FIRST QUARTER

FISCAL 2012 REPORT TO SHAREHOLDERS

A WORLD OF OPPORTUNITY

CANACCORD Financial

Canaccord Financial Inc. Reports First Quarter Fiscal 2012 Results

(All dollar amounts are stated in Canadian dollars unless otherwise indicated)[1]

VANCOUVER, August 3, 2011 – Canaccord Financial Inc. (TSX: CF, AIM: CF.) generated revenue of $159.8 million and net income of $13.2 million in the first quarter of fiscal 2012, the quarter ended June 30, 2011. Revenue was 5% higher than the same quarter last year and net income for the first quarter was 154% higher compared to net income of $5.2 million recorded in the first quarter of fiscal 2011. Diluted earnings per common share (EPS) for fiscal Q1/12 were $0.16, compared to diluted EPS of $0.07 in the same quarter last year. Excluding acquisition-related items, net income was $14.1 million, down slightly from $14.2 million in the comparable quarter last year, and EPS was $0.17 compared to $0.19.

“We see great opportunities for our business through the growth initiatives we’re undertaking and believe we’re very well positioned for the eventual market resurgence. Our recently announced partnership with BGF Equities will significantly grow our distribution capabilities through licenses to operate on the Australian and Hong Kong stock exchanges, and will also enhance Canaccord’s access to Australia’s robust resource sector,” noted Paul Reynolds, President and CEO of Canaccord Financial Inc. “Nevertheless, the difficult market environment that persisted throughout our fiscal first quarter led to lower trading volumes and heightened market volatility, which impacted client activity in some of our core businesses.”

FIRST QUARTER OF FISCAL 2012 VS. FIRST QUARTER OF FISCAL 2011

- Revenue of $159.8 million, up 5% or $7.9 million from $151.9 million
- Expenses of $144.0 million, down $0.3 million from $144.3 million
- Net income of $13.2 million, up 154% or $8.0 million compared to net income of $5.2 million
- Return on common equity (ROE) of 7.0%, up from 3.9%[2][3]
- Diluted EPS of $0.16 compared to diluted EPS of $0.07

Excluding acquisition-related expense items[2][4]

- Expenses of $143.1 million, up 8% or $11.2 million from $131.9 million
- Net income of $14.1 million, down 1% or $0.1 million compared to net income of $14.2 million
- ROE of 7.3%, down from 10.5%[2][3]
- Diluted EPS of $0.17 compared to diluted EPS of $0.19

Contents

Canaccord Reports First Quarter Results 1
Letter to Shareholders 5
Management’s Discussion and Analysis 7
Unaudited Interim Consolidated Statements of Financial Position 27
Unaudited Interim Consolidated Statements of Operations 28
Unaudited Interim Consolidated Statements of Comprehensive Income 28
Unaudited Interim Consolidated Statements of Changes in Equity 29
Unaudited Interim Consolidated Statements of Cash Flows 30
Notes to Unaudited Interim Consolidated Financial Statements 31

FIRST QUARTER OF FISCAL 2012 VS. FOURTH QUARTER OF FISCAL 2011

- Revenue of $159.8 million, down 35% or $87.8 million from $247.6 million
- Expenses of $144.0 million, down 24% or $45.3 million from $189.3 million
- Net income of $13.2 million, down 68% or $28.1 million compared to net income of $41.3 million
- ROE of 7.0%, down from 22.6%(2)(3)
- Diluted EPS of $0.16 compared to diluted EPS of $0.49 in the fourth quarter of 2011

Excluding acquisition-related expense items(2)(4)

- Expenses of $143.1 million, down 24% or $45.2 million from $188.3 million
- Net income of $14.1 million, down 67% or $28.2 million compared to net income of $42.3 million
- ROE of 7.3%, down from 22.6%(2)(3)
- Diluted EPS of $0.17 compared to diluted EPS of $0.50 in the fourth quarter of 2011

FINANCIAL CONDITION AT END OF FIRST QUARTER 2012 VS. FIRST QUARTER 2011

- Cash and cash equivalents balance of $710.7 million, up $140.7 million from $570.0 million
- Working capital of $486.0 million, up $174.4 million from $311.6 million
- Total shareholders' equity of $848.2 million, up $177.2 million from $671.0 million
- Book value per diluted common share for the period end was $8.71, up 11% or $0.85 from $7.86(2)
- On August 3, 2011, the Board of Directors approved a quarterly dividend of $0.10 per common share payable on September 15, 2011 with a record date of August 26, 2011
- On August 3, 2011, the Company also declared the initial cash dividend of $0.37295 per Series A Preferred Share payable on September 30, 2011 with a record date of September 16, 2011

SUMMARY OF OPERATIONS

Corporate

- On April 15, 2011, Canaccord Financial Inc. shareholders approved amendments to the Company's corporate articles, allowing for the issuance of preferred shares
- On June 6, 2011, Canaccord Financial Inc. announced the offering of Series A Rate Reset Preferred Shares priced at $25.00 each to raise capital for general corporate purposes
  - On June 23, 2011, the Series A Preferred Share offering closed with the listing of 4,000,000 Series A Preferred Shares, trading on the TSX under the symbol CF.PR.A.
  - Subsequent to quarter end, on July 7, 2011, the syndicate of investment dealers exercised an over-allotment option, and the Company issued an additional 540,000 Series A Preferred Shares
  - In total, the issuance of 4,540,000 Series A Rate Reset Preferred Shares raised $113.5 million in gross proceeds
- At the Company's 2011 Annual General Meeting held on June 24, 2011, shareholders approved the re-election of all nine of the corporate directors nominated for Canaccord Financial Inc.'s Board of Directors
- During the quarter, Canaccord Financial Inc. announced the filing of a Normal Course Issuer Bid, to allow for the purchase of up to 2,000,000 common shares for cancellation over a one-year period ending June 12, 2012

Capital Markets

- Canaccord Genuity led 46 transactions globally to raise total proceeds of $1.5 billion(5) during fiscal Q1/12
- Canaccord Genuity participated in a total of 106 transactions globally to raise total proceeds of $3.2 billion(5) during fiscal Q1/12
- During fiscal Q1/12, Canaccord Genuity led or co-led the following transactions:
  - US$550 million for Manabi Holdings S.A. (non-exchange listed)
  - US$230 million for Neo Material Technologies Inc. on the TSX
  - C$113.5 million for Canaccord Financial Inc. on the TSX
  - US$100.6 million for Aveo Pharmaceuticals on the NASDAQ

– C$100.1 million for Artis REIT on the TSX
– US$74.0 million for Dexcom Inc. on the NASDAQ
– C$59.9 million for Pure Industrial Real Estate Trust on the TSX Venture
– C$55.0 million for Bellatrix Exploration Ltd. on the TSX
– US$50.0 million for Anthera Pharmaceuticals on the NASDAQ
– US$47.0 million for Inhibitex Inc. on the NASDAQ
– £45.6 million for Bahamas Petroleum Company Plc. on AIM
– C$43.7 million for NexJ Systems Inc. on the TSX
– C$40.2 million for Levon Resources Ltd. on the TSX Venture

- Canaccord Genuity recorded advisory revenues of $22.5 million during fiscal Q1/12, an increase of 9% compared to the same quarter last year
- During fiscal Q1/12, Canaccord Genuity advised on the following M&A and advisory transactions:

– SynthRx, Inc. on its acquisition by ADVENTRX Pharmaceuticals, Inc.
– Adenyo Inc. on its acquisition by Motricity, Inc.
– Renegade Petroleum Ltd. on its acquisition of Petro Uno Resources Ltd.
– NuLoch Resources Inc. on its acquisition by Magnum Hunter Resources Corp.
– Blinkx Plc. on its acquisition of Burst Media Corp.
– MENA Hydrocarbons Inc. on its reverse takeover of MENA (formerly SKANA Capital Corp.)
– Insulet Corp. on its acquisition of Neighborhood Diabetes Inc.
– New Gold Inc. on its acquisition of Richfield Ventures Corp.
– Canadian Satellite Radio Holdings Inc. on its merger with Sirius Canada Inc.
– Luminex Corp. on its acquisition of EraGen Biosciences
– EADS on its acquisition of Vector Aerospace Corporation
– Petrowest Energy Services Trust on its debt financing

Wealth Management

- Canaccord Wealth Management recorded $2.5 million of net income before taxes in Q1/12
- Assets under administration were $15.7 billion, up 25% from $12.6 billion at the end of Q1/11, and down 8% from $17.0 billion at the end of Q4/11[(2)]
- Assets under management were $575 million, up 33% from $431 million at the end of Q1/11, and up 5% from $546 million at the end of Q4/11[(2)]
- As at June 30, 2011, Canaccord had 263 Advisory Teams[(6)], down eight from 271 Advisory Teams as of March 31, 2011 and down 27 from 290 Advisory Teams as of June 30, 2010
  – This decrease is largely due to an ongoing strategic review of our Wealth Management division and the conversion of corporate branches to the Independent Wealth Management (IWM) platform, where each branch is led by one Investment Advisor (IA) and is counted as one Advisory Team
- During the first quarter of Canaccord's fiscal year, the IWM platform added two branches and closed one location:
  – A new Kitchener, Ontario, IWM branch was opened on May 10, 2011
  – The corporate Thunder Bay, Ontario, branch converted to the IWM platform on July 1, 2011
  – The Whitehorse, Yukon, IWM branch closed on May 31, 2011
- Canaccord Wealth Management now has 32 branches across Canada, including 19 operating on the IWM platform

(1) As required by the Canadian Accounting Standards Board (AcSB), the Company adopted International Financial Reporting Standards (IFRS) effective April 1, 2011. All financial information provided for Q1/12 is in accordance with IFRS, and all comparative financial information for the four quarters of fiscal 2011 has been restated and presented in accordance with IFRS.
(2) See non-IFRS measures.
(3) ROE is presented on an annualized basis. ROE for the quarter is calculated by dividing the annualized net income available to common shareholders for the period over the average common shareholders' equity. See non-IFRS measures.
(4) Acquisition-related expense items are related to the acquisition of Genuity Capital Markets. See non-IFRS measures.
(5) Source: Placement Tracker. Includes placements for companies incorporated in Canada and the US.
(6) Advisory Teams are normally comprised of one or more Investment Advisors (IAs) and their assistants and associates, who together manage a shared set of client accounts. Advisory Teams that are led by, or only include, an IA who has been licensed for less than three years are not included in our Advisory Team count, as it typically takes a new IA approximately three years to build an average-sized book.

Subsequent to June 30, 2011

- On July 7, 2011, the over-allotment option was exercised for Canaccord's preferred share offering, prompting the issuance of 540,000 additional preferred shares. In total, 4,540,000 Series A Preferred Shares were issued by Canaccord, raising $113.5 million in gross proceeds
- On July 31, 2011, Canaccord announced that it has entered into a definitive agreement to acquire a 50% equity interest in BGF Capital Group Pty Ltd (BGF), commonly referred to as BGF Equities, which will expand Canaccord's operations into Australia and Hong Kong
  - Consideration of AUD$40 million will be provided for the 50% interest in BGF, payable in cash and, subject to TSX approval, CF common shares. The transaction is not intended to be dilutive. Canaccord intends to purchase and cancel a like number of shares under its NCIB
  - The transaction is expected to close during Canaccord's third quarter of fiscal 2012 (the fourth quarter of calendar 2011), at which point BGF Equities will be re-branded Canaccord BGF
  - Canaccord has also been granted the option to purchase the remaining 50% equity interest in the company during a three-month period commencing on the fifth anniversary of the initial investment
  - Canaccord will have the right to appoint three of the six corporate directors of Canaccord BGF

Non-IFRS measures

The non-International Financial Reporting Standards (IFRS) measures presented include assets under administration, assets under management, book value per diluted common share, return on common equity and figures that exclude acquisition-related expense items. Management believes that these non-IFRS measures will allow for a better evaluation of the operating performance of Canaccord's business and facilitate meaningful comparison of results in the current period to those in prior periods and future periods. Figures that exclude acquisition-related expense items provide useful information by excluding certain items that may not be indicative of Canaccord's core operating results. A limitation of utilizing these figures that exclude acquisition-related expense items is that the IFRS accounting effects of the acquisition-related expense items do in fact reflect the underlying financial results of Canaccord's business; thus, these effects should not be ignored in evaluating and analyzing Canaccord's financial results. Therefore, management believes that Canaccord's IFRS measures of financial performance and the respective non-IFRS measures should be considered together.

