Independent Auditors' Report

To the Shareholders of
Canaccord Financial Inc.

We have audited the accompanying consolidated financial statements of Canaccord Financial Inc., which comprise the consolidated statements of financial position as at March 31, 2013 and 2012, and the consolidated statements of operations, comprehensive loss, 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 Financial Inc. as at March 31, 2013 and 2012, and its financial performance and its cash flows for the years ended March 31, 2013 and 2012 in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Chartered Accountants
Vancouver, Canada
May 21, 2013

Consolidated Statements of Financial Position

As at (in thousands of Canadian dollars)	Notes		March 31, 2013		March 31, 2012
ASSETS					
Current					
Cash and cash equivalents		$	491,012	$	814,238
Securities owned	5		924,337		1,171,988
Accounts receivable	7, 18		2,513,958		3,081,640
Income taxes receivable			—		8,301
Total current assets			3,929,307		5,076,167
Deferred tax assets	12		12,552		3,959
Investments	8		3,695		9,493
Equipment and leasehold improvements	9		42,979		51,084
Intangible assets	11		130,283		149,510
Goodwill	11		484,686		472,510
		$	4,603,502	$	5,762,723
LIABILITIES AND EQUITY					
Current					
Bank indebtedness	6	$	66,138	$	75,141
Short term credit facility	6		—		150,000
Securities sold short	5		689,020		914,649
Accounts payable and accrued liabilities	7, 18		2,726,735		3,550,600
Provisions	22		20,055		39,666
Income taxes payable			4,428		—
Contingent consideration	10		14,218		—
Subordinated debt	13		15,000		15,000
Total current liabilities			3,535,594		4,745,056
Deferred tax liabilities	12		2,576		8,088
			3,538,170		4,753,144
Equity					
Preferred shares	14		205,641		110,818
Common shares	15		638,456		623,739
Contributed surplus			85,981		68,336
Retained earnings			126,203		180,748
Accumulated other comprehensive (loss) income			(7,118)		8,484
Total shareholders' equity			1,049,163		992,125
Non-controlling interests			16,169		17,454
Total equity			1,065,332		1,009,579
		$	4,603,502	$	5,762,723

See accompanying notes

On behalf of the Board:

PAUL D. REYNOLDS
Director

TERRENCE A. LYONS
Director

Consolidated Statements of Operations

For the years ended (in thousands of Canadian dollars, except per share amounts)	Notes	March 31, 2013	March 31, 2012
REVENUE			
Commissions and fees		$ 353,125	$ 252,877
Investment banking		145,772	175,225
Advisory fees		179,690	107,370
Principal trading		66,406	10,647
Interest		29,199	31,799
Other		22,930	26,946
		797,122	604,864
EXPENSES			
Incentive compensation		406,724	304,908
Salaries and benefits		88,522	63,924
Trading costs		43,892	30,313
Premises and equipment		41,124	27,546
Communication and technology		49,115	28,343
Interest		15,302	9,816
General and administrative		89,504	69,523
Amortization		33,779	14,108
Development costs		19,526	21,193
Restructuring costs	10, 22	31,617	35,253
Acquisition-related costs	10	1,719	16,056
		820,824	620,983
Loss before income taxes		(23,702)	(16,119)
Income tax expense (recovery)	12		
Current		8,202	11,043
Deferred		(13,129)	(5,816)
		(4,927)	5,227
Net loss for the year		$ (18,775)	$ (21,346)
Net loss attributable to:			
CFI shareholders		$ (16,819)	$ (20,307)
Non-controlling interests		$ (1,956)	$ (1,039)
Weighted average number of common shares outstanding (thousands)			
Basic		92,218	76,715
Diluted		102,402	84,682
Net loss per common share			
Basic	15iv	$ (0.31)	$ (0.33)
Diluted	15iv	$ (0.31)	$ (0.33)
Dividends per common share		$ 0.20	$ 0.40

See accompanying notes

Consolidated Statements of Comprehensive Loss

For the years ended (in thousands of Canadian dollars)	March 31, 2013	March 31, 2012
Net loss for the year	$ (18,775)	$ (21,346)
Other comprehensive income (loss) (OCI)		
Net change in valuation of available for sale investments, net of tax	449	—
Transfer of net realized gain on disposal of available for sale asset (net of tax: $234)	(700)	—
Net change in unrealized (losses) gains on translation of foreign operations	(15,033)	9,205
Comprehensive loss for the year	$ (34,059)	$ (12,141)
Comprehensive loss attributable to:		
CFI shareholders	$ (32,421)	$ (10,851)
Non-controlling interests	$ (1,638)	$ (1,290)

See accompanying notes

Consolidated Statements of Changes in Equity

As at and for the years ended (in thousands of Canadian dollars)	Notes	March 31, 2013	March 31, 2012
Preferred shares, opening		$ 110,818	$ —
Shares issued, net of share issuance costs	14	97,450	110,818
Shares cancelled		(2,627)	—
Preferred shares, closing		205,641	110,818
Common shares, opening		623,739	467,050
Shares issued in connection with the acquisition of Collins Stewart Hawkpoint plc (CSHP)	10	—	164,462
Shares issued in connection with the acquisition of 50% interest in BGF Capital Group Pty Ltd. (BGF)	10	—	5,739
Shares issued in connection with share-based payments		11,926	7,081
Shares issued in connection with Corazon Capital Group Limited (Corazon)		1,503	—
Acquisition of common shares for long-term incentive plan (LTIP)		(14,872)	(35,857)
Release of vested common shares from employee benefit trust		17,834	18,263
Shares cancelled		(814)	(5,259)
Net unvested share purchase loans		(860)	2,866
Cancellation of shares in connection with the acquisition of Genuity Capital Markets (Genuity)		—	(606)
Common shares, closing		638,456	623,739
Contributed surplus, opening		68,336	52,167
Replacement stock plan awards related to the acquisition of CSHP		6,399	6,456
Share-based payments		11,445	10,876
Cancellation of shares in connection with the acquisition of Genuity		—	606
Shares issued in connection with Corazon		(1,503)	—
Excess on cancellation of common shares		(146)	(1,414)
Unvested share purchase loans		1,450	(355)
Contributed surplus, closing		85,981	68,336
Retained earnings, opening		180,748	238,647
Net loss attributable to CFI shareholders		(16,819)	(20,307)
Common shares dividends	16	(26,006)	(32,778)
Preferred shares dividends	16	(11,720)	(4,814)
Retained earnings, closing		126,203	180,748
Accumulated other comprehensive income (loss), opening		8,484	(972)
Other comprehensive (loss) income attributable to CFI shareholders		(15,602)	9,456
Accumulated other comprehensive (loss) income, closing		(7,118)	8,484
Total shareholders' equity		1,049,163	992,125
Non-controlling interests, opening		17,454	—
Non-controlling interests arising on acquisition of 50% interest in Canaccord Genuity Australia	10	—	19,019
Foreign exchange on non-controlling interests		353	(275)
Comprehensive loss attributable to non-controlling interests		(1,638)	(1,290)
Non-controlling interests, closing		16,169	17,454
Total equity		$ 1,065,332	$ 1,009,579

See accompanying notes

Consolidated Statements of Cash Flows

For the years ended (in thousands of Canadian dollars)	Notes	March 31, 2013	March 31, 2012
OPERATING ACTIVITIES			
Net loss for the year		$ (18,775)	$ (21,346)
Items not affecting cash			
Amortization		33,779	14,108
Deferred income tax recovery		(13,129)	(5,816)
Share-based compensation expense	17	60,359	51,124
Impairment of property, plant and equipment	22	2,627	—
Changes in non-cash working capital			
Decrease (increase) in securities owned		245,873	(62,053)
Decrease in accounts receivable		590,090	675,358
Decrease (increase) in income taxes receivable, net		2,963	(26,218)
(Decrease) increase in securities sold short		(224,590)	93,787
Decrease in accounts payable, accrued liabilities, and provisions		(855,728)	(896,194)
Cash used by operating activities		(176,531)	(177,250)
FINANCING ACTIVITIES			
Drawdown (repayment) of short term credit facility		(150,000)	150,000
Issuance of preferred shares, net of share issuance costs		94,823	110,818
Acquisition of common shares for long-term incentive plan		(14,872)	(35,857)
Cash dividends paid on common shares		(26,004)	(31,980)
Cash dividends paid on preferred shares		(11,720)	(4,814)
Issuance of shares in connection with share-based payments		—	555
Decrease in net vesting of share purchase loans		(13,583)	(12,579)
Redemption of share capital		—	(5,673)
(Decrease) increase in bank indebtedness		(9,003)	61,561
Cash (used) provided by financing activities		(130,359)	232,031
INVESTING ACTIVITIES			
Purchase of equipment and leasehold improvements		(6,972)	(10,610)
Acquisition of Eden Financial Ltd. (Eden Financial), net of cash acquired		(4,953)	—
Acquisition of Kenosis Capital Partners		(1,182)	—
Acquisition of CSHP, net of cash acquired	11	—	(176,289)
Acquisition of BGF, net of cash acquired	11	—	(9,848)
Cash used in investing activities		(13,107)	(196,747)
Effect of foreign exchange on cash balances		(3,229)	2,136
Decrease in cash position		(323,226)	(139,830)
Cash position, beginning of year		814,238	954,068
Cash position, end of year		$ 491,012	$ 814,238
Supplemental cash flow information			
Interest received		$ 32,689	$ 28,805
Interest paid		$ 14,425	$ 9,280
Income taxes paid		$ 10,320	$ 51,036

See accompanying notes

Notes to Consolidated Financial Statements

As at March 31, 2013, March 31, 2012
and for the years ended March 31, 2013 and 2012
(in thousands of dollars, except per share amounts)

NOTE 01 Corporate Information

Through its principal subsidiaries, Canaccord Financial Inc. (the Company) is a leading independent, full-service investment dealer in Canada with capital markets operations in the United Kingdom (UK) and Europe, the United States of America (US), Australia, China, Singapore and Barbados. Upon acquisition of CSHP, the Company has also expanded its wealth management operations into the UK and Europe. 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 Financial Inc. was incorporated on February 14, 1997 by the filing of a memorandum and articles with the Registrar of Companies for British Columbia under the *Company Act* (British Columbia) and continues in existence under the *Business Corporations Act* (British Columbia). The Company's head office is located at Suite 2200 – 609 Granville Street, Vancouver, British Columbia, V7Y 1H2. The Company's registered office is located at Suite 1000 – 840 Howe Street, Vancouver, British Columbia, V6Z 2M1.

