>
Transfer between categories	—	—	—	<b>3,045</b>	<b>(3,045)</b>	—	—	—	—
Foreign exchange	<b>13,454</b>	—	<b>7,130</b>	<b>2,359</b>	—	—	—	<b>3,599</b>	<b>13,088</b>
<b>Balance, March 31, 2018</b>	<b>580,606</b>	<b>44,930</b>	<b>123,174</b>	<b>35,401</b>	<b>—</b>	<b>14,153</b>	<b>196</b>	<b>40,238</b>	<b>258,092</b>
<b>Accumulated amortization and impairment</b>									
Balance, March 31, 2016	(322,632)	—	(44,266)	(10,554)	(2,350)	(14,153)	(196)	—	(71,519)
Amortization	—	—	(8,617)	(3,182)	—	—	—	—	(11,799)
Foreign exchange	—	—	2,351	1,117	—	—	—	—	3,468
<b>Balance, March 31, 2017</b>	<b>(322,632)</b>	—	<b>(50,532)</b>	<b>(12,619)</b>	<b>(2,350)</b>	<b>(14,153)</b>	<b>(196)</b>	—	<b>(79,850)</b>
Transfer between categories	—	—	—	<b>(2,350)</b>	<b>2,350</b>	—	—	—	—
Amortization	—	—	<b>(8,700)</b>	<b>(3,339)</b>	—	—	—	<b>(1,723)</b>	<b>(13,762)</b>
Foreign exchange	—	—	<b>(2,546)</b>	<b>(1,065)</b>	—	—	—	<b>(112)</b>	<b>(3,723)</b>
<b>Balance, March 31, 2018</b>	<b>(322,632)</b>	—	<b>(61,778)</b>	<b>(19,373)</b>	<b>—</b>	<b>(14,153)</b>	<b>(196)</b>	<b>(1,835)</b>	<b>(97,335)</b>
<b>Net book value</b>									
March 31, 2017	<b>192,266</b>	<b>44,930</b>	<b>40,591</b>	<b>16,583</b>	<b>695</b>	—	—	—	<b>102,799</b>
<b>March 31, 2018</b>	<b>257,974</b>	<b>44,930</b>	<b>61,396</b>	<b>16,028</b>	<b>—</b>	—	—	<b>38,403</b>	<b>160,757</b>

## IMPAIRMENT TESTING OF GOODWILL AND OTHER ASSETS

The carrying amounts of goodwill and indefinite life intangible assets acquired through business combinations are as follows:

	Intangible assets with indefinite lives		Goodwill		Total	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
<b>Canaccord Genuity CGUs</b>						
Canada	\$ 44,930	\$ 44,930	\$ 92,074	\$ 92,074	\$ 137,004	\$ 137,004
<b>Canaccord Genuity Wealth Management CGUs</b>						
UK and Europe (Channel Islands)	—	—	97,754	90,257	97,754	90,257
UK and Europe (Eden Financial Ltd ("Eden"))	—	—	10,761	9,935	10,761	9,935
UK and Europe (Hargreave Hale)	—	—	57,385	—	57,385	—
	\$ 44,930	\$ 44,930	\$ 257,974	\$ 192,266	\$ 302,904	\$ 237,196

The Genuity brand name is considered to have an indefinite life as the Company has no plans to cease its use in the future.

Goodwill and intangible assets with indefinite lives are tested for impairment annually at March 31, and when circumstances indicate the carrying value may potentially be impaired. If any indication of impairment exists, the Company estimates the recoverable amount of the CGU to which goodwill and indefinite life intangible assets are allocated. Where the carrying amount of a CGU exceeds its recoverable amount, an impairment loss is recognized. Any impairment loss first reduces the carrying amount of any goodwill allocated to the CGUs and then if any impairment loss remains, the other assets of the unit are reduced on a pro rata basis. Impairment losses relating to goodwill cannot be reversed in future periods. The Company considers the relationship between its market capitalization and the book value of its equity, among other factors, when reviewing for indicators of impairment. Consequently, interim goodwill and other assets impairment testing was carried out for all applicable CGUs at June 30, September 30 and December 31, 2017.

In accordance with IAS 36, "Impairment of Assets" (IAS 36), the recoverable amounts of the CGUs' net assets have been determined using fair value less costs to sell (FVLCS) calculations, which are based on future cash flow assumptions which are considered to be appropriate for the purposes of such calculations. In accordance with IFRS 13 fair value represents an estimate of the price at which an orderly transaction to sell an asset or transfer a liability would take place between market participants as at the end of the reporting period under market conditions as at that date (an exit price as at the measurement date). There is a material degree of uncertainty with respect to the estimates of the recoverable amounts of the CGUs' net assets given that these estimates involve making key assumptions about the future. In making such assumptions, management has used its best estimate of future economic and market conditions within the context of the Company's capital markets and wealth management activities. These valuations are categorized as Level 3 in the fair value hierarchy.