Acquisition-related expense items in the first quarter 2012 and fourth quarter 2011 include $0.9 million of amortization of intangible assets in connection with the acquisition of Genuity Capital Markets (Genuity). Acquisition-related expense items in the first quarter 2011 include $11.0 million of acquisition-related costs and $1.4 million of amortization of intangible assets in connection with the acquisition of Genuity.

To Our Shareholders

On July 31st, we were very pleased to announce the expansion of our operations into Australia and Hong Kong through the acquisition of 50% of BGF Equities[1], which will be renamed Canaccord BGF when the transaction is completed during our fiscal third quarter. We had been evaluating opportunities to strengthen our presence in the Asia-Pacific region for some time, and we're very pleased to have found a partner that met all of our acquisition criteria.

Canaccord's commitment of AUD$40 million will be paid in cash and, subject to TSX approval, Canaccord common shares. As our intention is to repurchase and cancel the same amount of shares from the market through our NCIB, any shares provided as consideration will not be dilutive to our shareholders. Importantly, the purchase agreement also provides us with the option to acquire the remaining 50% of the company in 2016. On a pro-forma basis, we expect the acquisition will be accretive to Canaccord's earnings.

This strategically important partnership provides Canaccord with increased access to the thriving resource market in Australia. It also allows us to develop relationships with emerging and growing companies that can expand into other facets of our business as their advisory and financing needs change. Just as important, our partnership dramatically enhances Canaccord's distribution capabilities through licenses to operate on both the Australian and Hong Kong stock exchanges. There are tremendous opportunities for our business in both these markets, particularly as it relates to our resource sector expertise and robust investor demand from Asia.

Our new colleagues from BGF Equities share our values and entrepreneurial culture and, like Canaccord, understand that the success of their business is based on strong client relationships. We're certain they will complement Canaccord's existing team well, and we're eager to see the results that our combined sector expertise, relationships and distribution capabilities can provide clients and shareholders.

We expect our expansion in the Asia-Pacific region will greatly benefit our existing operations in China. Our distribution and listing capabilities on the Hong Kong stock exchange will significantly enhance the value we can provide clients and strengthen our competitive position in this region. We are continuing to invest in our Chinese operations but believe it will be several quarters before Canaccord Genuity Asia begins showing consistent returns. Our pipeline is developing well and we're pleased with the corporate relationships we're building; however, we are facing headwinds as a result of changing investor sentiment in North America related to Chinese companies.

The expansion of our global platform is well underway, and it continues to be a core component of our growth strategy. By establishing a presence in higher-growth markets and in geographies with growing opportunities in key sectors, we're building a stronger business to benefit from the eventual market resurgence, while also helping to temper the seasonality of some of our core businesses.

QUARTERLY UPDATE

While the first half of our fiscal year is traditionally slower for our business, this seasonality has been magnified by challenging market conditions. As was the case with many industry participants, the results of our fiscal first quarter were impacted by the dramatic slowdown in trading volumes and increasingly cautious investor sentiment. I'm generally pleased with how our business units are performing within this market environment; however, we are continuing with efforts to lower our costs and best align our resources to operate within a period of reduced capital markets activity in some of our core markets. We're confident in our strategy and believe the investments we're making, and growth initiatives we're undertaking, are strengthening our business and best positioning Canaccord for the eventual market recovery.

Canaccord's revenue of $159.8 million was 5.2% higher than the same quarter last year. Our UK operations had a particularly difficult quarter, as the industry-wide slowdown in this market continues. We expect revenue contributions from this geography will be inconsistent in upcoming quarters, as our European pipeline remains strong but market opportunities remain sporadic.

Net income for the fiscal first quarter was $13.2 million, up significantly from $5.2 million in the same quarter last year, when costs associated with the expansion of our Canadian capital markets team were booked. Diluted earnings per common share for the first quarter of fiscal 2012 were $0.16, or $0.17 excluding acquisition-related expenses.

We have had some success in hitting our expense reduction targets. While non-comp expenses from pre-existing operations have declined, especially within our wealth management division, new costs have been incurred as a result of our expansion initiatives and changing operational needs. We have identified what we need to do to capture more cost savings, and we're making some long term structural and operational changes to achieve our objectives.

[1] Canaccord Financial Inc. has agreed to acquire a 50% equity interest in BGF Capital Group Pty Ltd, commonly known as BGF Equities.

CANACCORD GENUITY

The market environment was challenging for most of our fiscal first quarter, marked by increased volatility, lower trading volumes and waning investor confidence. Revenue from Canaccord's investment banking, commission and principal trading lines were negatively impacted as a result. In the three months ended June 30, 2011, Canaccord Genuity generated $97.4 million in revenue, down 2.8% compared to the same quarter last year and 40.5% from the second best results for the division last quarter.

Canaccord Genuity's investment banking operations performed relatively well within this market context, leading or co-leading 46 transactions globally to raise $1.5 billion in gross proceeds for our clients. Notably, Canaccord co-led a US$550 million private placement for Manabi Holdings S.A. in May. This was a cross-border transaction that we matched with multiple international investors – highlighting the strength of our firm's global reach and institutional relationships. Revenue from investment banking operations declined compared to last quarter as a result of having an overall smaller position of the total transactions we participated in during the quarter.

As was the case with many industry participants, revenue from our trading operations declined as a result of reduced client activity and trading volumes. Market volatility also had a marked impact on trading results. It, combined with our efforts to assist clients with liquidity during the downturn, led to higher than anticipated facilitation losses during the quarter. We are taking measures to prudently control capital use for trading activity and are continuing to monitor market fluctuations closely.

The strength of our M&A and advisory pipeline provided a solid contribution to our investment banking team during the quarter. Advisory activities generated $22.5 million in revenue during fiscal Q1/12, up 9.1% from the same quarter last year, but down 12.3% from the record advisory revenue we achieved last quarter. Our pipeline of M&A transactions remains very strong, evident by the five new transactions that we announced advisory assignments for during the quarter. Subsequent to quarter end, it was also announced that Canaccord Genuity is acting as financial advisor to the noteholders of OPTI Canada in its acquisition by CNOOC and acting as financial advisor to Primero Mining Corp. in its merger with Northgate Minerals Corporation – two prominent transactions in Canada that underscore the strength of our expanded M&A and advisory team.

CANACCORD WEALTH MANAGEMENT

Canaccord Wealth Management performed reasonably well during our typically slower first quarter, even within a period of reduced market activity. The division generated $54.8 million in revenue during fiscal Q1/12, up 16.0% compared to the same quarter last year, but down 24.6% from the revenue we achieved in last quarter's more robust market environment. Despite reduced client activity, the business recorded net income before taxes of $2.5 million compared to a net loss of $1.7 million in the year-ago quarter. We are pleased that Canaccord Wealth Management has generated profitable returns for the third consecutive quarter, but as divisional revenues are highly correlated to market volumes, we are watching the impact of the market slowdown carefully. Strengthening the core business and building our managed accounts platform remain important components of our business plan, and together they will improve the division's ability to provide consistent returns to our shareholders. Much like last year, and in line with historical trends, we anticipate that retail trading and client activity will increase in late summer or early fall as individual investors refocus on their investment portfolios.

LOOKING FORWARD

The sovereign debt issues facing the global economy continue to impact investor confidence and market stability; however, we believe a sustained recovery will likely build during the second half of our fiscal year. Our long term strategy remains focused on best positioning the company for the eventual market resurgence.

Our international expansion initiatives and our investments in certain sector verticals are laying a strong foundation for our continued growth. We're confident that our decisions to deploy capital in these key markets will enhance the value of the services we provide our clients, and grow the long term value of our company for shareholders.

PAUL D. REYNOLDS
President & CEO

Management's Discussion and Analysis

First quarter fiscal 2012 for the three months ended June 30, 2011 – this document is dated August 3, 2011

The following discussion of the financial condition and results of operations for Canaccord Financial Inc. (Canaccord or the Company) is provided to enable the reader to assess material changes in our financial condition and to assess results for the three-month period ended June 30, 2011 compared to the corresponding periods in the preceding fiscal year. The three-month period ended June 30, 2011 is also referred to as first quarter 2012, Q1/12 and fiscal Q1/12 in the following discussion. This discussion should be read in conjunction with the unaudited interim consolidated financial statements for the three-month period ended June 30, 2011, beginning on page 27 of this report; our Annual Information Form dated June 1, 2011; and the 2011 annual Management's Discussion and Analysis (MD&A) including the audited consolidated financial statements for the fiscal year ended March 31, 2011 (Audited Annual Consolidated Financial Statements) in Canaccord's Annual Report dated May 17, 2011 (the Annual Report). There has been no material change to the information contained in the annual MD&A for fiscal 2011 except as disclosed in this MD&A. Canaccord's financial information is expressed in Canadian dollars unless otherwise specified. The Company adopted International Financial Reporting Standards (IFRS) beginning this first quarter 2012, and consequently, the financial information presented in this document, including comparative information, is prepared in compliance with IFRS unless specifically noted. This MD&A is based on unaudited interim consolidated financial statements prepared in accordance with IFRS.

Cautionary statement regarding forward-looking information

This document may contain "forward-looking statements" (as defined under applicable securities laws). These statements relate to future events or future performance and reflect management's expectations, beliefs, plans, estimates, intentions and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts, including business and economic conditions and Canaccord's growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue", "target", "intend", "could" or the negative of these terms or other comparable terminology. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and a number of factors could cause actual events or results to differ materially from the results discussed in the forward-looking statements. In evaluating these statements, readers should specifically consider various factors, which may cause actual results to differ materially from any forward-looking statement. These factors include, but are not limited to, market and general economic conditions, the nature of the financial services industry and the risks and uncertainties discussed from time to time in the Company's interim and annual consolidated financial statements and its annual report and the AIF filed on www.sedar.com as well as the factors discussed in the section entitled "Risks" in this MD&A, which include market, liquidity, credit, operational, legal and regulatory risks. Material factors or assumptions that were used by the Company to develop the forward-looking information contained in this document include, but are not limited to, those set out in the Fiscal 2012 Outlook section in the annual MD&A and those discussed from time to time in the Company's interim and annual consolidated financial statements and its annual report and the AIF filed on www.sedar.com. The preceding list is not exhaustive of all possible risk factors that may influence actual results. Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive.

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

PRESENTATION OF FINANCIAL INFORMATION AND NON-IFRS MEASURES

Transition to International Financial Reporting Standards

As required by the Canadian Accounting Standards Board (AcSB), the Company adopted International Financial Reporting Standards (IFRS) effective April 1, 2011. The unaudited interim consolidated financial statements for the quarter ended June 30, 2011 (First Quarter 2012 Financial Statements) have been prepared in accordance with International Accounting Standard 34, "*Interim Financial Reporting*" (IAS 34), using accounting policies consistent with those expected to be applied in preparing the Company's annual consolidated financial statements for the year ending March 31, 2012.

The Company followed the provisions of IFRS 1, "*First-time adoption of IFRS*" (IFRS 1), in preparing its First Quarter 2012 Financial Statements. The First Quarter 2012 Financial Statements contain comparative information as at April 1, 2010 (our date of transition to IFRS), March 31, 2011, and for the three-month period ended June 30, 2010 that has also been presented in accordance with IFRS. An explanation of the transition to IFRS is presented in Note 4 of the First Quarter 2012 Financial Statements and includes an explanation of initial elections upon first-time adoption of

IFRS, changes to accounting policies, and a reconciliation of amounts previously reported under Canadian GAAP to amounts reported under IFRS for comparative financial information.

IFRS 1 – First-time adoption

IFRS 1, "*First-time Adoption of International Financial Reporting Standards*", states that IFRS is to be applied retrospectively with some optional exemptions and mandatory exceptions to this requirement. The significant exemption options applied are summarized in the table below:

Business combinations	The Company elected not to apply IFRS 3, "*Business Combinations*" (IFRS 3), to all business combinations that occurred before April 1, 2010. The Company early adopted Canadian Institute of Chartered Accountants (CICA) Handbook Section 1582, which was harmonized with IFRS 3, for all business combinations subsequent to April 1, 2010.
Share-based payments	The Company elected not to apply IFRS 2, "*Share-based Payments*" (IFRS 2), retrospectively to its share-based payments that have vested as of the IFRS transition date.
Foreign exchange	The Company elected to reclassify on transition all cumulative translation differences for self-sustaining foreign subsidiaries from accumulated other comprehensive income to retained earnings. The amount of reclassification of all cumulative translation differences for self-sustaining foreign subsidiaries to retained earnings as of April 1, 2010 was $35.3 million.
Leases	The Company has elected to use the information at the transition date in determining whether an arrangement contains a lease. This election did not affect the accounting for any of the Company's leases.