The Company's common shares are publicly traded under the symbol CF on the Toronto Stock Exchange (TSX) and the symbol CF. on the London Stock Exchange. The Company's Series A Preferred Shares are listed on the TSX under the symbol CF.PR.A. The Company's Series C Preferred Shares are listed on the TSX under the symbol CF.PR.C [Note 24].

The Company's business is cyclical and 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, including the seasonal variance in these markets.

NOTE 02 Basis of Preparation

STATEMENT OF COMPLIANCE

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

The consolidated financial statements have been prepared on an accrual basis and are based on the historical cost basis except for selected current and non-current assets and financial instruments, which have been measured at fair value as set out in the relevant accounting policies.

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

These audited consolidated financial statements were authorized for issuance by the Company's Board of Directors on May 21, 2013.

PRINCIPLES OF CONSOLIDATION

These consolidated financial statements include the financial statements of the Company, its subsidiaries and special purpose entities (SPEs) where the Company controls these entities. Subsidiaries are all entities over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights.

In accordance with IAS 27, "*Consolidated and Separate Financial Statements*" (IAS 27), the operating results of a subsidiary should be consolidated if the Company acquires control. Control is presumed to exist when an entity owns greater than 50% of the voting shares. In cases where the parent does not own a majority of the voting rights, control still exists when there is power over more than half of the voting rights by virtue of an agreement with other investors, power to govern the financial and operating policies of the entity under a statute or an agreement, power to appoint or remove the majority of the members of the board of directors, or power to cast the majority of votes at meetings of the board of directors.

Although the Company does not own more than 50% of the voting shares of Canaccord Genuity (Australia) Ltd. (formerly Canaccord BGF or BGF), the Company completed an evaluation of its relationship with the other shareholders and the power it has over the financial and operating policies of BGF and determined it should consolidate under IAS 27. Therefore, the financial position, financial performance, and cash flows of BGF have been consolidated. The Company has also recognized a 50% non-controlling interest, which represents the portion of BGF net identifiable assets not owned by the Company. At the date of acquisition, the non-controlling interest was determined using the proportionate method. Net income (loss) and each component of other comprehensive income (loss) are attributed to the non-controlling interest and to the owners of the parent.

The Company consolidates SPEs in accordance with the guidance provided by the Standing Interpretations Committee Interpretation 12, "*Consolidation – Special Purpose Entities*" (SIC-12). An SPE is consolidated when the substance of the relationship between the entity and the SPE indicates that the SPE is controlled by that entity.

The Company has established an employee benefit trust [Note 17] to fulfill obligations to employees arising from the Company's share-based payment plans. The employee benefit trust has been consolidated in accordance with SIC-12 since its activities are conducted on behalf of the Company, and the Company retains the majority of the benefits and risks of the employee benefit trust.

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

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

USE OF JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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 are disclosed in Note 17.

Income taxes

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

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

Impairment of goodwill and indefinite life intangible assets

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

In determining the recoverable amount, which is the higher of fair value less costs to sell (FVLCS) and value-in-use, management uses valuation models that consider such factors as projected earnings, price-to-earnings multiples 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 11.

Impairment of other long-lived assets

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

Allowance for credit losses

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

Valuation of financial instruments

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

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

Provisions

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

NOTE 03 Adoption of New and Revised Standards and Interpretations

FINANCIAL INSTRUMENTS

IFRS 9, "*Financial Instruments*" (IFRS 9), as issued, reflects the first phase of the IASB's work on the replacement of IAS 39, "*Financial Instruments: Recognition and Measurement*" (IAS 39) and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after January 1, 2013, but "*Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures*", issued in December 2011, moved the mandatory effective date to January 1, 2015. Other phases of the project address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

PRESENTATION OF FINANCIAL STATEMENTS

IAS 1, "*Presentation of Financial Statements*" (IAS 1), was amended by the IASB in June 2011. Items in other comprehensive income will be required to be presented in two categories: items that might be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012. The Company has not yet determined the impact of the amendments on its consolidated financial statements.

CONSOLIDATION STANDARDS

The IASB issued the following standards in May 2011. These standards are effective for the annual periods beginning on or after January 1, 2013 with early adoption permitted.

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

IFRS 10 replaces IAS 27, "*Consolidated and Separate Financial Statements*" (IAS 27), and SIC-12, "*Consolidation – Special Purpose Entities*". This standard introduces a single consolidation model for all entities based on control, which is defined as whether an investor has (1) power over the investee, (2) exposure, or rights, to variable returns from its involvement with the investee, and (3) the ability to use its power over the investee to affect the amount of returns.

IFRS 11 – "*Joint Arrangements*" (IFRS 11)

IFRS 11 replaces IAS 31, "*Interests in Joint Ventures*", and SIC-13, "*Jointly Controlled Entities*". Under this standard, joint arrangements will be differentiated between joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. For a joint operation, the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets and will be accounted for using the equity method.

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

IFRS 12 establishes disclosure requirements for interest in other entities, such as joint arrangements, associates, special purpose vehicles and off-balance sheet vehicles.

The Company is currently assessing the impact of the above new pronouncements relating to consolidation standards.

In October 2012, the IASB issued amendments to IFRS 10, IFRS 12 and IAS 27, "*Investment Entities*", which introduced an exception to the principle that all subsidiaries should be consolidated. The amendments require a parent that is an investment entity to measure its investments in particular subsidiaries at fair value through profit or loss instead of consolidating all subsidiaries in its consolidated and separate financial statements. The amendments are effective from January 1, 2014 with early adoption permitted. The Company has not yet assessed the impact of the amendments on its consolidated financial statements.

OTHER STANDARDS

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

IFRS 13 is a comprehensive standard that defines fair value, sets out a single IFRS framework for measuring fair value, and requires disclosures about fair value measurements. This new standard clarifies that 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 standard is effective for annual periods beginning on or after January 1, 2013. The Company does not expect the adoption of IFRS 13 to have a material impact on the Company's consolidated financial statements.

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

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

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

In June 2011, the IASB amended IAS 19, "*Employee Benefits*". The amendments, which result in IAS 19 (Revised), "*Employee Benefits*", contain a number of changes to the accounting for employment benefit plans including recognition and disclosure of defined benefit pension plans and clarification on the recognition of post-employment and termination benefits. This standard is effective for annual periods beginning on or after January 1, 2013. The Company has not yet assessed the impact of this standard on its consolidated financial statements.

NOTE 04 Summary of Significant Accounting Policies

BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the Company elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the fair value of the acquiree's identifiable net assets. The proportionate share method was selected for the acquisition of the 50% interest in BGF. Acquisition costs are expensed as incurred.

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

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

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

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

TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS AND FOREIGN SUBSIDIARIES

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

Transactions and balances

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

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

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

Translation of foreign subsidiaries

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

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

	Genuity	Canaccord Genuity Australia	CSHP	Eden Financial
Brand names	indefinite	1 year	1 year	n/a
Customer relationships	11 years	5 years	8 to 24 years	8 years
Sales backlogs	0.4 years	1 year	1 year	n/a
Non-competition	5 years	4.5 years	n/a	n/a
Trading licences	n/a	indefinite	n/a	n/a
Technology	n/a	n/a	3 years	n/a

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

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognized in the consolidated statements of operations.

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

The following assets have specific characteristics for impairment testing:

Goodwill

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

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

Intangible assets

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

CASH AND CASH EQUIVALENTS

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

FINANCIAL INSTRUMENTS

The Company classifies financial instruments into one of the following categories according to IAS 39, "*Financial Instruments – Recognition and Measurement*" (IAS 39): fair value through profit and loss, held to maturity, loans and receivables, available for sale assets and other financial liabilities. The Company determines its classification of financial instruments at initial recognition.

[i] Financial assets

Initial recognition and measurement
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.

Financial assets held for trading are initially measured at fair value. Transaction costs related to financial instruments classified as held for trading are recognized through earnings when incurred. Transaction costs for all financial instruments other than those classified as held for trading 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 net income. 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 and loss on initial recognition or adoption of this standard even if that instrument would not otherwise meet the definition of fair value through profit and loss as specified in IAS 39. The Company did not designate any financial assets upon initial recognition as fair value through profit and 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 generally 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 investment in Euroclear is classified as available for sale and measured at its estimated fair value. The Company sold its investment in Alternative Alpha Trading System during the year ended March 31, 2013, which was classified as available for sale.

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. Amortized cost is calculated as the amount at which the financial asset is measured at initial recognition less principal repayment and impairment, and includes amortization of any discount or premium on acquisition. The Company classifies accounts receivable as loans and receivables.

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 loss events have had an impact on the estimated future cash flows of the asset that can be reliably estimated.