The FVLCS calculations are based on assumptions, as described above, made in connection with future cash flows, relief of royalties with respect to the brand name indefinite life intangible asset, terminal growth rates and discount rates. In order to estimate the FVLCS for each CGU, cash flows are forecast over a five-year period, a terminal growth rate is applied and then such cash flows are discounted to their present value. The discount rate is based on the specific circumstances of each CGU and is derived from the estimated weighted average cost of capital of the Company. The CGUs which recorded goodwill in their carrying value as of March 31, 2018 were Canaccord Genuity, Canada and Canaccord Genuity Wealth Management UK & Europe (Channel Islands), UK (Eden) and UK (Hargreave Hale). The discount rate utilized for each of these CGUs for the purposes of these calculations was 12.5% [March 31, 2017 – 12.5%]. Cash flow estimates for each of these CGUs were based on management assumptions as described above and utilize five-year compound annual revenue growth rates was 5.0% [March 31, 2017 – 5.0%] as well as estimates in respect of operating margins. The terminal growth rate used for each of Canaccord Genuity, Canada and Canaccord Genuity Wealth Management UK & Europe (Channel Islands), UK (Eden) and UK (Hargreave Hale) was 2.5% [March 31, 2017 – 2.5%].

Sensitivity testing was conducted as part of the annual impairment test of goodwill and indefinite life intangible assets for the Canaccord Genuity – Canada CGU. The sensitivity testing includes assessing the impact that reasonably possible declines in revenue estimates for the 12-month period ending on March 31, 2019 and declines in growth rates after that period and increases in the discount rates would have on the recoverable amounts of the CGUs, with other assumptions being held constant. An increase in the discount rate of 7.1 percentage points, a decrease in the estimated revenue for the year ending March 31, 2019 of \$40.1 million or a decrease in the five-year compound annual growth rate of 15.8 percentage points would result in the estimate of the recoverable amount declining below the carrying value with the result that an impairment charge would be required. Any such impairment charge would be determined after incorporating the effect of any changes in key assumptions including any consequential effects of such changes on estimated operating income and on other factors.

**NOTE 14**   **Income Taxes**

The major components of income tax expense are:

	March 31, 2018	March 31, 2017
<b>Consolidated statements of operations</b>		
Current income tax expense		
Current income tax expense	\$ 23,630	\$ 16,286
Adjustments in respect of prior years	(3,010)	36
	<b>20,620</b>	<b>16,322</b>
Deferred income tax recovery		
Origination and reversal of temporary differences	(1,807)	(5,667)
Impact of change in tax rates	(144)	43
	<b>(1,951)</b>	<b>(5,624)</b>
Income tax expense reported in the statements of operations	<b>\$ 18,669</b>	<b>\$ 10,698</b>

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

	March 31, 2018	March 31, 2017
Net income before income taxes	\$ 35,746	\$ 53,884
Income tax expense at the statutory rate of 26.25% (2017: 26.0%)	9,381	13,999
Difference in tax rates in foreign jurisdictions	(1,631)	(4,096)
Non-deductible items affecting the determination of taxable income	2,555	3,051
Change in accounting and tax base estimate	3,248	(1,143)
Change in deferred tax asset – reversal period of temporary difference and other	6,759	(2,292)
Tax losses and other temporary differences not recognized	(5,409)	1,208
Share based payments	3,766	(29)
Income tax expense reported in the statements of operations	<b>\$ 18,669</b>	<b>\$ 10,698</b>

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

	Consolidated statements of financial position		Consolidated statements of operations	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Unrealized gain on securities owned	\$ (10,053)	\$ (114)	\$ 9,939	\$ (992)
Legal provisions	774	1,195	421	(839)
Unpaid remunerations	6,359	4,971	(1,388)	(2,713)
Unamortized capital cost of equipment and leasehold improvements over their net book value	2,984	2,974	(10)	(287)
Unamortized common share purchase loans	2,434	1,792	(641)	(541)
Loss carryforwards	5,224	6,491	1,267	2,145
Long-term incentive plan	25,365	14,398	(10,967)	(541)
Other intangible assets	(28,066)	(17,523)	(1,318)	(2,296)
Other	1,205	999	746	440
	<b>\$ 6,226</b>	<b>\$ 15,183</b>	<b>\$ (1,951)</b>	<b>\$ (5,624)</b>



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

	March 31, 2018	March 31, 2017
Deferred tax assets	\$ 19,941	\$ 15,323
Deferred tax liabilities	(13,715)	(140)
	\$ 6,226	\$ 15,183

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

	2018	2017
Opening balance as of April 1	\$ 15,183	\$ 10,771
Tax recovery recognized in the consolidated statements of operations	1,951	5,624
Foreign exchange on deferred tax position	1,111	(810)
Deferred tax liability on convertible debentures	—	(990)
Deferred taxes acquired in business combination	(11,308)	—
Other	(711)	588
Ending balance as of March 31	\$ 6,226	\$ 15,183

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

At the balance sheet date, the Company has tax loss carryforwards of approximately \$35.5 million [2017 – \$37.9 million] for which a deferred tax asset has not been recognized. These losses relate to subsidiaries outside of Canada that have a history of losses and may also be subject to legislative limitations on use and may not be used to offset taxable income elsewhere in the consolidated group of companies. The subsidiaries have no taxable temporary differences or any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets, as the likelihood of future economic benefit is not sufficiently assured. These losses begin expiring in 2029.

Other temporary differences not recognized as deferred tax assets in relation to subsidiaries outside of Canada amount to \$38.8 million at March 31, 2018 [2017 – \$33.7 million]. Since the subsidiaries outside of Canada have a history of losses and the deductible temporary differences may not be used to offset taxable income elsewhere in the consolidated group of companies, no asset has been recognized as the likelihood of future economic benefit is not sufficiently assured.