Key differences between IFRS and Canadian GAAP

The table below highlights the key differences in accounting treatment and the impact on financial information presented in the First Quarter 2012 Financial Statements and this MD&A. This discussion provides a high level overview and is not intended to be a comprehensive discussion of all identified differences between Canadian GAAP and IFRS.

Relevant key differences identified at the transition date between IFRS and Canadian GAAP are summarized below:

Accounting policy area	Key differences in accounting treatment	Impact on financial information
Share-based payments	**Canadian GAAP** *Expense recognition:* Amortization of share-based payments may be expensed either on a straight-line basis or on a graded basis. *Forfeiture rate:* Canadian GAAP provides an option to either estimate a forfeiture rate at the grant date or recognize forfeitures as they occur. **IFRS** *Expense recognition:* Share-based payments must be amortized on a graded basis. *Forfeiture rate:* A forfeiture rate must be estimated at the grant date.	Using the graded basis of amortization, the recognition of expense related to share-based payments will typically be accelerated in earlier years. The requirement to estimate a forfeiture rate at the grant date will reduce amortization expense in the earlier years. However, this amount is adjusted to actual forfeitures as the share-based payment vests.
Financial instruments	**Canadian GAAP** Financial assets with no quoted market price that are classified as available for sale are carried at cost. **IFRS** Financial assets with no quoted market price that are classified as available for sale are carried at fair value unless fair value is not reliably measured.	The value of the investment will be reviewed at each balance sheet date for any indication of a change in valuation.

Accounting policy area	Key differences in accounting treatment	Impact on financial information
Impairment of assets	**Canadian GAAP** *Goodwill* Impairment should be tested annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. An impairment loss is recognized when the carrying amount exceeds its fair value. Impairment losses may not be reversed. *Indefinite life intangible assets* Impairment should be tested annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. An impairment loss is recognized when the carrying amount exceeds its fair value. Impairment losses may not be reversed. *Finite life intangible assets* Intangible assets should be tested for impairment if events or changes in circumstances indicate that the asset might be impaired. Impairment losses are recognized when the carrying amount exceeds its fair value. Impairment losses may not be reversed. **IFRS** *Goodwill* Impairment is tested annually or more frequently if events or circumstances indicate that the asset might be impaired. IFRS requires a one-step impairment test for identifying and measuring impairment, comparing an asset's carrying value to the higher of its value in use or its fair value less cost to sell. Impairment losses may not be reversed in future periods. *Indefinite life intangible assets* Impairment is determined by comparing the carrying amount with the recoverable amount and is tested annually or more frequently if circumstances indicate an asset may be impaired. Impairment is recognized when the carrying amount exceeds the higher of the asset's fair value less cost to sell or its value in use. Impairment losses may be reversed in the future, but not exceeding the carrying amount that would have been determined if there was no impairment loss. *Finite life intangible assets* Impairment is determined by comparing the carrying amounts with the recoverable amount and is tested only if circumstances indicate an asset may be impaired. Impairment is recognized when the carrying amount exceeds the higher of the asset's fair value less cost to sell or its value in use. Impairment losses may be reversed in the future, but not exceeding the carrying amount that would have been determined if there was no impairment loss.	Impairment testing will be performed in accordance with IFRS going forward. There was no effect on the opening IFRS balance sheet, as the goodwill and intangible assets arose after the transition date. The acquisition of Genuity Capital Markets (Genuity) closed on April 23, 2010, and the acquisition of The Balloch Group Limited (TBG) closed on January 17, 2011. The Company prepared its annual impairment testing under Canadian GAAP and IFRS during the fourth quarter of fiscal 2011 to assess any impairment related to goodwill and indefinite life intangible assets acquired from Genuity. There was no impairment under Canadian GAAP or IFRS.

Accounting policy area	Key differences in accounting treatment	Impact on financial information
Income taxes	**Canadian GAAP** Future income tax assets and liabilities can be classified as either current or non-current assets or liabilities on the balance sheet. **IFRS** Deferred tax assets and liabilities must be classified as non-current on the balance sheet. Under IFRS, 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.	The Company recognized future income tax impacts on the transition adjustments. The Company has also netted its deferred tax assets and deferred tax liabilities balance as permitted under IFRS. The balances are shown as non-current assets or liabilities on the statement of financial position.
Provisions	**Canadian GAAP** There is no requirement to disclose provisions separately on the statement of financial position. **IFRS** Accrued amounts related to contingent liabilities need to be disclosed separately on the face of the consolidated statement of financial position. IFRS also requires the provision to be distinguished between current and non-current.	The Company will reclassify contingent liabilities from accounts payable and accrued liabilities and disclose such amounts separately as provisions.

The following table summarizes the quantitative impact on selected information as a result of the transition from Canadian GAAP to IFRS:

(C$ thousands)	Canadian GAAP	Effect of IFRS transition	IFRS
As at April 1, 2010			
Assets	$ 3,123,848	$ 1,488	$ 3,125,336
Liabilities	2,722,103	—	2,722,103
Shareholders' equity	401,745	1,488	403,233
As at March 31, 2011			
Assets	$ 5,110,372	$ (12,872)	$ 5,097,500
Liabilities	4,353,849	(13,241)	4,340,608
Shareholders' equity	756,523	369	756,892
Three months ended June 30, 2010			
Revenue	$ 151,917	$ —	$ 151,917
Expenses	144,684	(398)	144,286
Net income before tax	7,233	398	7,631
Net income	4,875	297	5,172
Other comprehensive income, net of taxes	$ 4,576	$ —	$ 4,576
Comprehensive income	9,451	297	9,748

There was no significant impact on the presentation of the Company's consolidated statement of cash flows for the three months ended June 30, 2010.

A detailed reconciliation of the impact of the transition to IFRS on reported balances can be found in Note 4 of the First Quarter 2012 Financial Statements.

Non-IFRS measures

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

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

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

Financial statement items that exclude acquisition-related expense items are non-IFRS measures. Acquisition-related expense items include acquisition-related costs and the amortization of intangible assets related to the acquisition of Genuity.

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

BUSINESS OVERVIEW

Through its principal subsidiaries, Canaccord Financial Inc. is a leading independent, full-service financial services firm, with operations in two principal segments of the securities industry: wealth management and global capital markets. Since its establishment in 1950, Canaccord has been driven by an unwavering commitment to building lasting client relationships. We achieve this by generating value for our individual, institutional and corporate clients through comprehensive investment solutions, brokerage services and investment banking services. Canaccord has 46 offices worldwide, including 32 Wealth Management offices located across Canada. Canaccord Genuity, the international capital markets division, operates in Canada, the US, the UK, China and Barbados.

Canaccord Financial Inc. is publicly traded under the symbol CF on the TSX and the symbol CF. on AIM, a market operated by the London Stock Exchange. Canaccord Series A Preferred Shares are listed on the TSX under the symbol CF.PR.A.

Our business is subject to the overall condition of the North American and European equity markets, including seasonal fluctuations.

Business environment

The constructive environment for risk assets and capital markets activities that we experienced in the latter quarters of fiscal 2011 was quickly reversed in the first fiscal quarter of 2012. Capital markets once again saw the negative impact of heightened volatility and a sharp swing to risk aversion in client portfolios. This abrupt change in investor behaviour affected the pace of equity underwriting as well as the volume of secondary market trading.

During the quarter, investors' anxiety over global growth was reinforced by consistently soft economic data. While some of the data may have been adversely impacted by the transitory effects of the Japanese earthquake and tsunami, evidence mounted that we were experiencing another "soft patch" in the developed world, while efforts to slow booming developing economies gained traction. As a result, most economic forecasters lowered growth estimates for both the balance of calendar 2011 and for 2012. Further market tensions arose as investors rightfully worried about policy

makers' abilities to navigate the many aftershocks to the Great Recession of 2008/9. The slow-rolling European and banking debt crisis came into focus yet again, as the need for another Greek bailout became obvious. Political unrest in the Middle East waned somewhat; however, commodity markets refocused their worries on the risk of a Chinese "hard-landing". The negative consequences of premature attempts at fiscal restraint weighed on certain markets, most notably in the UK. In the US, the looming expiry of the Federal Reserve's QE2 Program at the end of June caused the stimulus debate to shift from the monetary domain to the highly politicized fiscal arena, which further led to heightened investor uncertainty. In short, the discouraging factors associated with the volatile dynamics of our "two-speed" global recovery dominated investor behaviour during the three months ended June 30, 2011.

Looking forward, the global economic recovery looks to have entered into a self-sustaining phase, yet the rate of growth is likely to remain subdued in the medium term while being subject to sporadic setbacks. Barring substantial policy errors, we do not believe these setbacks will be enough to derail the global recovery. It is likely that policies in developed markets will remain accommodative throughout fiscal 2012. In the developing world we are already seeing signs that tighter policies in China aimed at restraining inflationary forces and speculative excess may end later this year. We believe an emergence from the global "soft patch" and a reacceleration in the world economy will occur in the latter half of calendar 2012. This would be most notably led by a rebound in Japan, inventory restocking in the US and an upswing in global capital spending. Heightened concerns about the many structural issues facing investors are likely to surface from time to time, and will increase the headwinds for economic growth. Most notably, these issues would include the ongoing deferral of a definitive solution to the European crisis, the undoubtedly difficult resolution of the US fiscal situation, negative global credit creation and emerging market inflation fears.

Nevertheless, against this largely constructive backdrop we believe that a healthy environment for capital market activities will resume in due course. In particular, funding and M&A activities for resource-focused companies will likely need to accelerate through fiscal 2012. We continue to be cautiously optimistic that positive dynamics will soon return to the investment activities of diversified industrial companies. As confidence in the economic recovery returns, it is likely that corporations with liquid capital will increase capital investment activity. Global mergers and acquisitions activity in particular should continue to accelerate.

Market data

Financing values increased modestly on the TSX and TSX Venture markets, while they were down substantially on AIM compared to the previous quarter and the same quarter last year. Financing values were up significantly on the NASDAQ compared to the same period last year, but were 7.3% lower compared to the previous quarter.

Financings in our key sectors on the TSX and TSX Venture were up 2.9% compared to the same quarter last year, and down 1.6% compared to the previous quarter. While most of Canaccord's key sectors experienced declines, the Oil and Gas sector experienced an increase compared to the previous quarter and same period last year. The Technology sector experienced a 707.2% increase compared to the previous quarter and financing activity increased in the Biotech sector by 15.2% compared to the same quarter last year.

Financings in our key sectors on AIM were down compared to the previous quarter and the same quarter last year, except the Health Care sector, which experienced high activity compared to Q1/11 and Q4/11 and the Media sector, which increased in activity compared to Q1/11.

TOTAL FINANCING VALUE BY EXCHANGE

	April 2011	May 2011	June 2011	Fiscal Q1/12	Change from fiscal Q1/11	Change from fiscal Q4/11
TSX and TSX Venture (C$ billions)	4.5	3.9	6.7	15.1	4.1%	4.9%
AIM (£ billions)	0.4	0.2	0.5	1.1	(26.7)%	(31.3)%
NASDAQ (US$ billions)	4.7	7.1	3.4	15.2	70.0%	(7.3)%

Source: TSX Statistics, LSE AIM Statistics, Equidesk

FINANCING VALUE FOR RELEVANT AIM INDUSTRY SECTORS

(£ millions, except for percentage amounts)	April 2011	May 2011	June 2011	Fiscal Q1/12	Change from fiscal Q1/11	Change from fiscal Q4/11
Oil and Gas	169.5	64.8	101.6	335.9	(28.9)%	(10.6)%
Mining	145.5	47.2	87.8	280.5	(52.0)%	(54.0)%
Health Care	11.2	8.4	40.9	60.5	129.2%	70.4%
Media	3.8	10.8	—	14.6	192.0%	(45.7)%
Technology	0.9	0.1	12.7	13.7	(50.5)%	(79.0)%
Total (of relevant sectors)	**330.9**	**131.3**	**243.0**	**705.2**	**(36.8)%**	**(36.6)%**

Source: LSE AIM Statistics

FINANCING VALUE FOR RELEVANT TSX AND TSX VENTURE INDUSTRY SECTORS

(C$ millions, except for percentage amounts)	April 2011	May 2011	June 2011	Fiscal Q1/12	Change from fiscal Q1/11	Change from fiscal Q4/11
Oil and Gas	1,121.0	1,115.6	1,987.3	4,223.9	13.9%	16.7%
Mining	714.5	555.7	157.6	1,427.8	(14.1)%	(33.6)%
Biotech	14.4	6.1	40.7	61.2	15.3%	(41.8)%
Media	4.0	—	—	4.0	(81.8)%	(57.0)%
Technology	15.5	51.1	11.7	78.3	(58.3)%	707.2%
Total (of relevant sectors)	**1,869.4**	**1,728.5**	**2,197.3**	**5,795.2**	**2.9%**	**(1.6)%**

Source: FP Infomart

About Canaccord's operations

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

Canaccord Genuity

Canaccord Genuity offers corporations and institutional investors around the world an integrated platform for equity research, sales and trading, and investment banking services that is built on extensive operations in Canada, the US, the UK, and China. Currently, China's operations are limited to advisory activities.