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

[ii] Financial liabilities

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

Classification and subsequent measurement
Financial liabilities classified as fair value through profit and loss
Financial liabilities classified as fair value through profit and loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit and 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 and loss that would not otherwise meet the definition of fair value through profit and loss upon initial recognition. Bank indebtedness, securities sold short and derivative financial instruments are classified as held for trading and recognized at fair value.

Financial liabilities classified as other financial liabilities
After initial recognition, financial liabilities classified as other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statements of operations through the effective interest rate method of amortization. Other financial liabilities include accounts payable and accrued liabilities, short term credit facility, and subordinated debt. The carrying value of other financial liabilities 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] Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by referencing quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

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.

[v] 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 net income during the reporting period.

The Company trades in futures contracts, which are agreements to buy or sell standardized amounts of government bonds 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.

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 to primarily 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 secured.

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

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

REVENUE RECOGNITION

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

Commission 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, 2013 were $15.4 million [March 31, 2012 – $28.1 million].

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

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

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

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

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

EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment, building and leasehold improvements are recorded at cost less accumulated amortization. Amortization is being recorded as follows:

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

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

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

INCOME TAXES

Current income tax

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

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

Deferred tax

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

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

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

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

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 statements of financial position.

TREASURY SHARES

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

EARNINGS PER COMMON SHARE

Basic earnings per common share is computed by dividing the net income available to common shareholders for the period by the weighted average number of common shares outstanding. Diluted earnings per common share reflects the dilutive effect of unvested share purchase loans, share issuance commitments in connection with share-based payment plans, unvested shares purchased by the employee benefit trust and share issuance commitments in connection with the long-term incentive plan based on the treasury stock method. The treasury stock method determines the number of incremental common shares by assuming that the number of shares the Company has granted to employees has been issued.

SHARE-BASED PAYMENTS

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

Equity-settled transactions

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

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

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

Cash-settled transactions

The cost of cash-settled transactions is measured initially at fair value at the grant date. The fair values of DSUs are expensed upon grant, as there are no vesting conditions [Note 17]. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognized through the statements of operations.

PROVISIONS

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

Legal provisions

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

Restructuring provisions

Restructuring provisions are only recognized when the recognition criteria for provisions are fulfilled. In order for the recognition criteria to be met, the Company needs to have in place a detailed formal plan about the business or part of the business concerned, the location and number of employees affected, a detailed estimate of associated costs and an appropriate timeline.

In addition, either the personnel affected must have a valid expectation that the restructuring is being carried out or the implementation must have been initiated. The restructuring provision recognized includes staff restructuring costs, reorganization expenses, onerous lease provisions and impairment of equipment and leasehold improvements.

LEASES

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

BORROWING COSTS

The Company incurs borrowing costs in relation to its investments and broker dealer and client payable balances, the short term credit facility related to the acquisition of CSHP and its subordinated debt. Borrowing costs directly attributable to the acquisition of an asset that takes a substantial period of time to get ready for use are capitalized as part of the cost of the asset.

CLIENT MONEY

The Company's UK and Europe operations hold money on behalf of its clients in accordance with the client money rules of the Financial Conduct Authority in the United Kingdom. Such money and the corresponding liabilities to clients are not included in the 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 21.

SEGMENT REPORTING

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

NOTE 05 Securities Owned and Securities Sold Short

	March 31, 2013		March 31, 2012	
	Securities owned	Securities sold short	Securities owned	Securities sold short
Corporate and government debt	$ 753,256	$ 617,841	$ 949,517	$ 824,466
Equities and convertible debentures	171,081	71,179	222,471	90,183
	$ 924,337	$ 689,020	$ 1,171,988	$ 914,649

As at March 31, 2013, corporate and government debt maturities range from 2013 to 2097 [March 31, 2012 – 2012 to 2096] and bear interest ranging from 0.00% to 15.00% [March 31, 2012 – 0.00% to 13.00%].

NOTE 06 Financial Instruments

In the normal course of business the Company is exposed to credit risk, liquidity risk and market risk, which includes fair value risk, interest rate risk and foreign exchange risk.

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 the financial instruments as disclosed in the consolidated financial statements as at March 31, 2013 and 2012.

The primary source of credit risk to the Company is in connection with trading activity by private clients and private client margin accounts. To minimize its exposure, the Company applies certain credit standards, applies limits to transactions and requires settlement of securities transactions on a cash basis or delivery against payment. Margin transactions are collateralized by securities in the clients' accounts in accordance with limits established by the applicable regulatory authorities and are subject to the Company's credit review and daily monitoring procedures. Management monitors the collectibility of receivables and estimates an allowance for doubtful accounts. The accounts receivable outstanding are expected to be collectible within one year. The Company has recorded an allowance for doubtful accounts of $14.0 million [March 31, 2012 – $13.4 million] [Note 7].

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, 2013 and 2012, the Company's most significant counterparty concentrations were with financial institutions and institutional clients. Management believes that they are in the normal course of business and does not anticipate loss for non-performance.

LIQUIDITY RISK

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they become due. The Company's management is responsible for reviewing liquidity resources to ensure funds are readily available to meet its financial obligations as they become due, as well as ensuring adequate funds exist to support business strategies and operational growth. The Company's business requires capital for operating and regulatory purposes. The current assets reflected on the statements of financial position are highly liquid. The majority of the positions held as securities owned are readily marketable and all are recorded at their fair value. Client receivables are generally collateralized by readily marketable securities and are reviewed daily for impairment in value and collectibility. Receivables and payables from brokers and dealers represent the following: current open transactions that generally settle within the normal three-day settlement cycle; collateralized securities borrowed and/or loaned in transactions that can be closed within a few days on demand; and balances on behalf of introducing brokers representing net balances in connection with their client accounts. Additional information regarding the Company's capital structure and capital management objectives is discussed in Note 20.

The following table presents the contractual terms to maturity of the financial liabilities owed by the Company as at March 31, 2013:

Financial liability	Carrying amount	Contractual term to maturity
Bank indebtedness	$ 66,138	Due within one year
Accounts payable and accrued liabilities	2,726,735	Due within one year
Securities sold short	689,020	Due within one year
Subordinated debt	15,000	Due on demand(1)
Contingent consideration	14,218	Due within one year

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

The fair values for the above financial 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, 2013. This analysis assumes all other variables remain constant. The methodology used to calculate the fair value sensitivity is consistent with the prior year.

			March 31, 2013			March 31, 2012
Financial instrument	Carrying value Asset (Liability)	Effect of a 10% increase in fair value on net income	Effect of a 10% decrease in fair value on net income	Carrying value Asset (Liability)	Effect of a 10% increase in fair value on net income	Effect of a 10% decrease in fair value on net income
Equities and convertible debentures owned	$ 171,081	$ 5,425	$ (5,425)	$ 222,471	$ 6,541	$ (6,541)
Equities and convertible debentures sold short	(71,179)	(2,257)	2,257	(90,183)	(2,651)	2,651

The following table summarizes the effect on OCI as a result of a fair value change in the financial instruments classified as available for sale. This analysis assumes all other variables remain constant. The methodology used to calculate the fair value sensitivity is consistent with the prior year.

			March 31, 2013			March 31, 2012
Financial instrument	Carrying value	Effect of a 10% increase in fair value on other comprehensive income	Effect of a 10% decrease in fair value on other comprehensive income	Carrying value	Effect of a 10% increase in fair value on other comprehensive income	Effect of a 10% decrease in fair value on other comprehensive income
Investments	$ 3,695	$ 195	$ (195)	$ 9,493	$ 507	$ (507)

A fair value hierarchy is presented below that distinguishes the significance of the inputs used in determining the fair value measurements of various financial instruments. The hierarchy contains the following levels: Level 1 uses quoted (unadjusted) prices in active markets for identical assets and liabilities, Level 2 uses other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly, and Level 3 uses techniques with inputs that have a significant effect on the recorded fair value and that are not based on observable market data.

		Estimated fair value		
			March 31, 2013	
	March 31, 2013	Level 1	Level 2	Level 3
Securities owned				
Corporate and government debt	$ 753,256	$ 258,188	$ 495,068	$ —
Equities and convertible debentures	171,081	141,062	14,759	15,260
Securities sold short				
Corporate and government debt	(617,841)	(221,125)	(396,716)	—
Equities and convertible debentures	(71,179)	(70,651)	(528)	—
Investments	3,695	—	—	3,695
Contingent consideration	(14,218)[1]	—	—	(14,218)

[1] Contingent consideration is settled in cash and is therefore classified as a financial liability measured at fair value, with any subsequent gains or losses recognized in earnings.

		Estimated fair value		
			March 31, 2012	
	March 31, 2012	Level 1	Level 2	Level 3
Securities owned				
Corporate and government debt	$ 949,517	$ 425,655	$ 520,070	$ 3,792
Equities and convertible debentures	222,471	206,584	6,107	9,780
Securities sold short				
Corporate and government debt	(824,466)	(535,117)	(289,349)	—
Equities and convertible debentures	(90,183)	(89,135)	(1,048)	—
Investments	9,493	—	—	9,493

Movement in net Level 3 financial assets

March 31, 2012	$ 23,065
Purchases of Level 3 assets during the year	5,693
Addition of contingent consideration	(14,218)
Net unrealized loss during the year	(216)
Net disposals during the year	(9,587)
March 31, 2013	**$ 4,737**

Interest rate risk

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

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

The following table provides the effect on net income (loss) for the years ended March 31, 2013 and 2012 if interest rates had increased or decreased by 100 basis points applied to balances as of March 31, 2013 and 2012. Fluctuations in interest rates do not have an effect on OCI. This sensitivity analysis assumes all other variables are constant. The methodology used to calculate the interest rate sensitivity is consistent with the prior year.