**NOTE 15****Subordinated Debt**

	March 31, 2018	March 31, 2017
Loan payable, interest payable monthly at prime + 4% per annum, due on demand	\$ 7,500	7,500

The loan payable is subject to a subordination agreement and may only be repaid with the prior approval of IIROC. As at March 31, 2018 and 2017, the interest rates for the subordinated debt were 7.45% and 6.7%, respectively. The carrying value of subordinated debt approximates its fair value due to the short-term nature of this liability.

**NOTE 16****Bank Loan**

	March 31, 2018	March 31, 2017
Loan	\$ 72,500	\$ —
Less: Unamortized financing fees	(1,063)	—
	71,437	—
Current portion	9,679	—
Long term portion	61,758	—

In connection with the acquisition of Hargreave Hale [Note 12], a subsidiary of the Company entered into a senior credit facility in the amount of £40.0 million (C\$72.5 million as of March 31, 2018) to finance a portion of the cash consideration. The balance outstanding as of March 31, 2018 net of unamortized financing fees was \$71.4 million. The loan is repayable in instalments of principal and interest over a period of 4 years. The interest rate on this loan is LIBOR plus 3.375% per annum.

## NOTE 17 Convertible Debentures

On October 27, 2016, the Company closed a private placement of convertible unsecured senior subordinated debentures (the "Debentures") in the aggregate principal amount of \$60.0 million. The net amount recognized after deducting issue costs net of deferred tax liability was \$58.9 million. The Debentures were placed with funds managed by a large Canadian asset manager.

The Debentures bear interest at a rate of 6.50% per annum, payable semi-annually on the last day of June and December each year commencing December 31, 2016. The Debentures are convertible at the holder's option into common shares of the Company at a conversion price of \$6.50 per share. The Debentures will mature on December 31, 2021 and may be redeemed by the Company, in certain circumstances, on or after December 31, 2019.

The Debentures are classified as compound financial instruments. On initial recognition, the fair value of the liability was calculated based on the present value of future cash flows under the instruments, discounted at 8%, being equal to the rate of interest applied by the market at the time of issue to instruments of comparable credit status and future cash flows, without the conversion feature. The residual amount is recorded as a component of shareholders' equity.

	March 31, 2018		March 31, 2017	
	Liability	Equity	Liability	Equity
Convertible debentures	\$ 57,081	\$ 2,604	\$ 56,442	\$ 2,604

## NOTE 18 Preferred Shares

	March 31, 2018		March 31, 2017	
	Amount	Number of shares	Amount	Number of shares
Series A Preferred Shares issued and outstanding	\$ 110,818	4,540,000	\$ 110,818	4,540,000
Series C Preferred Shares issued and outstanding	97,450	4,000,000	97,450	4,000,000
Series C Preferred Shares held in treasury	(2,627)	(106,794)	(2,627)	(106,794)
	94,823	3,893,206	94,823	3,893,206
	\$ 205,641	8,433,206	\$ 205,641	8,433,206

### [i] SERIES A PREFERRED SHARES

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

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

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

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

### [ii] SERIES C PREFERRED SHARES

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

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

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

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

**NOTE 19****Common Shares and Warrants**

	March 31, 2018		March 31, 2017	
	Amount	Number of shares	Amount	Number of shares
Issued and fully paid	\$ 772,746	113,522,629	\$ 772,645	113,511,468
Unvested share purchase loans	(5,098)	(654,322)	(9,366)	(1,590,146)
Held for the LTIP	(117,802)	(19,814,432)	(121,830)	(19,141,505)
	<b>\$ 649,846</b>	<b>93,053,875</b>	<b>\$ 641,449</b>	<b>92,779,817</b>

  

	March 31, 2018		March 31, 2017	
	Amount	Number of warrants	Amount	Number of warrants
Warrants issued in connection with Private Placement	\$ 1,975	3,438,412	\$ 1,975	3,438,412

**[i] AUTHORIZED**

Unlimited common shares without par value.

**[ii] ISSUED AND FULLY PAID**

	Number of shares	Amount
Balance, March 31, 2016	103,812,814	\$ 729,502
Shares issued in connection with share-based payment plans [Note 21]	2,433,285	14,840
Shares issued in connection with replacement plans [Note 21]	76,088	685
Shares issued for other stock-based award	507,051	2,373
Shares issued in connection with private placement	6,876,824	26,601
Shares cancelled	(194,594)	(1,356)
Balance, March 31, 2017	113,511,468	772,645
Shares issued in connection with replacement plans [Note 21]	11,161	101
<b>Balance, March 31, 2018</b>	<b>113,522,629</b>	<b>\$ 772,746</b>

On August 11, 2017, the Company filed a notice to renew the normal course issuer bid (NCIB) to provide the Company with the choice to purchase up to a maximum of 5,675,573 of its common shares during the period from August 15, 2017 to August 14, 2018 through the facilities of the TSX and on alternative trading systems in accordance with the requirements of the TSX. The purpose of the purchase of common shares under the NCIB is to enable the Company to acquire shares for cancellation. The maximum number of shares that may be purchased under the current NCIB represents 5.0% of the Company's outstanding common shares at the time of the notice. There were no shares purchased through this and the previous NCIB between April 1, 2017 and March 31, 2018.