- Canaccord Genuity's research analysts have deep knowledge of more than 750 companies across our focus sectors: Mining and Metals, Energy, Technology, Life Sciences, Agriculture and Fertilizers, Media and Telecommunications, Financials, Consumer Products, Real Estate, Infrastructure, Sustainability and CleanTech, Transportation and Industrial Products, Paper and Forestry Products, Investment Trusts, Support Services, and Structured Products
- Our sales and trading desks execute timely transactions for more than 2,000 institutional relationships around the world, operating as an integrated team on one common platform
- With more than 150 senior level investment bankers, Canaccord Genuity provides clients with deep sector expertise and broad equity transaction and M&A advisory experience

Revenue from Canaccord Genuity is generated from commissions and fees earned in connection with investment banking transactions and institutional sales and trading activity, as well as trading gains and losses from Canaccord Genuity's principal and international trading operations.

Canaccord Wealth Management

As a leading independent investment dealer, Canaccord Wealth Management provides comprehensive wealth management solutions and services to our private clients. Recognizing the growing complexity of many clients' financial circumstances, Canaccord Wealth Management Investment Advisors are focused on providing tailored financial services and have access to a complete suite of financial planning solutions to meet their clients' needs. Many Canaccord Wealth Management Investment Advisors have obtained advanced industry designations, such as Chartered Financial Analyst or Certified Investment Manager, and all have ongoing access to experts specialized in financial planning and insurance solutions. Canaccord Wealth Management has made technology a priority, to ensure our Investment Advisors are supported by the latest and best-in-class

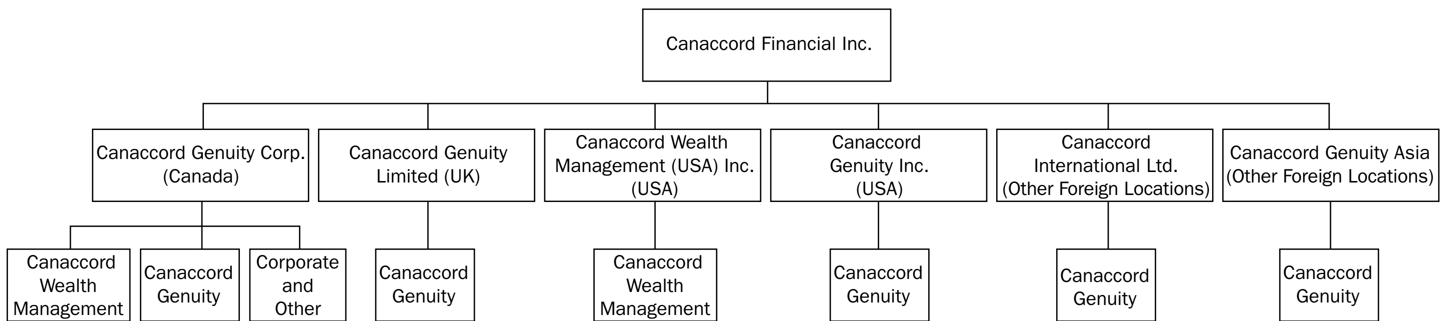
software and technology systems. This, combined with Canaccord Wealth Management’s robust online and seminar-based training program, provides our Investment Advisors with the information and tools needed to cater to the specific needs and financial objectives of each Canaccord Wealth Management client.

Revenue from Canaccord Wealth Management is generated through traditional commission-based brokerage services, the sale of fee-based products and services, client-related interest, and fees and commissions earned by Advisory Teams from investment banking and venture capital transactions by private clients.

Corporate and Other

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

Corporate structure



CONSOLIDATED OPERATING RESULTS

FIRST QUARTER FISCAL 2012 SUMMARY DATA[1][2][3]

(C$ thousands, except per share, number of employees and % amounts)	Three months ended June 30			Q1/12 vs.
	2011	2010	2009	Q1/11
Canaccord Financial Inc.				
Revenue				
Commission	**$ 61,028**	$ 62,256	$ 55,456	(2.0)%
Investment banking	**59,858**	55,901	46,590	7.1%
Advisory fees	**22,531**	20,721	9,296	8.7%
Principal trading	**1,953**	5,958	11,470	(67.2)%
Interest	**7,857**	3,144	3,476	149.9%
Other	**6,556**	3,937	11,175	66.5%
Total revenue	**$ 159,783**	$ 151,917	$ 137,463	5.2%
Expenses				
Incentive compensation	**77,614**	72,485	68,463	7.1%
Salaries and benefits	**17,117**	15,816	13,802	8.2%
Other overhead expenses[4]	**49,303**	44,995	39,203	9.6%
Acquisition-related costs	**—**	10,990	—	n.m.
Total expenses	**$ 144,034**	$ 144,286	$ 121,468	(0.2)%
Income before income taxes	**15,749**	7,631	15,995	106.4%
Net income	**13,195**	5,172	9,112	155.1%
Earnings per diluted share	**0.16**	0.07	0.16	128.6%
Return on average common equity (ROE)[5]	**7.0%**	3.9%	9.7%	3.1 p.p.
Dividends per common share	**0.10**	0.05	—	100.0%
Book value per diluted common share[6]	**8.71**	7.86	6.73	10.8%
Total assets	**4,429,105**	3,961,904	2,184,790	11.8%
Total liabilities	**3,580,864**	3,290,908	1,799,394	8.8%
Total shareholders' equity	**848,241**	670,996	385,396	26.4%
Number of employees	**1,684**	1,640	1,514	2.7%
Excluding acquisition-related expense items[7]				
Total expenses	**$ 143,104**	$ 131,857	$ 121,468	8.5%
Income before income taxes	**16,679**	20,060	15,995	(16.9)%
Net income	**14,125**	14,191	9,112	(0.5)%
Earnings per diluted share	**0.17**	0.19	0.16	(10.5)%

(1) The Company adopted IFRS in the first quarter of fiscal 2012. Consequently, data for the three months ended June 30, 2011 and its comparative period ended June 30, 2010 are in compliance with IFRS. Figures for the three months ended June 30, 2009 are in accordance with Canadian GAAP. See the Transition to International Financial Reporting Standards section on page 7.
(2) Data is considered to be IFRS except for ROE, book value per diluted common share, number of employees and figures excluding acquisition-related expense items.
(3) Data includes the results of Genuity since the closing date of April 23, 2010. Results of TBG since the closing date of January 17, 2011 are also included.
(4) Consists of trading costs, premises and equipment, communication and technology, interest, general and administrative, amortization and development costs.
(5) ROE is presented on an annualized basis. ROE for the first quarter is calculated by dividing the annualized net income available to common shareholders for the quarter over the average common shareholders' equity for the period.
(6) Book value per diluted common share is calculated as total shareholder's equity less preferred shares divided by the number of diluted common shares outstanding.
(7) Acquisition-related expense items in the first quarter 2012 include $0.9 million of amortization of intangible assets in connection with the acquisition of Genuity. Acquisition-related expense items incurred during the three months ended June 30, 2010 include $11.0 million for acquisition-related costs and $1.4 million for the amortization of intangible assets related to the acquisition of Genuity. Net income and earnings per diluted share excluding acquisition-related expense items reflects tax-effected adjustments related to such acquisition-related expense items.

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

GEOGRAPHIC DISTRIBUTION OF REVENUE FOR THE FIRST QUARTER OF FISCAL 2012[1]

(C$ thousands, except % amounts)	Three months ended June 30 2011	2010	Q1/12 vs. Q1/11
Canada	$ 123,090	$ 108,918	13.0%
UK	9,246	16,445	(43.8)%
US	27,195	26,706	1.8%
Other Foreign Locations[2]	252	(152)	n.m.
Total	$ 159,783	$ 151,917	5.2%

[1] For a business description of Canaccord's geographic distribution please refer to the About Canaccord's Operations section on page 13.
[2] Other foreign locations include operations for Canaccord International Ltd. and Canaccord Genuity Asia.
n.m.: not meaningful

Revenue

First quarter 2012 vs. first quarter 2011

On a consolidated basis, revenue is generated through six activities: commissions and fees associated with agency trading and private client wealth management activity, investment banking, advisory fees, principal trading, interest and other. Revenue for the three months ended June 30, 2011 was $159.8 million, an increase of 5.2% or $7.9 million compared to the same period a year ago.

For the first quarter of fiscal 2012, revenue generated from commissions decreased by $1.2 million, to $61.0 million, compared to the same period a year ago. Our Canaccord Genuity segment contributed $4.3 million to this decrease, which was offset by a $3.1 million increase in our Canaccord Wealth Management segment.

Investment banking revenue was $60.0 million, up $4.0 million or 7.1%, and advisory revenue grew $1.8 million or 8.7%, to $22.5 million, from the same period a year ago. Both investment banking and advisory revenue increased as a result of increased activity in our focus sectors.

Revenue derived from principal trading was $2.0 million, a reduction of $4.0 million or 67.2%, primarily due to decreased trading gains in our UK and Canadian operations. The trading environment in the same quarter of the prior year was more favourable compared to Q1/12, resulting in a decline in principal trading revenue.

Interest revenue was $7.9 million, an increase of $4.7 million or 149.9% as a result of higher interest rates and additional interest revenue earned from activities in the Fixed Income group. Other revenue was $6.6 million, up $2.6 million or 66.5%, which was mainly attributable to an increase in foreign exchange gains in the quarter.

First quarter 2012 revenue in Canada was $123.1 million, an increase of 13.0% or $14.2 million from the first quarter last year. Revenue in our Canadian operations strengthened in Q1/12, mainly due to the growth of our Canaccord Wealth Management operations.

Revenue in the UK was $9.3 million, a decrease of 43.8% or $7.2 million compared to the same period a year ago. The UK revenue decreased due to increased uncertainty and challenging conditions in the European capital markets in Q1/12 compared to Q1/11.

Revenue from Other Foreign Locations was $0.3 million, an increase of $0.4 million from Q1/11.

Revenue in the US was $27.2 million, up $0.5 million or 1.8% from Q1/11. Revenue was up slightly from the first quarter last year because of an increase in investment banking activities.

EXPENSES AS A PERCENTAGE OF REVENUE

(in percentage points)	Three months ended June 30 2011	2010	Q1/12 vs. Q1/11
Incentive compensation	48.6%	47.7%	0.9 p.p.
Salaries and benefits	10.6%	10.4%	0.2 p.p.
Other overhead expenses[1]	30.9%	29.7%	1.2 p.p.
Acquisition-related costs	—	7.2%	(7.2) p.p.
Total	90.1%	95.0 %	(4.9) p.p.

[1] Consists of trading costs, premises and equipment, communication and technology, interest, general and administrative, amortization and development costs.
p.p.: percentage points

Expenses

First quarter 2012 vs. first quarter 2011

Expenses for the three months ended June 30, 2011 were $144.0 million, a slight decrease of 0.2% from the same period a year ago. Excluding acquisition-related items, total expenses increased by $11.2 million or 8.5%.

Compensation expenses

Incentive compensation expense was $77.6 million for the quarter, up 7.1% or $5.1 million, which was consistent with the increase in incentive-based revenue. Incentive compensation as a percentage of total revenue was 48.6%, a slight increase of 0.9 percentage points from Q1/11. Salaries and benefits expense was $17.1 million, an increase of 8.2% in the first quarter of fiscal 2012 from the same period a year ago. This increase was mainly attributable to the Company's expansion into Asia, which resulted in a higher total headcount compared to the same quarter a year ago.

Total compensation (incentive compensation plus salaries and benefits) expense as a percentage of revenue for Q1/12 was 59.3%, an increase of 1.2 percentage points from 58.1% in Q1/11.

OTHER OVERHEAD EXPENSES

	Three months ended June 30		Q1/12 vs.
(C$ thousands, except % amounts)	**2011**	2010	Q1/11
Trading costs	**$ 8,965**	$ 7,705	16.4%
Premises and equipment	**6,832**	6,038	13.2%
Communication and technology	**6,389**	6,269	1.9%
Interest	**2,408**	616	290.9%
General and administrative	**16,274**	15,791	3.1%
Amortization[1]	**2,905**	3,284	(11.5)%
Development costs	**5,530**	5,292	4.5%
Total other overhead expenses	**$ 49,303**	$ 44,995	9.6 %

[1] Includes $0.9 million and $1.4 million of amortization of intangible assets in connection with the acquisition of Genuity for the three months ended June 30, 2011 and June 30, 2010, respectively.