			March 31, 2013			March 31, 2012
	Carrying value	Net income effect of a 100 bps increase in interest rates	Net income effect of a 100 bps decrease in interest rates[1]	Carrying value	Net income effect of a 100 bps increase in interest rates	Net income effect of a 100 bps decrease in interest rates[1]
Cash and cash equivalents, net of bank indebtedness	$ 424,874	$ 2,430	$ (2,582)	$ 739,097	$ 3,953	$ (4,038)
Marketable securities owned, net of marketable securities sold short	235,317	(2,154)	2,654	257,339	(132)	691
Clients' payable, net	(695,733)	(4,043)	(1,205)	(688,954)	(3,515)	(2,417)
RRSP cash balances held in trust	327,173	1,886	(1,886)	535,486	2,864	(2,864)
Brokers' and investment dealers' balance, net	299,985	(300)	15	(124,413)	(1,224)	7
Subordinated debt	(15,000)	(87)	87	(15,000)	(80)	80

(1) Subject to a floor of zero.

Foreign exchange risk

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

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

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

As at March 31, 2013:

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

As at March 31, 2012:

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	$ (1,199)	$ 1,199	$ 4,229	$ (4,229)
Pound sterling	(2,461)	2,461	33,310	(33,310)
Australian dollar	nil	nil	4,660	(4,660)

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 net income (loss) during the reporting period.

Forward contracts outstanding at March 31, 2013:

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

Forward contracts outstanding at March 31, 2012:

	Notional amounts (millions of USD)	Average price (CAD/USD)	Maturity	Fair value
To sell US dollars	$ 13.3	$ 1.00	April 4, 2012	nil
To buy US dollars	9.3	1.00	April 4, 2012	nil

The Company's Canaccord Genuity Wealth Management segment in the UK and Europe deals foreign exchange forward contracts on behalf of its clients, and establishes matching contracts with the counterparties. The Company has no net exposure, assuming no counterparty default. The principal currencies of the forward contracts are: the UK pound, the US dollar, or the euro. The weighted average term to maturity is 75 days. The table below shows the fair value of the forward contract assets and liabilities, and the notional value of these forward contracts as at March 31, 2013.

	Assets	Liabilities	Notional amount
Foreign exchange forward contracts	$ 4,483	$ (4,483)	$ 352,205

Bond futures

The Company is 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 trades in bond futures in order to mitigate interest rate risk, yield curve risk, and liquidity risk. At March 31, 2013, the Company had no bond futures contracts outstanding [March 31, 2012 – notional amount of $7.2 million].

Credit risk on bond futures is minimal as the counterparty to every futures trade is a clearing corporation, which acts as a third party that matches trade and collects and maintains margin.

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, 2013, the floating rates ranged from 0.00% to 0.63% [March 31, 2012 – 0.00% to 0.68%].

	Cash		Securities	
	Loaned or delivered as collateral	Borrowed or received as collateral	Loaned or delivered as collateral	Borrowed or received as collateral
March 31, 2013	**$ 168,371**	**$ 36,710**	**$ 36,047**	**$ 199,956**
March 31, 2012	120,781	63,856	66,102	122,184

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 either unpaid client securities and/or securities owned by the Company. As at March 31, 2013, the Company had $66.1 million of bank indebtedness balance outstanding [March 31, 2012 – $75.1 million at a floating rate of 0.64%].

SHORT TERM CREDIT FACILITY

The Company entered into a $150.0 million senior secured credit agreement to finance a portion of the cash consideration for its acquisition of CSHP. This credit facility was collateralized by guarantees, securities pledge agreements and mortgages in the UK over the shares of the Company's material subsidiaries. The balance outstanding as of March 31, 2012 was $150.0 million. This short term credit facility bore an interest rate of 3.75% per annum. The balance of the short term credit facility was repaid in full on May 22, 2012.

OTHER CREDIT FACILITIES

Subsidiaries of the Company also have other credit facilities with banks in Canada and the UK for an aggregate amount of $705.5 million. These credit facilities, consisting of call loans, letters of credit and daylight overdraft facilities, are collateralized by unpaid client securities and/or securities owned by the Company. As of March 31, 2013, there were nil balances outstanding under these other credit facilities.

A subsidiary of the Company has also entered into secured irrevocable standby letters of credit from a financial institution totalling $3.3 million (US$3.2 million) as rent guarantees for its leased premises in Boston and New York. As of March 31, 2013 and 2012, there were no outstanding balances under these standby letters of credit.

NOTE 07 Accounts Receivable and Accounts Payable and Accrued Liabilities

ACCOUNTS RECEIVABLE

	March 31, 2013	March 31, 2012
Brokers and investment dealers	**$ 1,773,043**	$ 1,839,332
Clients	**320,564**	616,300
RRSP cash balances held in trust	**327,173**	535,486
Other	**93,178**	90,522
	$ 2,513,958	$ 3,081,640

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2013	March 31, 2012
Brokers and investment dealers	**$ 1,473,058**	$ 1,963,745
Clients	**1,016,297**	1,305,254
Other	**237,380**	281,601
	$ 2,726,735	$ 3,550,600

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, 2013 – 6.00% to 6.25% and 0.00% to 0.05%, respectively; March 31, 2012 – 6.00% to 6.25% and 0.00% to 0.05%, respectively].

As at March 31, 2013, the allowance for doubtful accounts was $14.0 million [March 31, 2012 – $13.4 million]. See below for the movements in the allowance for doubtful accounts:

	Total
At March 31, 2012	$ 13,435
Charge for the year	11,635
Recoveries	(4,792)
Write-offs	(6,292)
At March 31, 2013	**$ 13,986**

NOTE 08 Investments

	March 31, 2013	March 31, 2012
Available for sale	**$ 3,695**	$ 9,493

The Company invested $5.0 million in a limited partnership as part of its initiative to operate an Alternative Alpha Trading System. During the year ended March 31, 2013, the Company sold this investment for a net realized gain of $0.9 million as recognized in other revenue.

As a result of the acquisition of CSHP, the Company holds an investment in Euroclear, one of the principal clearing houses for securities traded in the Euromarket. These investments are carried at fair value, determined using a market approach.

NOTE 09 Equipment and Leasehold Improvements

	Cost	**Accumulated amortization**	**Net book value**
March 31, 2013			
Computer equipment	**$ 10,231**	**$ 3,821**	**$ 6,410**
Furniture and equipment	**21,073**	**15,478**	**5,595**
Leasehold improvements	**75,685**	**44,711**	**30,974**
	$ 106,989	**$ 64,010**	**$ 42,979**
March 31, 2012			
Computer equipment	$ 9,840	$ 3,855	$ 5,985
Furniture and equipment	28,506	16,813	11,693
Leasehold improvements	68,322	34,916	33,406
	$ 106,668	$ 55,584	$ 51,084

		Computer equipment		Furniture and equipment		Leasehold improvements		Total
Cost								
Balance, March 31, 2012	$	9,840	$	28,506	$	68,322	$	106,668
Additions		2,487		995		3,490		6,972
Transfers		1,531		(5,818)		4,287		—
Disposals		(2,937)		(2,220)		(96)		(5,253)
Foreign exchange		(690)		(390)		(318)		(1,398)
Balance, March 31, 2013	**$**	**10,231**	**$**	**21,073**	**$**	**75,685**	**$**	**106,989**

		Computer equipment		Furniture and equipment		Leasehold improvements		Total
Accumulated amortization								
Balance, March 31, 2012	$	3,855	$	16,813	$	34,916	$	55,584
Additions		2,592		2,592		8,000		13,184
Impairment		—		411		—		411
Transfers		1,100		(2,946)		1,846		—
Disposals		(2,921)		(1,054)		—		(3,975)
Foreign exchange		(805)		(338)		(51)		(1,194)
Balance, March 31, 2013	**$**	**3,821**	**$**	**15,478**	**$**	**44,711**	**$**	**64,010**

The amount of borrowing costs capitalized during the year ended March 31, 2013 was nil [March 31, 2012 – nil].

NOTE 10 Business Combinations

[i] EDEN FINANCIAL LTD.

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

This transaction has been accounted for in accordance with IFRS 3, "*Business Combinations*" (IFRS 3), using the acquisition method. At acquisition date, Eden Financial had $7.2 million of cash on its balance sheet. The Company has recognized as an expense $1.3 million of acquisition-related costs incurred by the Company in connection with the Eden Financial acquisition. These costs are mainly comprised of professional and consulting fees.

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

Consideration		
Cash	$	12,179
Contingent consideration		8,119
	$	**20,298**

Net assets acquired		
Cash	$	7,247
Accounts receivable		2,662
Other tangible assets		707
Liabilities		(2,633)
Identifiable intangible assets		2,899
Goodwill		9,416
	$	**20,298**

The fair value of Eden Financial's net tangible assets was $8.0 million, which included accounts receivable of $2.7 million. Identifiable intangible assets of $2.9 million were recognized relating to customer relationships [Note 11]. The goodwill of $9.4 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 $8.1 million as of March 31, 2013. The contingent consideration has to 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. The key assumption affecting the fair value is the probability that the revenue target will be met.

The above amounts are estimates, which were made by management at the time of preparation of these consolidated financial statements based on available information. Amendments may be made to these amounts while values subject to estimates are finalized for a period of up to 12 months subsequent to the close of the acquisition.

Since the date of acquisition, Eden Financial contributed $6.2 million to the consolidated revenue. The Company does not have the information available to determine the pro-forma consolidated results had Eden Financial been purchased on April 1, 2012; therefore, this amount has not been disclosed as per IFRS 3.