During the year ended March 31, 2017, the Company completed the closings of a non-brokered private placement (Private Placement) to employees of the Company. In aggregate, the Company issued 6,876,824 units at a price of \$4.17 per unit for aggregate proceeds to the Company of \$28.6 million. Each unit consists of one common share ("Common Share") of the Company and one-half of one Common Share purchase warrant ("Warrant"). Each whole Warrant will entitle the holder to acquire one Common Share at an exercise price of \$4.99 for the period from June 17, 2019 to December 17, 2019. Warrants are not listed and are not transferable.

The Warrants are classified as equity instruments. The fair value of the Warrants, calculated using an option pricing model, was determined to be \$1.975 million. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Volatility is based on the historical trend of the share prices of the Company. Changes in the subjective assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Warrants.

### [iii] FORGIVABLE COMMON SHARE PURCHASE LOANS

The Company provides forgivable common share purchase loans to certain employees (other than directors or executive officers) in order to purchase common shares of the Company. The Company has provided such loans to executive officers in the past but has now adopted a policy not to make any further such loans to directors or executive officers. The unvested balance of forgivable common share purchase loans is presented as a deduction from share capital. The forgivable common share purchase loans are amortized over the vesting period. The difference between the unvested and unamortized values is included in contributed surplus.

### [iv] EARNINGS PER COMMON SHARE

	For the years ended	
	March 31, 2018	March 31, 2017
<b>Earnings per common share</b>		
Net income attributable to CGGI shareholders	\$ 13,024	\$ 38,103
Preferred shares dividends	(9,593)	(11,076)
Net income attributable to common shareholders	3,431	27,027
Weighted average number of common shares (number)	92,587,216	91,656,708
Basic earnings per share	\$ 0.04	\$ 0.29
<b>Diluted earnings per common share</b>		
Net income attributable to common shareholders	3,431	27,027
Weighted average number of common shares (number)	92,587,216	91,656,708
Dilutive effect in connection with LTIP (number)	17,089,575	8,248,790
Dilutive effect in connection with other share-based payment plans (number)	978,809	1,243,574
Dilutive effect in connection with warrants (number)	206,487	—
Adjusted weighted average number of common shares (number)	110,862,087	101,149,072
Diluted earnings per common share	\$ 0.03	\$ 0.27

The convertible debentures were excluded from the diluted earnings per share calculation for the year ended March 31, 2018 and 2017 as they were anti-dilutive.

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

## NOTE 20

## Dividends

### COMMON SHARE DIVIDENDS

The Company declared the following common share dividend during the year ended March 31, 2018:

Record date	Payment date	Cash dividend per common share	Total common dividend amount
March 2, 2018	March 15, 2018	\$ 0.01	\$ 1,135
December 1, 2017	December 15, 2017	\$ 0.01	\$ 1,135
September 1, 2017	September 15, 2017	\$ 0.01	\$ 1,135
June 16, 2017	July 3, 2017	\$ 0.10	\$ 11,351

On June 6, 2018, the Board of Directors approved a dividend of \$0.12 per common share, payable on July 3, 2018, with a record date of June 22, 2018. This dividend is comprised of a \$0.01 base quarterly dividend and an \$0.11 variable supplemental dividend [Note 28].

**PREFERRED SHARE DIVIDENDS**

Record date	Payment date	Cash dividend per Series A Preferred Share	Cash dividend per Series C Preferred Share	Total preferred dividend amount
March 16, 2018	April 2, 2018	\$ 0.24281	\$ 0.31206	\$ 2,351
December 22, 2017	January 2, 2018	\$ 0.24281	\$ 0.31206	\$ 2,351
September 15, 2017	October 2, 2017	\$ 0.24281	\$ 0.31206	\$ 2,351
June 16, 2017	June 30, 2017	\$ 0.24281	\$ 0.359375	\$ 2,540

On June 6, 2018, the Board approved a cash dividend of \$0.24281 per Series A Preferred Share payable on July 3, 2018 to Series A Preferred shareholders of record as at June 22, 2018 [Note 28].

On June 6, 2018, the Board approved a cash dividend of \$0.31206 per Series C Preferred Share payable on July 3, 2018 to Series C Preferred shareholders of record as at June 22, 2018 [Note 28].

**NOTE 21****Share-Based Payment Plans****[i] LONG-TERM INCENTIVE PLAN**

Under the long-term incentive plan (LTIP) or the “Plan”, eligible participants are awarded restricted share units (RSUs), which generally vest over three years. All awards under the LTIP plan are settled by transfer of shares from employee benefit trusts (“Trusts”) which are funded by the Company, or certain of its subsidiaries, as the case may be, with cash which is used by the trustees to purchase common shares on the open market that will be held in the Trusts until the RSUs vest. No further shares may be issued from treasury under the LTIP.

Effective as of March 31, 2018 the Plan was changed to remove certain employment-related conditions for the vesting of RSU awards made as part of the normal course incentive compensation payment cycle. With the change, RSUs will continue to vest after termination of employment so long as the employee does not violate certain post-termination restrictions and is not engaged in certain competitive or soliciting activities as provided in the Plan. Because of this change, the Company determined that the awards do not meet the criteria for an in-substance service condition, as defined by IFRS 2 “Share based payments”. Accordingly, RSUs granted as part of the normal course incentive compensation payment cycle are expensed in the period in which those awards are deemed to be earned with a corresponding increase in contributed surplus, which is generally the fiscal period in which the awards are either made or the immediately preceding fiscal year for those awards made after the end of such fiscal year but were determined and earned in respect of that fiscal year. With this change to the Plan, the Company recorded an expense of \$48.4 million during the year ended March 31, 2018 in respect of the unamortized portion of outstanding awards as of March 31, 2018 which would have otherwise been expensed in periods after March 31, 2018 if the Plan had not been changed.