Other overhead expenses

Other overhead expenses increased by 9.6% or $4.3 million from the prior year to $49.3 million for the first quarter of fiscal 2012, mainly due to a $1.8 million increase in interest expense, a $1.3 million increase in trading cost expense, a $0.8 million increase in premises and equipment expense, and a $0.5 million increase in general and administrative expense.

The increase in fixed income activities and interest rates resulted in $1.8 million of additional interest expense in Q1/12 compared to Q1/11. The increase in trading costs of $1.3 million or 16.4% was due to higher trading volume. Premises and equipment expense was up $0.8 million due to additional office space obtained to support the growth of the Company.

The main contributor to the $0.5 million increase in general and administrative expense was an increase in promotion and travel expense of $0.7 million in support of the Company's global expansion. This was offset against a drop in office expense related to non-recurring rebranding costs recognized in Q1/11.

Net income

First quarter 2012 vs. first quarter 2011

Net income for Q1/12 was $13.2 million compared to net income of $5.2 million in the same period a year ago. Diluted EPS was $0.16 in Q1/12, compared to diluted EPS of $0.07 in Q1/11. The increase in net income was mainly due to the $11.0 million acquisition-related costs recognized in Q1/11 related to the acquisition of Genuity. ROE for Q1/12 was 7.0% compared to ROE of 3.9% in Q1/11. Book value per diluted common share for Q1/12 was $8.71 versus $7.86 in Q1/11.

Excluding acquisition-related expense items and adjusting for the related tax effects, net income was $14.1 million and diluted EPS was $0.17 in Q1/12, compared to net income of $14.2 million and diluted EPS of $0.19 in Q1/11. Additional costs in relation to corporate initiatives to expand globally resulted in net income excluding acquisition-related items remaining consistent with Q1/11 even though there was an overall increase in revenue.

Income taxes were $2.5 million for the quarter, reflecting an effective tax rate of 16.2% compared to 32.2% in Q1/11. The decrease was mainly due to the utilization of tax losses and other temporary differences not previously recognized in jurisdictions outside of Canada. In addition, there has been a decrease in the statutory tax rates in Canada compared to the prior period.

RESULTS OF OPERATIONS BY BUSINESS SEGMENT

CANACCORD GENUITY[(1)(2)]

(C$ thousands, except number of employees and % amounts)	Three months ended June 30 2011	2010	Q1/12 vs. Q1/11
Revenue	**$ 97,377**	$ 100,152	(2.8)%
Expenses			
Incentive compensation	**46,155**	46,170	0.0%
Salaries and benefits	**5,211**	4,021	29.6%
Other overhead expenses	**29,605**	25,384	16.6%
Acquisition-related costs	**—**	10,990	n.m.
Total expenses	**80,971**	86,565	(6.5)%
Income before income taxes[(3)]	**$ 16,406**	$ 13,587	20.7%
Number of employees	**636**	580	9.7%
Excluding acquisition-related expense items[(4)]			
Total expenses	**80,041**	74,136	8.0%
Income before income taxes	**17,336**	26,016	(33.4)%

(1) Data is considered to be IFRS except for number of employees and figures excluding acquisition-related expense items.
(2) Data includes the results of Genuity since the closing date of April 23, 2010. Results of TBG since the closing date of January 17, 2011 are also included.
(3) Income before income taxes excludes intersegment allocated costs. See the Intersegment Allocated Costs section on page 20.
(4) Acquisition-related expense items in the first quarter 2012 include $0.9 million of amortization of intangible assets in connection with the acquisition of Genuity. Acquisition-related expense items during the three months ended June 30, 2010 include $11.0 million for acquisition-related costs and $1.4 million for the amortization of intangible assets related to the acquisition of Genuity.
n.m.: not meaningful

Revenue from Canaccord Genuity is generated from commissions and advisory fees earned in connection with investment banking transactions and institutional sales and trading activity, as well as trading gains and losses from Canaccord Genuity's principal and international trading operations.

First quarter 2012 vs. first quarter 2011

Revenue for Canaccord Genuity in Q1/12 was $97.4 million, a decrease of 2.8% or $2.8 million from the same quarter a year ago, mainly as a result of the drop in capital markets activities in our UK operations.

Revenue from Canadian operations

Canaccord Genuity in Canada generated revenue of $61.9 million in Q1/12, an increase of 6.6% or $3.8 million from Q1/11. Within Canada, $56.0 million was derived from investment banking and sales and trading activity, while $5.9 million was from international trading, registered traders and fixed income operations. Canadian revenue for Canaccord Genuity of $61.9 million represented 63.5% [Q1/11 – 58.0%] of Canaccord Genuity's total revenue. The Company's efforts to expand its focus sectors added additional revenue opportunities for our Canadian operations.

Revenue from UK operations

Canaccord Genuity's operations in the UK and Europe provide sales and trading, corporate finance and research services to our institutional and corporate customers. Revenue in the UK was $9.2 million, which was a decrease of 43.8% or $7.2 million from the same period a year ago, mainly due to the challenging and volatile market environment in Europe. Revenue from UK operations accounted for 9.5% [Q1/11 – 16.4%] of Canaccord Genuity's total revenue.

Revenue from US operations

First quarter fiscal 2012 revenue for Canaccord Genuity in the US was $26.0 million, a slight increase of $0.2 million or 0.8% compared to the same period last year. Revenue from US operations represented 26.7% [Q1/11 – 25.7%] of Canaccord Genuity's total revenue.

Revenue for Other Foreign Locations operations

Revenue derived from capital markets activities outside of Canada, the UK and the US is reported as Other Foreign Locations, which includes operations for Canaccord International Ltd. and Canaccord Genuity Asia. Revenue for Other Foreign Locations was $0.3 million, an increase of $0.4 million from Q1/11. Revenue from Other Foreign Locations operations represented 0.3% [Q1/11 – (0.1)%] of Canaccord Genuity's total revenue.

Expenses

Expenses for Q1/12 were $81.0 million, down 6.5% or $5.6 million. Excluding acquisition-related items, total expenses increased by $5.9 million or 8.0% from Q1/11. Increases in interest expense of $1.7 million, trading costs of $1.4 million, salaries and benefits expense of $1.2 million, and development costs of $0.7 million contributed to the overall increase in expenses excluding acquisition-related items.

The incentive compensation ratio increased by 1.3 percentage points, from 46.1% to 47.4%. Salaries and benefits expense was $5.2 million, an increase of $1.2 million or 29.6% compared to the first quarter of fiscal 2011. The expansion into Asia resulted in a $1.0 million increase in this expense.

Trading costs of $6.3 million were up $1.4 million or 29.6% from Q1/11 due to higher trading volume. Interest expense was up $1.7 million as a result of higher interest rates and additional interest expense incurred by the Fixed Income group. Development costs increased by $0.7 million or 26.6%, to $3.2 million, mainly as a result of higher recruitment costs in the US.

Acquisition-related costs of $11.0 million in Q1/11 were incurred in relation to the purchase of Genuity.

Income before income taxes

Income before income taxes, excluding allocated overhead expenses for the quarter, was $16.4 million, an increase of $2.8 million or 20.7% from the same quarter a year ago. Excluding acquisition-related expense items, income before income taxes in Q1/12 was $17.3 million compared to $26.0 million in Q1/11. The decrease in income is attributable to the drop in revenue in this segment resulting largely from the challenging market environment in the UK and to expansion costs related to Asia and other corporate expansion costs.

CANACCORD WEALTH MANAGEMENT[1]

(C$ thousands, except AUM and AUA, which are in C$ millions; number of employees; number of Advisory Teams; and % amounts)	Three months ended June 30		Q1/12 vs.
	2011	2010	Q1/11
Revenue	**$ 54,783**	$ 47,207	16.0%
Expenses			
Incentive compensation	**28,226**	23,281	21.2%
Salaries and benefits	**3,938**	3,882	1.4%
Other overhead expenses	**11,353**	12,337	(8.0)%
Total expenses	**43,517**	39,500	10.2%
Income before income taxes[2]	**$ 11,266**	$ 7,707	46.2%
Assets under management	**575**	431	33.4%
Assets under administration	**15,676**	12,571	24.7%
Number of Advisory Teams	**263**	290	(9.3)%
Number of employees	**666**	689	(3.3)%

(1) Data is considered to be IFRS except for AUM, AUA, number of Advisory Teams and number of employees.
(2) Income before income taxes excludes intersegment allocated costs. See the Intersegment Allocated Costs section on page 20.

Revenue from Canaccord Wealth Management is generated through traditional commission-based brokerage services, the sale of fee-based products and services, margin interest, and fees and commissions earned from investment banking and venture capital transactions by private clients.

First quarter 2012 vs. first quarter 2011

Revenue from Canaccord Wealth Management was $54.8 million, an increase of $7.6 million or 16.0%, mainly due to a $3.1 million increase in commission revenue and a $2.2 million increase in investment banking revenue. Despite the challenging market environment, this segment has experienced revenue growth, reflecting the Company's strategic initiatives in this sector.

AUA increased by 24.7% or $3.1 billion, to $15.7 billion, compared to Q1/11, primarily due to higher market values. AUM increased by 33.4% year over year. There were 263 Advisory Teams at the end of the first quarter of fiscal 2012, a decrease of 27 from a year ago due to an ongoing strategic review of the Canaccord Wealth Management segment and the conversion of corporate branches to the Independent Wealth Management (IWM) platform. Canaccord's fee-based revenue was 2.9 percentage points higher than the same quarter of the prior year and accounted for 17.0% of Canaccord Wealth Management's revenue during the first quarter 2012.

Expenses for Q1/12 were $43.5 million, an increase of 10.2% or $4.0 million. This change was mainly due to an increase in incentive compensation expense of $4.9 million offset by a decrease in development costs of $0.5 million, and general and administrative expense of $0.4 million. The movement in incentive compensation expense was consistent with the increased activities in the first quarter of fiscal year 2011. The incentive compensation ratio was 51.5% in Q1/12 compared to 49.3% in Q1/11. Development costs decreased by $0.5 million due to lower hiring incentives offered to employees in this segment in Q1/12 as part of our cost containment efforts.

General and administrative expense decreased by $0.4 million compared to the same quarter a year ago due to non-recurring rebranding expenses incurred in Q1/11.

Income before income taxes excluding allocated overhead expenses for the quarter was $11.3 million compared to an income of $7.7 million from the same period a year ago. Revenue growth in this segment as well as cost containment efforts resulted in the higher income before income taxes.

CORPORATE AND OTHER[1]

(C$ thousands, except number of employees and % amounts)	Three months ended June 30		Q1/12 vs.
	2011	2010	Q1/11
Revenue	**$ 7,623**	$ 4,558	67.2%
Expenses			
Incentive compensation	**3,233**	3,034	6.6%
Salaries and benefits	**7,968**	7,913	0.7%
Other overhead expenses	**8,345**	7,274	14.7%
Total expenses	**19,546**	18,221	7.3%
Loss before income taxes[2]	**$ (11,923)**	$ (13,663)	12.7%
Number of employees	**382**	371	3.0%

(1) Data is considered to be IFRS except for number of employees.
(2) Income before income taxes excludes intersegment allocated costs. See the Intersegment Allocated Costs section below.

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

First quarter 2012 vs. first quarter 2011

Revenue for the three months ended June 30, 2011 was $7.6 million, an increase of 67.2% or $3.1 million from the same quarter a year ago. The change was mainly related to a $1.6 million increase in foreign exchange gains and a $1.8 million increase in interest revenue. Foreign exchange gains were a result of fluctuations in foreign exchange rates, and interest revenue increased due to higher interest rates.

Expenses for Q1/12 were $19.5 million, an increase of $1.3 million or 7.3% due to higher general and administrative expense and premises and equipment expense. Premises and equipment expense increased due to additional office space obtained to support the growth of the Company.

Overall, loss before income taxes was $11.9 million in Q1/12, compared to $13.6 million in the same quarter a year ago.

INTERSEGMENT ALLOCATED COSTS

Included in the Corporate and Other segment are certain trade processing, support services, research and other expenses that have been incurred to support the activities within the Canaccord Genuity and Canaccord Wealth Management segments. Excluding executive incentive compensation and certain administrative support, foreign exchange gains and losses, and net interest, management has determined that allocable costs from Corporate and Other to Canaccord Wealth Management were $8.7 million and to Canaccord Genuity were $3.0 million for the three months ended June 30, 2011.