[ii] KENOSIS CAPITAL PARTNERS

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

The estimated fair value of the liability for contingent consideration is $6.0 million. The contingent consideration has to 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 statements of operations. The determination of the fair value is based upon discounted cash flows. The key assumption affecting the fair value is the probability that the performance target will be met.

The Company recorded goodwill of $7.2 million related to this acquisition. The allocation and the estimate of the contingent consideration referred to above are estimates, which were made by management at the time of the preparation of the audited annual consolidated financial statements based on available information. Amendments may be made to these amounts while values subject to estimates are finalized for a period of up to 12 months subsequent to the close of the acquisition.

The revenue and net income recognized in connection with the assets acquired from Kenosis Capital since the acquisition on September 16, 2012 are not considered material. The Company has recognized as an expense $0.4 million of acquisition-related costs incurred by the Company in connection with the Kenosis Capital acquisition.

[iii] ACQUISITIONS IN 2012

On March 21, 2012, the Company acquired 100% of CSHP. The purchase price allocation included in Note 11 to the March 31, 2012 consolidated financial statements was disclosed as preliminary. The purchase price allocation was finalized in the first quarter of fiscal 2013; there were no subsequent amendments to the fair values of consideration paid or net assets acquired. The purchase price allocation did not include an element of contingent consideration. The preliminary allocation of goodwill to the various cash-generating units was finalized during the first quarter of fiscal 2013, with no subsequent amendments.

No subsequent amendments were made to the purchase price allocation related to the Company's acquisition of BGF Capital Group Pty Ltd. included in Note 11 to the March 31, 2012 consolidated financial statements.

NOTE 11 Goodwill and Other Intangible Assets

		Identifiable intangible assets						
	Goodwill	Brand names	Customer relationships	Sales backlog	Technology	Non-competition	Trading licences	Total
Gross amount								
Balance, March 31, 2012	$ 472,510	$ 46,618	$ 85,251	$ 7,624	$ 5,975	$ 14,437	$ 197	$ 160,102
Addition – Kenosis Capital	7,182	—	—	—	—	—	—	—
Addition – Eden Financial	9,416	—	2,899	—	—	—	—	2,899
Foreign exchange	(4,422)	9	(1,634)	74	(204)	172	5	(1,578)
Balance, March 31, 2013	**484,686**	**46,627**	**86,516**	**7,698**	**5,771**	**14,609**	**202**	**161,423**
Accumulated amortization								
Balance, March 31, 2012	—	(205)	(5,039)	(1,921)	—	(3,427)	—	(10,592)
For the year ended March 31, 2013								
Amortization	—	(1,471)	(8,340)	(5,718)	(1,978)	(3,083)	—	(20,590)
Foreign exchange	—	(21)	123	(59)	55	(56)	—	42
Balance, March 31, 2013	**—**	**(1,697)**	**(13,256)**	**(7,698)**	**(1,923)**	**(6,566)**	**—**	**(31,140)**
Net book value								
March 31, 2012	472,510	46,413	80,212	5,703	5,975	11,010	197	149,510
March 31, 2013	**484,686**	**44,930**	**73,260**	**—**	**3,848**	**8,043**	**202**	**130,283**

IMPAIRMENT TESTING OF GOODWILL AND IDENTIFIABLE INTANGIBLE ASSETS WITH INDEFINITE LIVES

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

	Intangible assets with indefinite lives		Goodwill		Total	
	March 31, 2013	March 31, 2012	**March 31, 2013**	March 31, 2012	**March 31, 2013**	March 31, 2012
Canaccord Genuity						
Canada	**$ 44,930**	$ 44,930	**$ 242,074**	$ 242,074	**$ 287,004**	$ 287,004
UK and Europe	**—**	—	**80,136**	82,969	**80,136**	82,969
US	**—**	—	**7,313**	7,169	**7,313**	7,169
Other Foreign Locations (China)	**—**	—	**10,365**	3,183	**10,365**	3,183
Other Foreign Locations (Australia)	**202**	197	**23,309**	22,752	**23,511**	22,949
Other Foreign Locations (Singapore)	**—**	—	**29,208**	28,288	**29,208**	28,288
Canaccord Genuity Wealth Management						
UK and Europe (Channel Islands)	**—**	—	**83,138**	86,075	**83,138**	86,075
UK and Europe (Eden Financial)	**—**	—	**9,143**	—	**9,143**	—
	$ 45,132	$ 45,127	**$ 484,686**	$ 472,510	**$ 529,818**	$ 517,637

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 cash-generating unit to which goodwill and indefinite life intangible assets are allocated. Where the carrying amount of a cash-generating unit exceeds its recoverable amount an impairment loss is recognized. Any impairment loss first reduces the carrying amount of any goodwill allocated to the cash-generating unit and then if any impairment loss remains, the other assets of the unit are reduced on a pro rata basis. Impairment losses relating to goodwill cannot be reversed in future periods. The Company considers the relationship between its market capitalization and the book value of its equity, among other factors, when reviewing for indicators of impairment. Consequently, interim goodwill impairment testing was carried out for all applicable CGUs at September 30 and December 31, 2012.

In accordance with IAS 36, "*Impairment of Assets*" (IAS 36), the recoverable amounts of the CGU's net assets have been determined using FVLCS calculations, which are based on cash flow assumptions approved by senior management. There is a material degree of uncertainty with respect to the estimates of the recoverable amounts of the cash-generating units' 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.

The FVLCS calculations are based on assumptions, as described above, made in connection with future cash flows, terminal growth rates and discount rates. In order to estimate the FVLCS for each cash-generating unit, cash flows are forecast over a five-year period, a terminal growth rate is applied and then such cash flows are discounted to their present value. The discount rate is based on the specific circumstances of each CGU and is derived from the estimated weighted average cost of capital of the Company. The discount rate utilized for each CGU for the purposes of these calculations was 12.5% in respect of Canada and the UK and Europe [March 31, 2012, Canada – 12.5%], 14.0% in respect of Australia, Singapore and the US [March 31, 2012, Australia – 14.0%], and 20.0% in respect of China [March 31, 2012 – 20.0%]. Cash flow estimates for each CGU are based on management assumptions as described above and utilize compound annual revenue growth rates commencing with the forecast for the next fiscal year ranging from 9% to 16% [March 31, 2012 – 15% to 32%] as well as estimates in respect of operating margins. The compound annual revenue growth rates utilized were: (a) Canaccord Genuity (i) Canada – 10%, (ii) UK and Europe – 10%, (iii) US – 10%, (iv) Other Foreign Locations – 10% to 16%; and (b) Canaccord Genuity Wealth Management, UK and Europe – 9%. Management estimates in respect of increases in revenue from fiscal 2013 to the next fiscal year, used as the commencement date for the forecasts referred to above, are in the range from (5%) to 14% for each CGU except for Other Foreign Locations. CGUs in Other Foreign Locations are in earlier stages of development and, as such, with fiscal 2013 revenue at relatively low base levels, revenue estimates for the next fiscal year for those CGUs range from 1.4 times to 5.8 times revenue recorded in fiscal 2013. The terminal growth rate used for CGUs located in Canada and the UK and Europe was 3% [March 31, 2012, Canada – 3%] and for CGUs located in all other locations was 5% [March 31, 2012 – 5%].

Sensitivity testing was conducted as a part of the March 31, 2013 annual impairment test of goodwill and indefinite life intangible assets. The sensitivity testing includes assessing the impact that reasonably possible declines in growth rates and increases in the discount rate would have on the recoverable amount of the CGUs, with other assumptions being held constant.

The Company's impairment testing has determined that the recoverable amount for certain of the Other Foreign Location CGUs, Australia and China, exceeds their carrying amounts by $5.0 million and $2.8 million, respectively, and consequently, a reasonably possible decline in the growth rates or increases in the discount rates may result in an impairment charge in respect of the goodwill and indefinite life intangible assets allocated to either of these CGUs. An increase of 0.5 percentage points in the discount rate for Australia (from 14.0% to 14.5%), an increase of 4.3 percentage points in the discount rate for China (from 20.0% to 24.3%), a reduction in the compound annual growth rate of 2 percentage points for Australia (from 16% to 14%), a reduction in the compound annual growth rate of 9 percentage points for China (from 16% to 7%), or a decrease in the revenue estimates for fiscal 2014 used as the starting point for the forecast period would result in the recoverable amount being equal to the carrying value.