For certain awards, typically new hire awards or retention awards, vesting is subject to continued employment and therefore these awards are subject to a continuing service requirement. Accordingly, the Company recognizes the cost of such awards as an expense on a graded basis over the applicable vesting period with a corresponding increase in contributed surplus.

There were 7,292,403 RSUs [year ended March 31, 2017 – 11,895,720 RSUs] granted in lieu of cash compensation to employees during the year ended March 31, 2018. The Trusts purchased 5,681,240 common shares [year ended March 31, 2017 – 9,838,528 common shares] during the year ended March 31, 2018.

The fair value of the RSUs at the measurement date is based on the fair value on grant date. The weighted average fair value of RSUs granted during the year ended March 31, 2018 was \$5.00 [March 31, 2017 – \$4.75].

	Number
Awards outstanding, March 31, 2016	11,962,855
Grants	11,895,720
Vested	(4,598,904)
Forfeited	(1,079,926)
Awards outstanding, March 31, 2017	18,179,745
Grants	7,292,403
Vested	(4,906,479)
Forfeited	(435,281)
<b>Awards outstanding, March 31, 2018</b>	<b>20,130,388</b>

	Number
Common shares held by the Trusts, March 31, 2016	12,171,624
Acquired	9,838,528
Released on vesting	(2,868,647)
Common shares held by the Trusts, March 31, 2017	19,141,505
Acquired	5,681,240
Released on vesting	(5,008,313)
<b>Common shares held by the Trusts, March 31, 2018</b>	<b>19,814,432</b>

#### [ii] FORGIVABLE COMMON SHARE PURCHASE LOANS

The Company provides loans to certain employees (other than directors or executive officers) for the purpose of partially funding the purchase of shares of the Company and increasing share ownership by the employees. The Company has provided such loans to executive officers in the past but has now adopted a policy not to make any further such loans to directors or executive officers. These loans are equity-settled transactions that are generally forgiven over a three- to five-year period from the initial advance of the loan or at the end of that three- to five-year period [Note 19 [iii]].

#### [iii] REPLACEMENT PLANS

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

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

On March 21, 2012, the Company introduced the Replacement ABED Plan, which replaced the ABED plans that existed at CSHP as of the acquisition date. Eligible employees who participated in the CSHP ABED plans were granted options to purchase common shares of the Company under the Replacement ABED Plan. The exercise price of these options was \$nil. The options, which are now vested, vested between one and three years from the acquisition date of CSHP. In accordance with IFRS 3, “*Business Combinations*” (IFRS 3), a portion of the awards granted was included as part of the purchase consideration for the acquisition of CSHP and a portion was deferred and amortized to incentive compensation expense over the vesting period. The awards were fully amortized as of March 31, 2015.

	Number
Balance, March 31, 2016	25,637
Exercised	(7,155)
Balance, March 31, 2017	18,482
Exercised	—
<b>Balance, March 31, 2018</b>	<b>18,482</b>

The following table summarizes the share options outstanding under the Replacement ABED Plan as at March 31, 2018:

Range of exercise price	Options outstanding			Options exercisable	
	Number of common shares	Weighted average remaining contractual life	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
<b>\$nil</b>	<b>18,482</b>	<b>2.0</b>	<b>Nil</b>	<b>18,482</b>	<b>\$ nil</b>

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

On March 21, 2012, the Company introduced the Replacement LTIP, which replaced the existing LTIPs at CSHP on the acquisition date. Eligible employees who participated in the CSHP LTIPs were granted options to purchase shares of the Company awards under the Replacement LTIP. The exercise price of these options was \$nil. The options, which are now vested, vested annually on a graded basis over a three-year period. In accordance with IFRS 3, a portion of awards granted was included as part of the purchase consideration for the acquisition of CSHP and a portion was deferred and amortized to incentive compensation expense over the vesting period. The awards were fully amortized as of March 31, 2015.

	Number
Awards outstanding, March 31, 2016	201,552
Exercised	(68,933)
Balance, March 31, 2017	132,619
Exercised	(11,161)
Balance, March 31, 2018	<b>121,458</b>

The following table summarizes the share options outstanding under the Replacement LTIP as at March 31, 2018:

Range of exercise price	Options outstanding			Options exercisable	
	Number of common shares	Weighted average remaining contractual life	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
<b>\$nil</b>	<b>121,458</b>	<b>2.0</b>	<b>\$nil</b>	<b>121,458</b>	<b>\$ nil</b>

#### [iv] CSH Inducement Plan

In connection with the acquisition of CSHP, the Company agreed to establish a retention plan for key CSHP staff. The awards were fully vested and fully amortized as of March 31, 2017. As of March 31, 2018, the only CSH inducement Plan award outstanding, if exercised, would result in the issuance of 9,257 common shares. This is also the maximum number of common shares that may be issued from treasury under the CSH Inducement Plan. These shares are subject to resolution of a dispute about the status of a participant who was awarded this number of restricted share units.