FINANCIAL CONDITION

Below are specific changes in selected balance sheet items.

Assets

Cash and cash equivalents were $710.7 million on June 30, 2011 compared to $954.1 million on March 31, 2011. Refer to the Liquidity and Capital Resources section below for more details.

Securities owned were $849.7 million on June 30, 2011 compared with $947.2 million on March 31, 2011, mainly attributable to decreased holdings in corporate and government debt.

Accounts receivable were $2.5 billion at June 30, 2011 compared to $2.8 billion at March 31, 2011, mainly due to a drop in client receivables.

Goodwill was $245.3 million and intangible assets were $73.0 million at June 30, 2011, representing the goodwill and intangible assets acquired from the purchase of Genuity and TBG.

Other assets, consisting of income taxes receivable, deferred tax assets, equipment and leasehold improvements, and investments were $61.6 million compared to $48.3 million at March 31, 2011. The increase in other assets is mainly due to the higher income taxes receivable balance as at June 30, 2011.

Liabilities

Bank overdrafts and call loan facilities utilized by Canaccord may vary significantly on a day-to-day basis and depend on securities trading activity. At June 30, 2011, Canaccord had available credit facilities with banks in Canada, the US, and the UK in the aggregate amount of $618.9 million [March 31, 2011 – $434.6 million]. These credit facilities, consisting of call loans, letters of credit and daylight overdraft facilities, are collateralized by either unpaid client securities and/or securities owned by the Company. On June 30, 2011, there was bank indebtedness of $24.1 million, compared to $13.6 million on March 31, 2011.

Securities sold short were $731.7 million at June 30, 2011 compared to $722.6 million at March 31, 2011.

Accounts payable, including provisions, were $2.8 billion compared to $3.6 billion at March 31, 2011, mainly due to a decrease in payables to clients and to brokers and investment dealers.

Other liabilities including income taxes payable, subordinated debt and deferred tax liabilities were $22.3 million at June 30, 2011 compared to $47.1 million at March 31, 2011. The decrease was due mainly to a decrease in income taxes payable.

OFF-BALANCE SHEET ARRANGEMENTS

A subsidiary of the Company has entered into irrevocable secured standby letters of credit from a financial institution totalling $2.2 million (US$2.3 million) [March 31, 2011 – $2.3 million (US$2.3 million)] as rent guarantees for its leased premises in Boston, New York and San Francisco.

LIQUIDITY AND CAPITAL RESOURCES

Canaccord has a capital structure comprised of preferred shares, common shares, contributed surplus, retained earnings and accumulated other comprehensive loss. On June 30, 2011, cash and cash equivalents were $710.7 million, a decrease of $243.3 million from $954.1 million as of March 31, 2011. During the three months ended June 30, 2011, financing activities provided cash in the amount of $82.4 million, mainly due to the issuance of Series A Preferred Shares, as discussed on page 22, offset by the acquisition of common shares for LTIP awards of $23.3 million. Investing activities used cash in the amount of $4.5 million, primarily related to the purchase of equipment and leasehold improvements. Operating activities used cash in the amount of $320.4 million, which was largely due to decreases in accounts receivable and accounts payable and other changes in non-cash working capital items. A decrease in cash of $0.8 million was attributable to the effect of foreign exchange on cash balances. In total, there was a decrease in net cash of $243.3 million compared to March 31, 2011.

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

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

In the normal course of business, the Company enters into contracts that give rise to commitments of future minimum payments that affect our liquidity.

The following table summarizes Canaccord's long term contractual obligations on June 30, 2011:

Contractual obligations payments due by period (C$ thousands)	Total	Fiscal 2013	Fiscal 2014– Fiscal 2015	Fiscal 2016– Fiscal 2017	Thereafter
Premises and equipment operating leases	126,037	22,216	41,461	30,089	32,271

OUTSTANDING COMMON SHARE DATA

Outstanding common shares as of June 30	**2011**	2010
Issued shares excluding unvested shares[1]	**75,596,666**	74,961,240
Issued shares outstanding[2]	**83,097,441**	82,307,930
Issued shares outstanding – diluted[3]	**86,236,401**	85,357,030
Average shares outstanding – basic	**75,086,958**	67,930,712
Average shares outstanding – diluted	**84,282,656**	76,217,241

(1) Excludes 3,630,004 outstanding unvested shares related to share purchase loans for recruitment and retention programs and 3,870,771 unvested shares purchased by an employee benefit trust for the long term incentive plan (LTIP).
(2) Includes 3,630,004 outstanding unvested shares related to share purchase loans for recruitment and retention programs and 3,870,771 unvested shares purchased by an employee benefit trust for the LTIP.
(3) Includes 3,138,960 of share issuance commitments.

The Company has filed a notice for a normal course issuer bid (NCIB) to allow for the purchase of up to 2,000,000 of its common shares through the facilities of the TSX from June 13, 2011 to June 12, 2012. The purchase of common shares under the NCIB will enable the Company to acquire shares for cancellation. The shares that may be repurchased represent 2.4% of the Company's outstanding common shares. No shares were repurchased through the NCIB between June 13, 2011 and June 30, 2011.

As of August 3, 2011, the Company has 83,097,441 common shares issued and outstanding.

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 aggregate gross proceeds of $100 million. The Company granted the underwriters an over-allotment option to purchase up to an additional 600,000 Series A Preferred Shares, on the same terms and conditions as the offering, exercisable in whole or in part for a period of 30 days from the closing date of the offering.

At June 30, 2011, the aggregate net proceeds after deducting issue costs, net of deferred taxes, were $97.4 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.

On July 7, 2011, the Company announced that it closed the over-allotment option, and an additional 540,000 Series A Preferred Shares at $25.00 per share were sold for gross proceeds of $13.5 million. As of August 3, 2011, the Company has 4,540,000 Series A Preferred Shares issued and outstanding.

SHARE-BASED PAYMENT PLANS

Share options

The Company grants share options to purchase common shares of the Company to independent directors and senior managers. The independent directors and senior managers have been granted options to purchase up to an aggregate of 2,482,675 common shares of the Company. The stock options vest over a four- to five-year period and expire seven years after the grant date. The weighted average exercise price of the share options is $9.83 per share.

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.

Deferred share units

Beginning April 1, 2011, the Company adopted a deferred share unit (DSU) plan for its independent directors. The independent directors can elect to have fees payable to them paid in the form of DSUs or in cash. Directors must elect annually as to how they wish their directors' fees to be paid and can specify the allocation of their directors' fees between DSUs and cash. When a director leaves the Board of Directors, outstanding DSUs are paid out in cash. 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.

Common share purchase loans

The Company provides forgivable common share purchase loans to employees in order to purchase common shares. These loans are forgiven over a vesting period. No interest is charged related to the share purchase loans.

INTERNATIONAL FINANCIAL CENTRE

Canaccord is a member of the International Financial Centre British Columbia Society and it operates an international financial centre in Quebec, both of which provide certain tax and financial benefits pursuant to the *International Business Activity Act* of British Columbia and the *Act Respecting International Financial Centres* of Quebec. Accordingly, Canaccord's overall income tax rate is less than the rate that would otherwise be applicable.

FOREIGN EXCHANGE

Canaccord manages its foreign exchange risk by periodically hedging pending settlements in foreign currencies. Realized and unrealized gains and losses related to these transactions are recognized in income during the year. On June 30, 2011, forward contracts outstanding to sell US dollars had a notional amount of US$17.4 million, an increase of US$7.3 million from a year ago. Forward contracts outstanding to buy US dollars had a notional amount of US$5.3 million, a decrease of US$15.2 million compared to a year ago. The fair value of these contracts was nominal. Some of Canaccord's operations in the US, the UK and China are conducted in the local currency; however, any foreign exchange risk in respect of these transactions is generally limited as pending settlements on both sides of the transaction are typically in the local currency.

RELATED PARTY TRANSACTIONS

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

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

The Company offers various share-based payment plans to its key management personnel, including common share purchase loans, a long term incentive plan and share options. Directors have also been granted share options and have the right to acquire DSUs. Please see Note 16 of the First Quarter 2012 unaudited interim financial statements for further information on related party transactions.

BUSINESS COMBINATION

On July 31st, 2011, the Company announced that it had signed a definitive agreement to acquire 50% equity interest in BGF Capital Group Pty Ltd (BGF), a boutique investment bank based in Australia, with offices in Melbourne, Sydney and Hong Kong. The consideration for this transaction will be AUD$40.0 million [C$41.1 million], to be payable in cash and, subject to TSX approval, Canaccord common shares. All of the Canaccord common shares issued as part of the purchase price will be placed in escrow at closing and will be released ratably over five years. The purchase agreement grants the Company a call option to purchase the remaining 50% equity interest in BGF. The option will be exercisable, at the Company's option, for a three-month period commencing at the fifth anniversary of the initial investment at a price to be determined at that time by reference to BGF profits.

The completion of the acquisition is subject to regulatory and stock exchange approvals. The Company anticipates the acquisition will close during the third quarter of fiscal 2012, at which point BGF will be re-branded as Canaccord BGF.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The unaudited interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, "*Interim Financial Reporting*" (IAS 34), as issued by the International Accounting Standards Board (IASB) and using accounting policies that the Company expects to adopt in its consolidated financial statements as at and for the year ending March 31, 2012. The preparation of the consolidated financial statements for the year ending March 31, 2012 in conformity with IFRS requires the Company to use standards in effect as at March 31, 2012, which may differ from the policies that the Company has used in the current interim consolidated financial statements. Differences may arise as a result of new standards being issued, with the effective date of March 31, 2012 or prior, before preparation of the Company's annual consolidated financial statements for the year ending March 31, 2012. Therefore, the accounting policies used in the Company's current interim financial statements may differ from those used in the Company's consolidated financial statements for the year ending March 31, 2012.

The preparation of the unaudited interim consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Therefore, actual results may differ from those estimates and assumptions. The significant estimates include share-based payments, income taxes, tax losses available for carry forward, impairment of goodwill, indefinite life intangible assets, and other long-lived assets, allowance for credit losses, fair value of financial instruments, and provisions and contingent liabilities. Significant accounting policies used and policies requiring management's judgment and estimates are disclosed in Notes 2 and 5 of the First Quarter 2012 unaudited interim consolidated financial statements.

FUTURE CHANGES IN ACCOUNTING POLICIES AND ESTIMATES

Financial instruments

In November 2009, the IASB issued IFRS 9, "*Financial Instruments*" (IFRS 9), which will replace IAS 39, "*Financial Instruments: Recognition and Measurement*" (IAS 39). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost for fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The Company has not yet determined the impact of IFRS 9 on its consolidated financial statements.

In October 2010, the IASB issued a revised version of IFRS 9 (IFRS 9 R). The revised standard adds guidance on the classification and measurement of financial liabilities. IFRS 9 R supersedes IFRS 9 and is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. For annual periods beginning before January 1, 2013, an entity may elect to apply IFRS 9 R or IFRS 9. The IASB has confirmed that it will issue an exposure draft in calendar 2011 to defer the effective date to January 1, 2015.

Other 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. The Company has not assessed the impact that these new and amended standards will have on its consolidated financial statements.

IFRS 10 – "Consolidation" (IFRS 10)

IFRS 10 replaces IAS 27, "*Consolidated and Separate Financial Statements*" 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.

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.

IAS 27 – "Separate Financial Statements" (IAS 27) and IAS 28 – "Investments in Associates and Joint Ventures" (IAS 28)

The IASB have also made amendments to existing standards, including IAS 27 and IAS 28. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure controls and procedures

Based on an evaluation performed as of March 31, 2011, the President & CEO and the Executive Vice President & CFO concluded that the design and operation of our disclosure controls and procedures were effective as defined under *National Instrument 52-109*. During the three months ended June 30, 2011, there were no changes that would have materially affected, or are reasonably likely to materially affect, Canaccord's disclosure controls and procedures.

Changes in internal control over financial reporting

An evaluation of the Company's internal control over financial reporting was performed as of March 31, 2011. Based on this evaluation, the President & CEO and the Executive Vice President & CFO concluded that Canaccord's internal control over financial reporting is designed and operating effectively as defined under *National Instrument 52-109* and that there are no material weaknesses. There were no changes in internal control over financial reporting that occurred during the three months ended June 30, 2011 that have materially affected, or are reasonably likely to materially affect, Canaccord's internal control over financial reporting.

DIVIDEND POLICY

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

DIVIDEND DECLARATION

On August 3, 2011, the Board of Directors approved a quarterly dividend of $0.10 per common share payable on September 15, 2011, with a record date of August 26, 2011. The Company also declared the initial cash dividend of $0.37295 per Series A Preferred Share payable on September 30, 2011 with a record date of September 16, 2011.