NOTE 12 Income Taxes

The major components of income tax expense are:

	March 31, 2013	March 31, 2012
Consolidated statements of operations		
Current income tax expense		
Current income tax expense	$ 9,668	$ 9,607
Adjustments in respect of prior years	(1,466)	1,436
	8,202	11,043
Deferred income tax expense (recovery)		
Origination and reversal of temporary differences	(12,313)	(6,176)
Impact of change in tax rates	(484)	360
Benefit arising from a previously unrecognized tax loss	(332)	—
	(13,129)	(5,816)
Income tax expense (recovery) reported in the statements of operations	$ (4,927)	$ 5,227

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, 2013	March 31, 2012
(Loss) income before income taxes	$ (23,702)	$ (16,119)
Income taxes at the estimated statutory rate of 25.0% (2012: 25.8%)	(5,926)	(4,165)
Difference in tax rates in foreign jurisdictions	(4,705)	(1,944)
Non-deductible items affecting the determination of taxable income	1,853	5,690
Change in accounting and tax base estimate	(1,737)	2,654
Change in deferred tax asset – reversal period of temporary difference	(129)	(1,393)
Tax losses and other temporary differences not recognized	5,717	4,385
Income tax expense (recovery) reported in the statements of operations	$ (4,927)	$ 5,227

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

	Consolidated Statements of Financial Position		Consolidated Statements of Operations	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Unrealized gain on securities owned	$ (1,676)	$ (1,150)	$ 526	$ (1,727)
Legal provisions	2,047	1,585	(463)	(97)
Unpaid remunerations	11	883	872	512
Unamortized capital cost of equipment and leasehold improvements over their net book value	1,929	997	(807)	(603)
Unamortized common share purchase loans	6,010	3,362	(2,648)	(57)
Loss carryforwards	10,456	8,130	(886)	(3,921)
Common and preferred shares issuance costs	1,697	1,039	557	49
Long-term incentive plan	13,510	9,486	(4,022)	1,945
Other intangible assets	(25,726)	(28,921)	(4,817)	(1,829)
Investment in limited partnership	—	(675)	(675)	(3)
Other	1,718	1,135	(766)	(85)
	$ 9,976	$ (4,129)	$ (13,129)	$ (5,816)

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

	March 31, 2013	March 31, 2012
Deferred tax assets	$ 12,552	$ 3,959
Deferred tax liabilities	(2,576)	(8,088)
	$ 9,976	$ (4,129)

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

	March 31, 2013	March 31, 2012
Opening balance as of April 1	$ (4,130)	$ (6,660)
Tax (expense) recovery during the period recognized in statements of operations	13,129	5,816
Net deferred taxes acquired in business combinations	324	(4,257)
Tax (expense) recovery during the period recognized in shareholders' equity	653	972
	$ 9,976	$ (4,129)

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

Tax loss carryforwards of $35.8 million [2012 – $29.7 million] in the UK and Europe and $3.3 million [2012 – $0.6 million] in Other Foreign Locations (Australia) have been recognized as a deferred tax asset. The losses in both jurisdictions can be carried forward indefinitely.

At the balance sheet date, the Company has tax loss carryforwards approximating $42.8 million [2012 – $27.1 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 $19.6 million at March 31, 2013 [2012 – $20.5 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.

At March 31, 2013, there was no recognized deferred tax liability for taxes that would be payable on the unremitted earnings of certain of the Company's subsidiaries. The Company has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. The temporary differences associated with investments in subsidiaries for which a deferred tax liability has not been recognized are $nil (2012 – $nil).

NOTE 13 Subordinated Debt

	March 31, 2013	March 31, 2012
Loan payable, interest payable monthly at prime + 4% per annum, due on demand	$ 15,000	$ 15,000

The loan payable is subject to a subordination agreement and may only be repaid with the prior approval of the IIROC. As at March 31, 2013 and 2012, the interest rates for the subordinated debt were 7.0% and 7.0%, respectively. The carrying value of this subordinated debt approximates its fair value due to the short-term nature of this liability.

NOTE 14 Preferred Shares

	March 31, 2013		March 31, 2012	
	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	—	—
Series C Preferred Shares held in treasury	(2,627)	(106,794)	—	—
	94,823	3,893,206	—	—
	$ 205,641	8,433,206	$ 110,818	4,540,000

On April 15, 2011, the Company's shareholders approved amendments to its articles to alter the authorized capital of the Company by creating an additional class of preferred shares. The Company has an unlimited number of authorized preferred shares without nominal or par value.

[i] SERIES A PREFERRED SHARES

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

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

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

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

[ii] SERIES C PREFERRED SHARES

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

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

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

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

NOTE 15 Common Shares

	March 31, 2013		March 31, 2012	
	Amount	Number of shares	Amount	Number of shares
Issued and fully paid	$ 717,908	102,896,172	$ 705,293	101,688,721
Unvested share purchase loans	(34,012)	(4,872,547)	(33,152)	(3,209,336)
Held for LTIP	(45,440)	(4,961,829)	(48,402)	(4,453,508)
	$ 638,456	93,061,796	$ 623,739	94,025,877

[i] AUTHORIZED

Unlimited common shares without par value

[ii] ISSUED AND FULLY PAID

	Number of shares	Amount
Balance, March 31, 2012	101,688,721	$ 705,293
Shares issued in connection with the LTIP [note 17]	844,766	8,996
Shares issued in connection with the Corazon Capital Group Limited Share Plan [note 17]	170,562	1,503
Shares issued in connection with retention plan [note 17]	109,979	1,402
Shares issued in connection with replacement plans [note 17]	198,872	1,528
Shares cancelled	(116,728)	(814)
Balance, March 31, 2013	**102,896,172**	**$ 717,908**

In August 2012, the Company filed a notice for a normal course issuer bid (NCIB) to provide for the ability to purchase, at the Company's discretion, up to 3,000,000 of its common shares through the facilities of the TSX from August 13, 2012 to August 12, 2013. The purpose of the purchase of common shares under the NCIB is to enable the Company to acquire shares for cancellation. The shares that may be repurchased represent 2.93% of the Company's common shares outstanding at the time of the notice. There were no shares repurchased through the NCIB between August 31, 2012 and March 31, 2013.

[iii] COMMON SHARE PURCHASE LOANS

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

[iv] LOSS PER COMMON SHARE

For the years ended	March 31, 2013	March 31, 2012
Basic loss per common share		
Net loss attributable to CFI shareholders	$ (16,819)	$ (20,307)
Preferred shares dividends	(11,720)	(4,815)
Net loss attributable to common shareholders	(28,539)	(25,122)
Weighted average number of common shares (number)	92,217,726	76,715,248
Basic loss per share	$ (0.31)	$ (0.33)
Diluted loss per common share		
Net loss attributable to common shareholders	(28,539)	(25,122)
Weighted average number of common shares (number)	92,217,726	76,715,248
Dilutive effect of unvested shares (number)	4,872,547	3,209,336
Dilutive effect of share options (number)	—	253,075
Dilutive effect of unvested shares purchased by the employee benefit trust (number) [note 17]	5,209,693	3,906,179
Dilutive effect of share issuance commitment in connection with the LTIP (number) [note 17]	102,116	382,997
Dilutive effect of share issuance commitment in connection with replacement plans (number) [note 17]	—	215,662
Adjusted weighted average number of common shares (number)	102,402,082	84,682,497
Diluted loss per common share	$ (0.31)	$ (0.33)

NOTE 16 Dividends

COMMON SHARES DIVIDENDS

The Company declared the following common shares dividends during the year ended March 31, 2013:

Record date	Payment date	Cash dividend per common share	Total common dividend amount
June 1, 2012	June 15, 2012	$ 0.10	$ 10,202
August 24, 2012	September 10, 2012	$ 0.05	$ 5,116
November 30, 2012	December 10, 2012	$ 0.05	$ 5,125
March 1, 2013	March 15, 2013	$ 0.05	$ 5,136

On May 21, 2013, the Board of Directors approved a cash dividend of $0.05 per common share payable on June 10, 2013 to common shareholders of record as at May 31, 2013 [Note 24].

PREFERRED SHARES DIVIDENDS

Record date	Payment date	Cash dividend per Series A Preferred Share	Cash dividend per Series C Preferred Share	Total preferred dividend amount
June 15, 2012	July 3, 2012	$ 0.34375	$ 0.31900	$ 2,837
September 14, 2012	October 1, 2012	$ 0.34375	$ 0.359375	$ 2,998
December 14, 2012	December 31, 2012	$ 0.34375	$ 0.359375	$ 2,998
March 15, 2013	April 1, 2013	$ 0.34375	$ 0.359375	$ 2,998

On May 21, 2013, the Board also approved a cash dividend of $0.34375 per Series A Preferred Share payable on July 2, 2013 to Series A Preferred shareholders of record as at June 21, 2013 [Note 24].

On May 21, 2013, the Board also approved a cash dividend of $0.359375 per Series C Preferred Share payable on July 2, 2013 to Series C Preferred shareholders of record as at June 21, 2013 [Note 24].

NOTE 17 Share-based Payment Plans

[i] LONG-TERM INCENTIVE PLAN

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

There were 5,396,103 RSUs [year ended March 31, 2012 – 4,275,476 RSUs] granted in lieu of cash compensation to employees during the year ended March 31, 2013. The Trust purchased 2,408,168 [year ended March 31, 2012 – 3,168,265] common shares for the year ended March 31, 2013.

The fair value of the RSUs at the measurement date is based on the volume weighted average price at the grant date and is amortized on a graded basis over the vesting period of three years. The weighted average fair value of RSUs granted during the year ended March 31, 2013 was $6.20 [year ended March 31, 2012 – $11.07].

	Number
Awards outstanding, March 31, 2012	7,068,317
Grants	5,396,103
Vested	(2,744,613)
Forfeited	(591,638)
Awards outstanding, March 31, 2013	**9,128,169**

	Number
Common shares held by the Trust, March 31, 2012	4,453,508
Acquired	2,408,168
Released on vesting	(1,899,847)
Common shares held by the Trust, March 31, 2013	**4,961,829**

[ii] FORGIVABLE COMMON SHARE PURCHASE LOANS

The Company provides loans to certain employees for the purpose of partially funding the purchase of shares of the Company and increasing share ownership by the employees. These loans are 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 15 [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 Financial Inc. Collins Stewart Hawkpoint Replacement Annual Bonus Equity Deferral (ABED) Plan

On March 21, 2012, the Company introduced the Replacement ABED Plan, which replaced the ABED plans that existed at CSHP as of the acquisition date. Eligible employees who participated in the CSHP ABED plans were granted awards under the Replacement ABED Plan. The shares granted vest between one and three years from the acquisition date of CSHP. In accordance with IFRS 3, "*Business Combinations*", a portion of the awards granted was included as part of the purchase consideration for the acquisition of CSHP and a portion is being deferred and amortized to incentive compensation expense over the vesting period. The Company recognized $1.1 million through acquisition-related expense for the year ended March 31, 2012 as per IFRS 3.