#### [v] DEFERRED SHARE UNITS

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

During the year ended March 31, 2018, the Company granted 77,720 DSUs [2017 – 84,990 DSUs]. The carrying amount of the liability relating to DSUs at March 31, 2018 was \$2.2 million [2017 – \$1.1 million].

#### [vi] PERFORMANCE SHARE UNITS

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

The carrying amount of the liability relating to PSUs at March 31, 2018 was \$6.1 million.



**[vii] SHARE-BASED COMPENSATION EXPENSE**

	For the years ended	
	March 31, 2018	March 31, 2017
Long-term incentive plan	\$ 93,673	\$ 37,537
Forgivable common share purchase loans	199	1,699
CSH Inducement Plan	—	1,609
Deferred share units (cash-settled)	661	(762)
Other	67	239
Share-based incentive compensation expense	94,600	40,322
Accelerated share-based payment expense included as restructuring expense	757	—
Total share-based compensation expense	\$ 95,357	\$ 40,322

With the change to the Plan discussed above, the Company recorded an expense of \$48.3 million during the year ended March 31, 2018 with a corresponding increase in contributed surplus in respect of the awards granted prior to fiscal 2018. The remainder of the LTIP expense relates to awards made in fiscal 2018 and the 2018 amortization expense associated with new hire and retention-based awards.

## NOTE 22

## Related Party Transactions

## [i] CONSOLIDATED SUBSIDIARIES

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

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

\* The Company owns 50% of the issued shares of Canaccord Financial Group (Australia) Pty Ltd and Canaccord Genuity (Australia) Limited, but for accounting purposes, as of March 31, 2018 the Company is considered to have a 58% interest because of the shares held in a trust controlled by Canaccord Financial Group (Australia) Pty Ltd [March 31, 2017 – 58%] [Note 8]

## [ii] COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE COMPANY

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

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

**[iii] OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL**

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

	March 31, 2018	March 31, 2017
Accounts receivable	\$ 969	\$ 211
Accounts payable and accrued liabilities	1,527	219

**[iv] TERMS AND CONDITIONS OF TRANSACTIONS WITH RELATED PARTIES**

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

**NOTE 23****Segmented Information**

The Company operates in two industry segments as follows:

Canaccord Genuity – includes investment banking, advisory, research and trading activities on behalf of corporate, institutional and government clients as well as principal trading activities in Canada, the UK, Europe and Dubai, Australia and the US. Operations located in Other Foreign Locations under Canaccord Genuity Asia are also included in Canaccord Genuity.

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

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

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

The Company does not allocate total assets, liabilities or equipment and leasehold improvements to the segments. Amortization of tangible assets is allocated to the segments based on the square footage occupied. Amortization of identifiable intangible assets is allocated to the Canaccord Genuity segment, as it relates to the acquisitions of Genuity and the 50% interest in Canaccord Genuity Australia. Amortization of the identifiable intangible assets acquired through the purchase of Collins Stewart Hawkpoint plc (CSHP) is allocated to Canaccord Genuity and Canaccord Genuity Wealth Management segments in the UK and Europe (Channel Islands). Amortization of identifiable intangible assets acquired through the acquisition of Eden Financial Ltd. is allocated to Canaccord Genuity Wealth Management segments in the UK and Europe (Eden Financial Ltd.). Amortization of identifiable intangible assets acquired through the acquisition of Hargreave Hale is allocated to Canaccord Genuity Wealth Management segments in the UK and Europe (Hargreave Hale). There are no significant intersegment revenues. Income taxes are managed on a Company basis and are not allocated to operating segments. All revenue and operating profit is derived from external customers. The Company also does not allocate cash flows by reportable segments.

	For the years ended							
	March 31, 2018				March 31, 2017			
	Canaccord Genuity	Canaccord Genuity Wealth Management	Corporate and Other	Total	Canaccord Genuity	Canaccord Genuity Wealth Management	Corporate and Other	Total
Revenues, excluding interest revenue	\$ 627,821	\$ 358,193	\$ 8,988	\$ 995,002	\$ 593,447	\$ 258,230	\$ 11,022	\$ 862,699
Interest revenue	9,735	12,072	6,068	27,875	4,944	8,881	3,022	16,847
Expenses, excluding undernoted	583,577	288,400	50,373	922,350	512,933	210,226	56,426	779,585
Amortization	9,464	13,152	1,391	24,007	10,651	9,102	1,371	21,124
Development costs	690	6,773	201	7,664	2,616	6,585	3,008	12,209
Interest expense	9,471	2,741	6,225	18,437	9,713	135	2,896	12,744
Restructuring costs	4,704	2,939	—	7,643	—	—	—	—
Acquisition-related costs	—	6,732	—	6,732	—	—	—	—
Share of loss of an associate	—	—	298	298	—	—	—	—
Income (loss) before income taxes and intersegment allocations	29,650	49,528	(43,432)	35,746	62,478	41,063	(49,657)	53,884
Less: Intersegment allocations	16,524	15,529	(32,053)	—	18,210	16,796	(35,006)	—
Income (loss) before income taxes	\$ 13,126	\$ 33,999	\$ (11,379)	\$ 35,746	\$ 44,268	\$ 24,267	\$ (14,651)	\$ 53,884

For geographic reporting purposes, the Company's business operations are grouped into Canada, the UK and Europe (including Dubai), the United States, Australia, and Other Foreign Locations which is comprised of our Asian operations. The following table presents the revenue of the Company by geographic location (revenue is attributed to geographic areas on the basis of the location of the underlying corporate operating results):