HISTORICAL QUARTERLY INFORMATION

Canaccord's revenue from an underwriting transaction is recorded only when the transaction has closed. Consequently, the timing of revenue recognition can materially affect Canaccord's quarterly results. The expense structure of Canaccord's operations is designed to provide service and coverage in the current market environment. If general capital markets activity was to drop significantly, Canaccord could experience losses.

The following table provides selected quarterly financial information for the nine most recently completed financial quarters ended June 30, 2011. This information is unaudited but reflects all adjustments of a recurring nature, which are, in the opinion of management, necessary to present a fair statement of the results of operations for the periods presented. Quarter-to-quarter comparisons of financial results are not necessarily meaningful and should not be relied upon as an indication of future performance.

(C$ thousands, except per share amounts)[1]	Fiscal 2012				Fiscal 2011				Fiscal 2010
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	IFRS	IFRS	IFRS	IFRS	IFRS	CGAAP	CGAAP	CGAAP	CGAAP
Revenue									
Canaccord Genuity	**$ 97,377**	$ 163,771	$ 177,758	$ 96,963	$ 100,152	$ 83,496	$ 116,090	$ 78,475	$ 85,497
Canaccord Wealth Management	**54,783**	72,704	68,599	44,539	47,207	54,990	51,733	40,138	40,185
Corporate and Other	**7,623**	11,120	8,477	7,783	4,558	4,647	5,374	5,131	11,781
Total revenue	**$ 159,783**	$ 247,595	$ 254,834	$ 149,285	$ 151,917	$ 143,133	$ 173,197	$ 123,744	$ 137,463
Net income	**13,195**	41,323	42,997	10,251	5,172	7,526	15,113	6,746	9,112
EPS – basic	**$ 0.17**	$ 0.55	$ 0.57	$ 0.14	$ 0.08	$ 0.15	$ 0.31	$ 0.14	$ 0.19
EPS – diluted	**$ 0.16**	$ 0.49	$ 0.51	$ 0.12	$ 0.07	$ 0.14	$ 0.27	$ 0.12	$ 0.16

(1) The Company adopted IFRS effective April 1, 2011. All financial information provided for Q1/12 and for the four quarters of fiscal 2011 are in accordance with IFRS. Figures for the four quarters of fiscal 2010 are in accordance with Canadian GAAP.

RISKS

The Company's ability to maintain and successfully execute its business strategy depends upon the personal reputation, judgment, business generation capabilities and project execution skills of its senior professionals. Any management disruption could result in a loss of clients and customers, or revenues from clients and customers, and could significantly affect the Company's business and results of operations.

The securities industry and Canaccord's activities are by their very nature subject to a number of inherent risks. Economic conditions, competition and market factors such as volatility in the Canadian and international markets, interest rates, commodity prices, market prices, trading volumes and liquidity will have a significant impact on Canaccord's profitability. An investment in the common or preferred shares of Canaccord involves a number of risks, including market, liquidity, credit, operational, legal and regulatory risks, which could be substantial and are inherent in Canaccord's business. Canaccord is also directly exposed to market price risk, liquidity risk and volatility risk as a result of its principal trading activities in equity securities and to specific interest rate risk as a result of its principal trading in fixed income securities. Canaccord Wealth Management revenue is dependent on trading volumes and, as such, is dependent on the level of market activity and investor confidence. Canaccord Genuity's revenue is dependent on financing activity by corporate issuers and the willingness of institutional clients to actively trade and participate in capital markets transactions. There may also be a lag between market fluctuations, changes in business conditions and the level of Canaccord's market activity and the impact that these factors have on Canaccord's operating results and financial position.

The financial services business is subject to extensive regulation in Canada, the US, the UK and elsewhere. Compliance with many of the regulations applicable to Canaccord involves a number of risks, particularly in areas where applicable regulations may be subject to interpretation and change. Changing regulations and interpretations could have a significant impact on Canaccord's business and profitability. The Company has a capital management framework to maintain the level of capital that will meet the firm's regulated subsidiaries' target ratios as set out by the respective regulators, to fund current and future operations, to ensure that the firm is able to meet its financial obligations as they come due, and to support the creation of shareholder value. The regulatory bodies that some of the Company's subsidiaries are subject to are listed in Note 16 of Canaccord's 2011 Audited Annual Consolidated Financial Statements.

Further discussion regarding risks can be found in our Annual Information Form.

ADDITIONAL INFORMATION

A comprehensive discussion of Canaccord's business, strategies, objectives and risks is available in our Annual Information Form and in the Management's Discussion and Analysis and Audited Annual Consolidated Financial Statements included in our 2011 Annual Report, which are available on our website at www.canaccordfinancial.com/EN/IR/FinReports/Pages/default.aspx and on SEDAR at www.sedar.com.

Unaudited Interim Consolidated Statements of Financial Position

As at (in thousands of Canadian dollars)	**Notes**	**June 30, 2011**	March 31, 2011	April 1, 2010
ASSETS				
Current				
Cash and cash equivalents		**$ 710,734**	$ 954,068	$ 731,852
Securities owned	**6**	**849,679**	947,185	362,755
Accounts receivable	**8, 16**	**2,488,826**	2,828,812	1,972,924
Income taxes receivable		**10,317**	—	—
Total current assets		**4,059,556**	4,730,065	3,067,531
Deferred tax assets		**2,076**	1,503	12,946
Investment	**9**	**5,934**	5,934	6,732
Equipment and leasehold improvements		**43,289**	40,818	38,127
Intangible assets	**10**	**72,993**	73,923	—
Goodwill	**10**	**245,257**	245,257	—
		$ 4,429,105	$ 5,097,500	$ 3,125,336
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Bank indebtedness		**$ 24,125**	$ 13,580	$ 29,435
Securities sold short	**6**	**731,730**	722,613	364,137
Accounts payable and accrued liabilities	**8, 16**	**2,796,794**	3,551,124	2,303,155
Provisions	**19**	**5,875**	6,151	4,991
Income taxes payable		**—**	23,977	5,385
Subordinated debt		**15,000**	15,000	15,000
Total current liabilities		**3,573,524**	4,332,445	2,722,103
Deferred tax liabilities		**7,340**	8,163	—
		3,580,864	4,340,608	2,722,103
Shareholders' equity				
Preferred shares	**12**	**97,352**	—	—
Common shares	**13**	**462,539**	467,050	185,691
Contributed surplus		**46,585**	52,167	58,103
Retained earnings		**243,426**	238,647	158,138
Accumulated other comprehensive income (loss)		**(1,661)**	(972)	1,301
Total shareholders' equity		**848,241**	756,892	403,233
		$ 4,429,105	$ 5,097,500	$ 3,125,336

See accompanying notes

On behalf of the Board:

PAUL D. REYNOLDS
Director

TERRENCE A. LYONS
Director

Unaudited Interim Consolidated Statements of Operations

For the three months ended (in thousands of Canadian dollars, except per share amounts)	**Notes**	**June 30, 2011**	June 30, 2010
REVENUE			
Commission		**$ 61,028**	$ 62,256
Investment banking		**59,858**	55,901
Advisory fees		**22,531**	20,721
Principal trading		**1,953**	5,958
Interest		**7,857**	3,144
Other		**6,556**	3,937
		159,783	151,917
EXPENSES			
Incentive compensation		**77,614**	72,485
Salaries and benefits		**17,117**	15,816
Trading costs		**8,965**	7,705
Premises and equipment		**6,832**	6,038
Communication and technology		**6,389**	6,269
Interest		**2,408**	616
General and administrative		**16,274**	15,791
Amortization		**2,905**	3,284
Development costs		**5,530**	5,292
Acquisition-related costs		**—**	10,990
		144,034	144,286
Income before income taxes		**15,749**	7,631
Income taxes (recovery)	**11**		
Current		**2,825**	2,646
Deferred		**(271)**	(187)
		2,554	2,459
Net income for the period		**$ 13,195**	$ 5,172
Weighted average number of common shares outstanding (thousands)			
Basic		**75,087**	67,931
Diluted		**84,283**	76,217
Net income per common share			
Basic	**13v**	**$ 0.17**	$ 0.08
Diluted	**13v**	**$ 0.16**	$ 0.07
Dividend per common share		**$ 0.10**	$ 0.05

See accompanying notes

Unaudited Interim Consolidated Statements of Comprehensive Income

For the three months ended (in thousands of Canadian dollars)	**June 30, 2011**	June 30, 2010
Net income for the period	**$ 13,195**	$ 5,172
Other comprehensive income (loss)		
Net change in unrealized gains/(losses) on translation of foreign operations	**(689)**	4,576
Comprehensive income for the period	**$ 12,506**	$ 9,748

See accompanying notes

Unaudited Interim Consolidated Statements of Changes in Equity

As at and for the three months ended June 30, 2011 and June 30, 2010

(in thousands of Canadian dollars)	**Notes**	**June 30, 2011**	June 30, 2010
Preferred shares, opening		**$ —**	$ —
Shares issued, net of share issuance costs	**12**	**97,352**	—
Preferred shares, closing		**97,352**	—
Common shares, opening		**467,050**	185,691
Shares issued in connection with the acquisition of Genuity Capital Markets		**—**	271,948
Shares issued in connection with share-based payments		**3,032**	1,867
Acquisition of common shares for long term incentive plan		**(23,238)**	(4,357)
Release of vested common shares from employee benefit trust		**7,360**	8,768
Cancellation of shares in connection with the acquisition of Genuity Capital Markets		**(606)**	—
Net unvested share purchase loans		**8,941**	(8,943)
Common shares, closing		**462,539**	454,974
Contributed surplus, opening		**52,167**	58,103
Share-based payments		**(2,662)**	(7,091)
Cancellation of shares in connection with the acquisition of Genuity Capital Markets		**606**	—
Unvested share purchase loans		**(3,526)**	(30)
Contributed surplus, closing		**46,585**	50,982
Retained earnings, opening		**238,647**	158,138
Net income for the period		**13,195**	5,172
Common share dividends	**14**	**(8,416)**	(4,147)
Retained earnings, closing		**243,426**	159,163
Accumulated other comprehensive income (loss), opening		**(972)**	1,301
Other comprehensive income (loss)		**(689)**	4,576
Accumulated other comprehensive income (loss), closing		**(1,661)**	5,877
Shareholders' equity		**$ 848,241**	$ 670,996

See accompanying notes

Unaudited Interim Consolidated Statements of Cash Flows

For the three months ended (in thousands of Canadian dollars)	**Notes**	**June 30, 2011**	June 30, 2010
OPERATING ACTIVITIES			
Net income for the period		**$ 13,195**	$ 5,172
Items not affecting cash			
Amortization		**2,905**	3,284
Deferred income tax recovery		**(271)**	(187)
Share-based compensation expense	**15iv**	**11,856**	10,469
Changes in non-cash working capital			
Decrease (increase) in securities owned		**97,351**	(466,246)
Decrease (increase) in accounts receivable		**334,432**	(206,555)
Increase in income taxes receivable		**(35,446)**	(14,057)
Increase in securities sold short		**9,206**	338,614
(Decrease) increase in accounts payable, accrued liabilities, and provisions		**(753,669)**	177,499
Cash used by operating activities		**(320,441)**	(152,007)
FINANCING ACTIVITIES			
Issuance of Series A Preferred Shares, net of share issuance costs		**97,352**	—
Acquisition of common shares for long term incentive plan		**(23,238)**	(4,357)
Cash dividends paid on common shares		**(8,269)**	(4,147)
Issuance of shares in connection with share-based payments		**555**	1,867
Increase (decrease) in net vesting of share purchase loans		**5,415**	(8,943)
Bank indebtedness		**10,545**	53,557
Cash provided by financing activities		**82,360**	37,977
INVESTING ACTIVITIES			
Purchase of equipment and leasehold improvements		**(4,500)**	(339)
Acquisition of Genuity Capital Markets		**—**	(37,997)
Net liabilities acquired from Genuity Capital Markets		**—**	(11,227)
Cash used in investing activities		**(4,500)**	(49,563)
Effect of foreign exchange on cash balances		**(753)**	1,694
Decrease in cash position		**(243,334)**	(161,899)
Cash position, beginning of period		**954,068**	731,852
Cash position, end of period		**$ 710,734**	$ 569,953
Supplemental cash flow information			
Interest paid		**$ 2,291**	$ 501
Income taxes paid		**$ 37,644**	$ 16,117

See accompanying notes

Notes to Unaudited Interim Consolidated Financial Statements

(in thousands of Canadian dollars, except per share amounts)

NOTE 1. 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), the United States of America (US), China and Barbados. 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 TSX and the symbol CF. on AIM, a market operated by 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 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 North American and European equity and debt markets, including the seasonal variance in these markets.