	Number
Awards outstanding, March 31, 2012	573,538
Vested	(91,191)
Forfeited	(15,702)
Awards outstanding, March 31, 2013	**466,645**

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

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

	Number
Awards outstanding, March 31, 2012	842,032
Vested	(107,681)
Forfeited	(22,651)
Awards outstanding, March 31, 2013	**711,700**

Corazon Capital Group Limited Share Plan

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

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

[iv] CSH INDUCEMENT PLAN

In connection with the acquisition of CSHP, the Company agreed to establish a retention plan for key CSHP staff. In September 2012, the Company finalized the terms of this plan and communicated the plan arrangements to the relevant employees. During the year ended March 31, 2013, the Company awarded 2,418,861 RSUs, which vest over a five-year period. In accordance with the plan, one-third of the total RSUs (806,302 RSUs) will vest on the third anniversary under the terms of the existing LTIP. The remaining two-thirds of the total RSUs (1,612,559 RSUs) will vest under the terms of the new CSH Inducement Plan, with one-half of the 1,612,559 RSUs vesting on the fourth anniversary and the remaining half on the fifth anniversary. During the year ended March 31, 2013, 55,544 RSUs were forfeited. On each vesting date, the RSUs entitle the awardee to receive cash or common shares of the Company. If at the vesting date the share price is less than $8.50 per share, then the Company, at its election, will either (a) pay cash to the employee equal to $8.50 multiplied by the number of RSUs vesting on such date, or (b) pay cash to the employee equal to the difference between $8.50 and the vesting date share price, multiplied by the number of RSUs vesting on that date plus that number of shares equal to the number of RSUs vesting on such date.

The awards under this plan require either full or partial cash settlement if the share price at vesting is less than $8.50 per share. To the extent that it is considered probable that cash settlement will be required, a portion of these awards is treated as cash settled, and recorded on the statement of financial position as a liability.

The fair value of the RSUs at the grant date and at March 31, 2013 was $8.50, for a total plan value of $20.2 million, which is being amortized on a graded basis.

[v] SHARE OPTIONS

The Company grants share options to purchase common shares of the Company to directors and senior management. Share options to independent directors vest over a four-year period and expire seven years after the grant date or 30 days after the participant ceases to be a director. Share options to senior management vest over a five-year period and expire on the earliest of: (a) seven years from the grant date; (b) three years after death or any other event of termination of employment; (c) after any unvested optioned shares held by the optionee are cancelled for any reason (other than early retirement but including resignation without entering into a formal exit agreement and termination for cause); and (d) in the case of early retirement, after a determination that the optionee has competed with the Company or violated any non-competition, non-solicitation or non-disclosure obligations. The exercise price is based on the fair market value of the common shares at grant date. The weighted average exercise price of the share options was $9.84 at March 31, 2013.

The following is a summary of the Company's share options as at March 31, 2013 and changes during the periods then ended:

	Number of options	Weighted average exercise price ($)
Balance, March 31, 2012	2,482,675	$ 9.83
Granted	—	—
Forfeited	(97,765)	(9.47)
Exercised	—	—
Balance, March 31, 2013	**2,384,910**	**$ 9.84**

The following table summarizes the share options outstanding as at March 31, 2013:

	Options outstanding			Options exercisable	
Range of exercise price ($)	Number of common shares	Weighted average remaining contractual life	Weighted average exercise price ($)	Number of options exercisable	Weighted average exercise price ($)
23.13	100,000	1.12	$ 23.13	100,000	$ 23.13
7.21–9.48	2,284,910	3.39	8.12	569,761	8.69
7.21–23.13	**2,384,910**	**3.29**	**$ 9.84**	**669,761**	**$ 11.19**

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

[vi] RETENTION PLAN

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

[vii] DEFERRED SHARE UNITS

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

During the year ended March 31, 2013, the Company granted 50,839 DSUs [2012 – 33,769 DSUs]. The carrying amount of the liability relating to DSUs at March 31, 2013 was $0.5 million [2012 – $0.3 million].

[viii] SHARE-BASED COMPENSATION EXPENSE

For the years ended	March 31, 2013	March 31, 2012
Long-term incentive plan	$ 31,820	$ 29,610
Forgivable common share purchase loans	14,286	12,946
Replacement plans	6,978	—
Share-based payment expense related to acquisition of CSHP	2,893	1,621
Share options	1,345	1,622
Retention plan	1,107	2,340
Deferred share units	(4)	280
Accelerated share-based payment expense included as restructuring expense	1,934	2,705
Total share-based compensation expense	$ 60,359	$ 51,124

NOTE 18 Related Party Transactions

[i] CONSOLIDATED SUBSIDIARIES

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

		% equity interest	
	Country of Incorporation	March 31, 2013	March 31, 2012
Canaccord Genuity Corp.	Canada	100%	100%
Canaccord Genuity Hawkpoint Limited (formerly Hawkpoint Partners Limited and Collins Stewart Hawkpoint Limited)	United Kingdom	100%	100%
Canaccord Genuity SAS (formerly Canaccord Genuity Hawkpoint SAS)	France	100%	100%
Canaccord Genuity Wealth (International) Limited (formerly Collins Stewart (CI) Limited)	Guernsey	100%	100%
Canaccord Genuity Wealth (International) Holdings Limited (formerly Collins Stewart (CI) Holdings Limited)	Guernsey	100%	100%
Canaccord Genuity 360 Limited (formerly Collins Stewart 360 Limited)	United Kingdom	100%	100%
Canaccord Genuity Investment Management Limited (formerly Collins Stewart Investment Management Limited)	United Kingdom	100%	100%
Canaccord Genuity Wealth Limited (formerly Collins Stewart Wealth Management Limited and formerly Eden Financial Limited)	United Kingdom	100%	n/a
Canaccord Genuity Financial Advisors Limited (formerly Collins Stewart Financial Advisers Limited and formerly Eden Financial Advisers Limited)	United Kingdom	100%	n/a
Canaccord Genuity Wealth Group Limited (formerly Collins Stewart Wealth Management Group Limited and formerly Eden Group Limited)	United Kingdom	100%	n/a
Canaccord Genuity Singapore Pte Ltd.	Singapore	100%	100%
Canaccord Genuity Limited	United Kingdom	100%	100%
Canaccord Genuity Inc.	United States	100%	100%
Canaccord Genuity Wealth Management (USA) Inc. (formerly Canaccord Wealth Management (USA) Inc.)	United States	100%	100%
Canaccord Estate Planning Services Ltd.	Canada	100%	100%
Canaccord Asset Management Inc.	Canada	100%	100%
Canaccord Adams Financial Group Inc.	United States	100%	100%
Collins Stewart Inc.	United States	100%	100%
Canaccord Adams (Delaware) Inc.	United States	100%	100%
Canaccord Adams Financial Group ULC	Canada	100%	100%
Canaccord Genuity Securities LLC	United States	100%	100%
Stockwave Equities Ltd.	Canada	100%	100%
CLD Financial Opportunities Limited	Canada	100%	100%
Canaccord Genuity (Hong Kong) Limited	Hong Kong	50%	50%
Canaccord Financial Group (Australia) Pty Ltd.	Australia	50%	50%
Canaccord Genuity (Australia) Limited	Australia	50%	50%
加通贝祥（北京）投资顾问有限公司 (the English name "Canaccord Genuity Asia Limited" is used but it has no legal effect in the People's Republic of China; the English name formerly used was Beijing Parkview Balloch Investment Advisory Co., Limited) (to be renamed Canaccord Genuity Asia (Beijing) Limited)	China	100%	100%
The Balloch Group Limited	British Virgin Islands	100%	100%
Canaccord Genuity Asia (Hong Kong) Limited	Hong Kong	100%	100%
Canaccord International Ltd.	Barbados	100%	100%

[ii] COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE COMPANY

Disclosed in the table below are the amounts recognized as expenses related to individuals who are key management personnel as at March 31, 2013 and 2012:

	March 31, 2013	March 31, 2012
Short term employee benefits	$ 5,922	$ 6,628
Share-based payments	1,823	2,113
Total compensation paid to key management personnel	$ 7,745	$ 8,741

[iii] OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

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

	March 31, 2013	March 31, 2012
Accounts payable and accrued liabilities	$ 1,206	$ 2,506

[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 19 Segmented Information

The Company operates in two industry segments as follows:

Canaccord Genuity – includes investment banking, research and trading activities on behalf of corporate, institutional and government clients as well as principal trading activities in Canada, the UK and Europe, Other Foreign Locations and the US. Other Foreign Locations include operations for Canaccord International Ltd., Canaccord Genuity Asia and the 50% interest in Canaccord Genuity Australia.

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

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 acquisition of Genuity, and the 50% interest in BGF. Amortization of the identifiable intangible assets acquired through the purchase of CSHP is allocated to Canaccord Genuity and Canaccord Genuity Wealth Management segments in the UK and Europe (Channel Islands). Amortization of identifiable intangible assets acquired through the acquisition of Eden Financial is allocated to Canaccord Genuity Wealth Management segments in the UK and Europe (Eden Financial). The accounting policies of the segments are the same as those described in Note 4. 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.