	For the years ended	
	March 31, 2018	March 31, 2017
Canada	\$ 397,053	\$ 298,816
UK & Europe (including Dubai)	329,841	281,631
United States	238,933	237,142
Australia	57,022	59,693
Other Foreign Locations	28	2,264
	\$ 1,022,877	\$ 879,546

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

	Canada	UK, Europe and Dubai	United States	Other Foreign Locations	Australia	Total
<b>As at March 31, 2018</b>						
Equipment and leasehold improvements	\$ 9,483	\$ 13,156	\$ 6,960	\$ 66	\$ 1,302	\$ 30,967
Goodwill	92,074	165,900	—	—	—	257,974
Intangible assets	53,201	107,464	92	—	—	160,757
Non-current assets	154,758	286,520	7,052	66	1,302	449,698
<b>As at March 31, 2017</b>						
Equipment and leasehold improvements	11,080	9,884	8,757	31	1,727	31,479
Goodwill	92,074	100,192	—	—	—	192,266
Intangible assets	55,630	47,074	95	—	—	102,799
Non-current assets	\$ 158,784	\$ 157,150	\$ 8,852	\$ 31	\$ 1,727	\$ 326,544

**NOTE 24 Capital Management**

The Company's business requires capital for operating and regulatory purposes, including funding current and future operations. The Company's capital structure is underpinned by shareholders' equity, which is comprised of preferred shares, common shares, contributed surplus, warrants, retained earnings and accumulated other comprehensive income (loss), and is further complemented by the subordinated debt and convertible debentures. The following table summarizes our capital as at March 31, 2018 and 2017:

Type of capital	March 31, 2018	March 31, 2017
Preferred shares	\$ 205,641	\$ 205,641
Common shares	649,846	641,449
Convertible debentures – equity portion	2,604	2,604
Warrants	1,975	1,975
Contributed surplus	145,426	85,405
Retained deficit	(277,472)	(267,559)
Accumulated other comprehensive income	113,332	95,270
Shareholders' equity	841,352	764,785
Convertible debentures	57,081	56,442
Subordinated debt	7,500	7,500
Bank loan	71,437	—
	<b>\$ 977,370</b>	<b>\$ 828,727</b>

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

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

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

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

Margin requirements in respect of outstanding trades, underwriting deal requirements and/or working capital requirements cause regulatory capital requirements to fluctuate on a daily basis. Compliance with these requirements may require the Company to keep sufficient cash and other liquid assets on hand to maintain regulatory capital requirements rather than using these liquid assets in connection with its business or paying them out in the form of cash disbursements. Some of the subsidiaries are also subject to regulations relating to withdrawal of capital, including payment of dividends to the Company. There were no significant changes in the Company's capital management policy during the current year. The Company's subsidiaries were in compliance with all of the minimum regulatory capital requirements as at and during the year ended March 31, 2018.

**NOTE 25****Client Money**

At March 31, 2018, the UK and Europe operations held client money in segregated accounts of \$2.978 billion (£1.643 billion) [2017 – \$2.120 billion; £1.267 billion]. This is comprised of \$11.1 million (£6.1 million) [2017 – \$11.2 million; £6.7 million] of balances held on behalf of clients to settle outstanding trades and \$2.967 billion (£1.637 billion) [2017 – \$2.109 billion; £1.260 billion] of segregated deposits, held on behalf of clients, which are not reflected on the consolidated statements of financial position. Movement in settlement balances is reflected in operating cash flows.

**NOTE 26****Provisions and Contingencies****PROVISIONS**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount can be made. At each reporting date, the Company assesses the adequacy of its pre-existing provisions and adjusts the amounts as necessary. The following is a summary of the changes during the years ended March 31, 2018 and 2017:

		Legal provisions	Restructuring provisions	Total provisions
Balance, March 31, 2016	\$	3,600	\$ 15,211	\$ 18,811
Additions		5,870	—	5,870
Utilized		(2,530)	(10,358)	(12,888)
Balance, March 31, 2017	\$	6,940	\$ 4,853	\$ 11,793
Additions		2,704	7,643	10,347
Utilized		(5,991)	(7,321)	(13,312)
Recoveries		(400)	—	(400)
<b>Balance, March 31, 2018</b>	<b>\$</b>	<b>3,253</b>	<b>\$ 5,175</b>	<b>\$ 8,428</b>

The restructuring provision recorded during the period ended March 31, 2018 related to termination benefits incurred as a result of the closing of certain trading operations in our UK and Europe capital markets operations, staff reductions in our Canadian and US capital markets operations, as well as an onerous lease provision related to the acquisition of Hargreave Hale.

**Commitments, litigation proceedings and contingent liabilities**

In the normal course of business, the Company is involved in litigation, and as of March 31, 2018, it was a defendant in various legal actions. The Company has established provisions for matters where payments are probable and can be reasonably estimated. While the outcome of these actions is subject to future resolution, management's evaluation and analysis of these actions indicate that, individually and in the aggregate, the probable ultimate resolution of these actions will not have a material effect on the financial position of the Company.

The Company is also subject to asserted and unasserted claims arising in the normal course of business which, as of March 31, 2018, have not resulted in the commencement of legal actions. The Company cannot determine the effect of all asserted and unasserted claims on its financial position; however, where losses arising from asserted and unasserted claims are considered probable and where such losses can be reasonably estimated, the Company has recorded a provision.