For the years ended	March 31, 2013				March 31, 2012			
	Canaccord Genuity	Canaccord Genuity Wealth Management	Corporate and Other	Total	Canaccord Genuity	Canaccord Genuity Wealth Management	Corporate and Other	Total
Revenues, excluding interest revenue	$ 528,033	$ 222,528	$ 17,362	$ 767,923	$ 365,123	$ 187,849	$ 20,093	$ 573,065
Interest revenue	9,527	12,557	7,115	29,199	8,354	13,441	10,004	31,799
Expenses, excluding undernoted	472,018	191,887	54,976	718,881	306,362	150,752	67,443	524,557
Amortization	20,904	10,905	1,970	33,779	10,264	2,221	1,623	14,108
Development costs	7,945	9,593	1,988	19,526	10,989	8,220	1,984	21,193
Interest expense	13,190	306	1,806	15,302	7,985	295	1,536	9,816
Acquisition-related costs	388	1,331	—	1,719	10,466	4,077	1,513	16,056
Restructuring costs	15,232	15,485	900	31,617	29,078	900	5,275	35,253
Income (loss) before income taxes	$ 7,883	$ 5,578	$ (37,163)	$ (23,702)	$ (1,667)	$ 34,825	$ (49,277)	$ (16,119)

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

For the years ended	March 31, 2013	March 31, 2012
Canada	$ 366,439	$ 458,131
United Kingdom and Europe	249,811	53,180
United States	155,585	83,061
Other Foreign Locations	25,287	10,492
	$ 797,122	$ 604,864

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

	Canada	UK and Europe	United States	Other Foreign Locations	Total
As at March 31, 2013					
Equipment and leasehold improvements	$ 21,172	$ 9,757	$ 9,751	$ 2,299	$ 42,979
Goodwill	242,074	172,417	7,313	62,882	484,686
Intangible assets	66,483	51,473	47	12,280	130,283
Non-current assets	336,484	243,506	16,728	77,477	674,195
As at March 31, 2012					
Equipment and leasehold improvements	28,627	10,249	10,018	2,190	51,084
Goodwill	242,074	169,044	7,169	54,223	472,510
Intangible assets	70,205	61,117	80	18,108	149,510
Non-current assets	348,793	242,876	16,737	78,150	686,556

NOTE 20 Capital Management

The Company's business requires capital for operating and regulatory purposes, including funding current and future operations. The Company's capital structure is underpinned by shareholders' equity, which is comprised of preferred shares, common shares, contributed surplus, retained earnings and accumulated other comprehensive income (loss), and is further complemented by the subordinated debt. The following table summarizes our capital as at March 31, 2013 and 2012:

Type of capital	March 31, 2013	March 31, 2012
Preferred shares	$ 205,641	$ 110,818
Common shares	638,456	623,739
Contributed surplus	85,981	68,336
Retained earnings	126,203	180,748
Accumulated other comprehensive income (loss)	(7,118)	8,484
Shareholders' equity	1,049,163	992,125
Subordinated debt	15,000	15,000
	$ 1,064,163	$ 1,007,125

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 IIROC
- Canaccord Genuity Limited, Canaccord Genuity Wealth Limited, Canaccord Genuity 360 Limited, Canaccord Genuity Financial Advisors Limited, and Canaccord Genuity Investment Management Limited are regulated in the UK by the Financial Conduct Authority
- Canaccord Genuity Wealth (International) Limited is licensed and regulated by the Guernsey Financial Services Commission, the Isle of Man Financial Supervision Commission and the Jersey Financial Services Commission
- Canaccord Genuity Singapore Pte Ltd. is subject to regulation by the Monetary Authority of Singapore
- Canaccord Genuity (Australia) Limited is regulated by the Australian Securities and Investments Commission
- Canaccord Genuity (Hong Kong) Limited is regulated in Hong Kong by the Securities and Futures Commission
- Canaccord Genuity Inc. and Canaccord Genuity Securities LLC are registered as broker dealers in the US and are subject to regulation primarily by the Financial Industry Regulatory Authority, Inc.
- Canaccord Genuity Wealth Management (USA) Inc. is registered as a broker dealer in the US and is subject to regulation primarily by the Financial Industry Regulatory Authority, Inc.
- Canaccord International Ltd. is regulated in Barbados by the Central Bank of Barbados
- Canaccord Asset Management Inc. is subject to regulation in Canada by the Ontario Securities Commission

Margin requirements in respect of outstanding trades, underwriting deal requirements and/or working capital requirements cause regulatory capital requirements to fluctuate on a daily basis. Compliance with these requirements may require the Company to keep sufficient cash and other liquid assets on hand to maintain regulatory capital requirements rather than using these liquid assets in connection with its business or paying them out in the form of cash disbursements. There were no significant changes in the Company's capital management policy during the current year. The Company's subsidiaries were in compliance with all of the minimum regulatory capital requirements during the year ended March 31, 2013.

NOTE 21 Client Money

At March 31, 2013, the UK and Europe operations held client money in segregated accounts of $1,606.2 million (£1,042.0 million) [2012 – $1,221.4 million; £765.3 million]. This is comprised of $2.3 million (£1.5 million) [2012 – $9.9 million; £6.2 million] of balances held on behalf of clients to settle outstanding trades and $1,603.9 million (£1,040.5 million) [2012 – $1,211.5 million; £759.1 million] of segregated deposits, held on behalf of clients, which are not reflected on the balance sheet. Movement in settlement balances is reflected in operating cash flows.

NOTE 22 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. Restructuring provisions incurred in the year ended March 31, 2013 relate primarily to termination benefits and also include the acceleration of share-based payments and onerous leases and related asset impairments incurred as part of the Company's reorganization. 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, 2013 and 2012:

	Legal provisions	Restructuring provisions	Total provisions
Balance, March 31, 2012	$ 12,943	$ 26,723	$ 39,666
Additions	5,356	31,617	36,973
Utilized	(5,515)	(48,464)	(53,979)
Recoveries	(2,605)	—	(2,605)
Balance, March 31, 2013	**$ 10,179**	**$ 9,876**	**$ 20,055**

During the year ended March 31, 2013, the Company took a number of steps to contain costs and refocus its Canadian operations. This resulted in $15.0 million of restructuring costs in Canada. In the US, in connection with the integration of the US operations of the recently acquired CSHP and the existing Canaccord Genuity US operations, an additional $6.8 million of restructuring costs were recorded. This amount includes $4.0 million of expense related to redundant leasehold properties, consisting of a $2.6 million write-down of leasehold improvements and an estimated $1.4 million onerous lease provision. In the UK, the Company has also accrued $9.8 million of restructuring costs in connection with the reorganization of the UK operations as a result of its recent acquisitions of Eden Financial and CSHP. By segment, the Company recognized $15.2 million in Canaccord Genuity, $15.5 million in the Canaccord Genuity Wealth Management segment, and $0.9 million in the Corporate and Other segment.

Commitments, litigation proceedings and contingent liabilities

In the normal course of business as an investment dealer, the Company is involved in litigation, and as of March 31, 2013, it was a defendant in various legal actions. The Company has established accruals 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 actions described below have been commenced against the Company and, although the Company has denied the allegations and intends to vigorously defend itself in each case, the outcome of each action cannot be predicted with certainty. The amounts claimed in respect of these actions, or which could potentially be claimed, are material and, accordingly, these actions are described in these consolidated financial statements.

i) In 2002, two actions were commenced in the Superior Court of Québec against Canaccord Genuity Corp. and other defendants including another investment dealer. Both are class action proceedings in which the plaintiffs make allegations of certain wrongful trading and disclosure practices by the Company and another defendant and that the Company was negligent in respect of a private placement in 2000. These actions are set for trial starting in September 2014. Canaccord intends to vigorously defend itself against these claims.

ii) Genuity was named as co-defendant in an action initiated by CIBC World Markets Inc. in 2005 in the Ontario Superior Court of Justice alleging improper solicitation of the plaintiffs' employees, conspiracy, inducing breach of contract, interference with commercial relations, breach of fiduciary duties, misuse of confidential information and misappropriation of corporate opportunities. The claim against Genuity was for general damages to be determined by the court and an accounting of benefits received by all the parties as a result of these alleged activities. There was also a claim against all the parties for $10.0 million for punitive and exemplary damages. As Canaccord Genuity Corp. assumed all the assets and liabilities of Genuity, it may have been subject to any judgment that may be made against Genuity in connection with this litigation. The Company believes it has no potential exposure in connection with this claim.

iii) The Company and CSHP and its US subsidiary, Collins Stewart LLC, among others, were defendants in an action commenced by Morgan Joseph TriArtisan Group Inc. and Morgan Joseph TriArtisan LLC in state court in New York City alleging that a proposed joint venture in New York between Collins Stewart LLC and Morgan Joseph TriArtisan LLC was fundamentally inconsistent with the acquisition of CSHP by the Company. The claims against the Company were for tortious interference with contract, tortious interference with prospective business advantage, and aiding and abetting breach of fiduciary duty. Remedies requested by the plaintiff against the Company were for compensatory damages in an amount not less than $35 million and punitive damages in an amount of three times the compensatory damages or approximately $100 million. These proceedings have been settled, for an amount which was less than the provision that had been recorded. The excess liability has been derecognized and recorded as a reduction in general and administrative expense in the second quarter of fiscal 2013.

NOTE 23 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:

2014	$	33,626
2015		33,264
2016		30,651
2017		25,514
2018		22,648
Thereafter		88,097
	$	233,800

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

NOTE 24 Subsequent Event

DIVIDENDS

On May 21, 2013, the Board of Directors approved the following cash dividends: $0.05 per common share payable on June 10, 2013 to common shareholders with a record date of May 31, 2013; $0.34375 per Series A Preferred Share payable on July 2, 2013 and with a record date of June 21, 2013; and $0.359375 per Series C Preferred Share payable on July 2, 2013 and with a record date of June 21, 2013.