Certain claims have been asserted against the Company in respect of the sale of certain conventional wealth management tax advantaged film partnership products in the UK by a predecessor which could be material if such claims are advanced, additional claims are made and the Company's assumptions used to evaluate the matter as neither probable nor estimable change in future periods. In that event, the Company may be required to record a provision for an adverse outcome which could have a material adverse effect on the Company's financial position. The aggregate investment by the Company's clients in respect of these products is estimated to be \$10.4 million (£5.8 million). The aggregate initial tax deferral realized by the Company's clients in respect of these products when they were purchased by those clients during the period from 2006 to 2009 is estimated to be \$14.4 million (£8.0 million). Enforcement in accordance with announcements from the UK taxation authority, the outcome of certain litigation proceedings in respect of the taxation of other similar products sold by other financial advisors and certain settlements reached with the UK taxation authority by some investors will likely result in tax liabilities to the purchasers of those products in excess of the initial tax deferral amount. The potential tax liability for the Company's clients that is in excess of the initial tax deferral amount is estimated to be \$14.8 million (£8.3 million). The probable outcome of the enforcement actions by the UK taxation authority in respect of this matter and the likelihood of a loss or the amount of any such loss to the Company in connection with any claims asserted against the Company, or which may be asserted against the Company, are not determinable at the date of these audited consolidated financial statements.

An action has been commenced in Alberta by a former client and others claiming the return of losses in certain accounts, return of administration fees, interest and costs. The claim alleges breach of contract and negligence in the administration of the accounts. The damages claimed in this action are in excess of \$14 million. Although the Company has denied the allegations and intends to vigorously defend itself, the probable outcome of this action and a reliable estimate of the amount of damages in the event of an adverse outcome are not determinable at the date of these audited consolidated financial statements.

The Company has been joined as a defendant in three actions commenced in British Columbia and Manitoba by another investment dealer against a number of its former employees who are now employed in those provinces by the Company. The claims seek damages for intentional interference with economic relations and inducing breach of contract, among other things, in connection with the transfer of significant books of wealth management business from the plaintiff to the Company. The claims do not quantify the amount claimed in damages. Although the Company and the employee defendants have denied the allegations and intend to vigorously defend themselves, the outcome of these actions cannot be predicted with certainty and an estimate of the amount of damages in the event of adverse outcomes are not determinable at the date of these audited annual consolidated financial statements.

An action has been commenced in the Dubai International Financial Centre (DIFC) against the Company and one other claiming US\$10 million in damages against the defendants in connection with a takeover bid made by a third party in the United States and the use of the plaintiff's name by that third party. Although the Company has denied the allegations and intends to vigorously defend itself, the outcome of this action cannot be predicted with certainty and an estimate of the amount of damages in the event of an adverse outcome is not determinable at the date of these audited consolidated financial statements.

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

**NOTE 27****Commitments**

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

2019	\$	32,476
2020		30,304
2021		29,123
2022		25,343
2023		19,174
Thereafter		40,745
	\$	177,165

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



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

2019	\$	2,155
2020		2,121
2021		2,107
2022		2,080
2023		867
Thereafter		—
	\$	9,330

The Company is committed to principal and interest payments under the convertible debentures as follows:

2019	\$	3,900
2020		3,900
2021		3,900
2022		63,900
	\$	75,600

The Company is committed to principal and interest payments under the bank loan as follows:

2019	\$	9,679
2020		9,679
2021		14,500
2022		38,642
	\$	72,500

**NOTE 28****Subsequent Events****(i) ACQUISITION**

On April 25, 2018, the Company announced that it entered into an agreement to acquire Jitneytrade Inc. and Finlogik Inc. directly and through the purchase of Finlogik Capital Inc. Jitneytrade Inc. is a direct access broker and an active trader in futures and equity options in Canada. Finlogik Inc. is in the business of delivering value-added fintech solutions in the Canadian market. The acquisition closed on June 6, 2018.

**(ii) STOCK OPTIONS**

At its meeting on June 6, 2018, the Board of Directors approved the grant of 6,220,000 performance share options (PSOs) to senior management of the Company and its operating subsidiaries. The options will be granted under the terms of the Company's Performance Share Option (PSO) plan to be presented to the shareholders for their approval at the Company's annual general meeting to be held on August 2, 2018. The grant is subject to ratification at that meeting. The options will have an exercise price determined within the context of the market at the time of the grant, will have a term of five years and will time-vest rateably over four years (with one third vesting on each of the second, third and fourth anniversaries of the date of grant). PSOs will also be subject to market (stock price) performance vesting conditions, as well as have a three times exercise price cap on payout value.

**(iii) DIVIDENDS**

On June 6, 2018, the Board of Directors approved a dividend of \$0.12 per common share, payable on July 3, 2018, with a record date of June 22, 2018 [Note 20]. This dividend is comprised of a \$0.01 base quarterly dividend and an \$0.11 supplemental dividend.

On June 6, 2018, the Board approved a cash dividend of \$0.24281 per Series A Preferred Share payable on July 3, 2018 to Series A Preferred shareholders of record as at June 22, 2018 [Note 20].

On June 6, 2018, the Board approved a cash dividend of \$0.31206 per Series C Preferred Share payable on July 3, 2018 to Series C Preferred shareholders of record as at June 22, 2018 [Note 20].