NOTE 2. BASIS OF PREPARATION

Statement of compliance

These unaudited interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, "*Interim Financial Reporting*" (IAS 34), as issued by the International Accounting Standards Board (IASB) and using accounting policies that the Company expects to adopt in its consolidated financial statements as at and for the year ending March 31, 2012. The preparation of the consolidated financial statements for the year ending March 31, 2012 in conformity with International Financial Reporting Standards (IFRS) requires the Company to use standards in effect as at March 31, 2012, which may differ from the policies that the Company has used in the current interim consolidated financial statements. Differences may arise as a result of new standards being issued, with the effective date of March 31, 2012 or prior, before preparation of the Company's annual consolidated financial statements for the year ending March 31, 2012. Therefore, the accounting policies used in the Company's current interim financial statements may differ from those used in the Company's consolidated financial statements for the year ending March 31, 2012. Previously, the Company prepared its consolidated annual and consolidated interim financial statements in accordance with Canadian generally accepted accounting principles (Canadian GAAP).

The consolidated financial statements have been prepared on an accrual basis and are based on the historical cost basis except for selected 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 thousands of Canadian dollars, except when otherwise indicated.

These unaudited interim consolidated financial statements should be read in conjunction with the Company's audited annual consolidated financial statements as at and for the year ended March 31, 2011 (2011 Annual Financial Statements) and in consideration of the IFRS transition disclosures included in Note 4 to these unaudited interim consolidated financial statements. All defined terms used herein are consistent with those terms defined in the 2011 Annual Financial Statements.

These unaudited interim consolidated financial statements were authorized for issuance by the Company's Board of Directors on August 3, 2011.

Principles of consolidation

These unaudited interim consolidated financial statements include the accounts of the Company, its subsidiaries and special purpose entities (SPEs) where the Company is the primary beneficiary. 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. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the consolidated entity controls another entity.

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 an entity of which an enterprise has control even if the Company owns one-half or less of the voting power and is the primary beneficiary of the SPE. An enterprise should consolidate an SPE when that enterprise has a variable interest that will absorb a majority of the entity's expected losses or receive a majority of the entity's expected residual returns.

The Company has established an employee benefit trust [Note 15] 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, as it meets the definition of an SPE and a subsidiary of the Company is the primary beneficiary of the employee benefit trust.

The results of subsidiaries acquired or disposed of during the year are included in the statement 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 the accounting policies of subsidiaries differ from the Company's accounting policies, the Company has made the appropriate adjustments to ensure conformity for purposes of the preparation of these unaudited interim consolidated financial statements.

Use of estimates and assumptions

The preparation of the unaudited interim consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement. Therefore, actual results may differ from those estimates and assumptions. The significant estimates include share-based payments, income taxes, tax losses available for carry forward, impairment of goodwill, indefinite life intangible assets, and other long-lived assets, allowance for credit losses, fair value of financial instruments, and provisions and contingent liabilities.

Share-based payments

The Company measures the cost of equity-settled and cash-settled transactions with employees and directors using the fair value method. The fair value is determined based on observable share price 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. Changes in the subjective assumptions can materially affect the fair value estimates, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's share-based payments.

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 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 is tested for impairment at least annually, or whenever an event or change in circumstance may indicate potential impairment, to ensure that the fair value of the cash-generating unit to which goodwill is attributed is greater than or equal to its carrying value.

Indefinite life intangible assets are also tested for impairment at least annually, or whenever an event or change in circumstances may indicate impairment, to ensure that the asset's recoverable amount is greater than or equal to its carrying value.

In determining fair value, 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 fair value and in making any necessary assumptions. These judgments may affect the fair value and any resulting impairment write-down.

Impairment of other long-lived assets

The Company assesses its 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 doubtful accounts 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 and, 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 are derived from observable market data where possible, but where observable data is not available, judgment is required to establish fair values.

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.

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 and the amount of the loss can be reasonably estimated.

NOTE 3. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

Financial instruments

In November 2009, the IASB issued IFRS 9, "*Financial Instruments*" (IFRS 9), which will replace IAS 39, "*Financial Instruments: Recognition and Measurement*" (IAS 39). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost for fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The Company has not yet determined the impact of IFRS 9 on its consolidated financial statements.

In October 2010, the IASB issued a revised version of IFRS 9 (IFRS 9 R). The revised standard adds guidance on the classification and measurement of financial liabilities. IFRS 9 R supersedes IFRS 9 and is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. For annual periods beginning before January 1, 2013, an entity may elect to apply IFRS 9 R or IFRS 9. The IASB has confirmed that it will issue an exposure draft in calendar 2011 to defer the effective date to January 1, 2015.

Other 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. The Company has not assessed the impact that these new and amended standards will have on its consolidated financial statements.

IFRS 10 – "Consolidation" (IFRS 10)

IFRS 10 replaces IAS 27, "*Consolidated and Separate Financial Statements*" 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.

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.

IAS 27 – "Separate Financial Statements" (IAS 27) and IAS 28 – "Investments in Associates and Joint Ventures" (IAS 28)

The IASB have also made amendments to existing standards, including IAS 27 and IAS 28. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13.

NOTE 4. FIRST-TIME ADOPTION OF IFRS

As required by the Canadian Accounting Standards Board (AcSB), the Company adopted IFRS effective April 1, 2011. The Company's transition date was April 1, 2010, and the Company has prepared its IFRS opening consolidated balance sheet as at that date. These unaudited interim consolidated financial statements have been prepared in accordance with the accounting policies described in Note 5.

For all periods up to and including the year ended March 31, 2011, the Company's financial statements conformed to Canadian GAAP. Consequently, the Company will prepare for the first time its annual consolidated financial statements in accordance with IFRS for the year ending March 31, 2012.

The Company followed the provisions of IFRS 1, "*First-time Adoption of IFRS*" (IFRS 1), in preparing its opening IFRS consolidated balance sheet as of the transition date. There are certain differences between the accounting policies of Canadian GAAP and IFRS related to the accounting of transactions or events before the date of transition to IFRS, resulting in adjustments that would impact the opening IFRS balance sheet. As required by IFRS 1, these adjustments are recognized directly through retained earnings as of April 1, 2010. Generally, IFRS is to be applied retrospectively with some mandatory exceptions and other exemptions permitted by IFRS 1.

The accompanying note disclosure provides details on the principal adjustments made by the Company in restating its Canadian GAAP statement of financial position as at April 1, 2010, June 30, 2010 and March 31, 2011 and its net income and comprehensive income for the year ended March 31, 2011 and three months ended June 30, 2010.

Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain IFRS, effective for the year ending March 31, 2012. The Company has applied the following exemptions to its opening consolidated statement of financial position dated April 1, 2010:

- Business combinations – IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3, "*Business Combinations*" (IFRS 3), retrospectively to business combinations that occurred before the transition date. IFRS 3 was applied for the acquisition of Genuity Capital Markets (Genuity) and The Balloch Group Limited (TBG) for the year ended March 31, 2011. Consequently, IFRS 3 has been applied for all business combinations subsequent to April 1, 2010. This exemption is elected for all acquisitions that occurred prior to April 1, 2010.
- Cumulative translation differences – IFRS 1 permits a first-time adopter to not comply with the requirements of IAS 21, "*The Effects of Changes in Foreign Exchange Rates*" (IAS 21), for cumulative translation differences that existed at the date of transition to IFRS. The Company has chosen to apply this election and has reset to zero the cumulative translation difference and adjusted retained earnings by the same amount at the date of the transition to IFRS.
- Share-based compensation – IFRS 2, "*Share-based payments*" (IFRS 2), has not been applied to share-based payments granted prior to November 7, 2002 or to share-based payments granted subsequent to November 7, 2002 that vested before April 1, 2010.
- Leases – IFRS 1 permits a first-time adopter the option to determine whether an arrangement existing at the date of transition to IFRS contains a lease on the basis of facts and circumstances existing at that date. The Company has elected to use the information at the transition date in determining whether an arrangement contains a lease. This election did not affect the accounting for any of the Company's leases.

Estimates

The estimates at the transition date are consistent with those made previously in accordance with Canadian GAAP, except where necessary to reflect any differences in accounting policies.

Company reconciliation of financial position as at April 1, 2010

	Canadian GAAP	Share-based payments	Foreign exchange translation	Financial instruments	Provisions	Income taxes	IFRS
Notes		A	B	C	D	E	
ASSETS							
Current							
Cash and cash equivalents	731,852	—	—	—	—	—	731,852
Securities owned	362,755	—	—	—	—	—	362,755
Accounts receivable	1,972,924	—	—	—	—	—	1,972,924
Future income taxes	13,190	—	—	—	—	(13,190)	—
Total current assets	3,080,721	—	—	—	—	(13,190)	3,067,531
Deferred tax assets	—	—	—	—	—	12,946	12,946
Investment	5,000	—	—	1,732	—	—	6,732
Equipment and leasehold improvements	38,127	—	—	—	—	—	38,127
	3,123,848	—	—	1,732	—	(244)	3,125,336
LIABILITIES AND SHAREHOLDERS' EQUITY							
Current							
Bank indebtedness	29,435	—	—	—	—	—	29,435
Securities sold short	364,137	—	—	—	—	—	364,137
Accounts payable and accrued liabilities	2,308,146	—	—	—	(4,991)	—	2,303,155
Provisions	—	—	—	—	4,991	—	4,991
Income taxes payable	5,385	—	—	—	—	—	5,385
Subordinated debt	15,000	—	—	—	—	—	15,000
Total current liabilities	2,722,103	—	—	—	—	—	2,722,103
Shareholders' equity							
Common shares	185,691	—	—	—	—	—	185,691
Contributed surplus	57,351	752	—	—	—	—	58,103
Retained earnings	194,007	(752)	(35,304)	—	—	187	158,138
Accumulated other comprehensive income (loss)	(35,304)	—	35,304	1,732	—	(431)	1,301
Total shareholders' equity	401,745	—	—	1,732	—	(244)	403,233
	3,123,848	—	—	1,732	—	(244)	3,125,336

Company reconciliation of financial position as at June 30, 2010

	Canadian GAAP	Share-based payments	Foreign exchange translation	Financial instruments	Provisions	Income taxes	IFRS
Notes		A	B	C	D	E	
ASSETS							
Current							
Cash and cash equivalents	569,953	—	—	—	—	—	569,953
Securities owned	835,261	—	—	—	—	—	835,261
Accounts receivable	2,185,305	—	—	—	—	—	2,185,305
Income taxes receivable	5,287	—	—	—	—	—	5,287
Future income taxes	13,418	—	—	—	—	(13,418)	—
Total current assets	3,609,224	—	—	—	—	(13,418)	3,595,806
Deferred tax assets	—	—	—	—	—	680	680
Investment	5,000	—	—	1,732	—	—	6,732
Equipment and leasehold improvements	39,001	—	—	—	—	—	39,001
Intangibles	77,611	—	—	—	—	—	77,611
Goodwill	242,074	—	—	—	—	—	242,074
	3,972,910	—	—	1,732	—	(12,738)	3,961,904
LIABILITIES AND SHAREHOLDERS' EQUITY							
Current							
Bank indebtedness	82,992	—	—	—	—	—	82,992
Securities sold short	702,976	—	—	—	—	—	702,976
Accounts payable and accrued liabilities	2,483,250	—	—	—	(5,595)	—	2,477,655
Provisions	—	—	—	—	5,595	—	5,595
Subordinated debt	15,000	—	—	—	—	—	15,000
Total current liabilities	3,284,218	—	—	—	—	—	3,284,218
Deferred tax liabilities	19,083	—	—	—	—	(12,393)	6,690
	3,303,301	—	—	—	—	(12,393)	3,290,908
Shareholders' equity							
Common shares	454,974	—	—	—	—	—	454,974
Contributed surplus	50,628	354	—	—	—	—	50,982
Retained earnings	194,735	(354)	(35,304)	—	—	86	159,163
Accumulated other comprehensive income (loss)	(30,728)	—	35,304	1,732	—	(431)	5,877
Total shareholders' equity	669,609	—	—	1,732	—	(345)	670,996
	3,972,910	—	—	1,732	—	(12,738)	3,961,904

Company reconciliation of financial position as at March 31, 2011

	Canadian GAAP	Share-based payments	Foreign exchange translation	Financial instruments	Provisions	Income taxes	IFRS
Notes		A	B	C	D	E	
ASSETS							
Current							
Cash and cash equivalents	954,068	—	—	—	—	—	954,068
Securities owned	947,185	—	—	—	—	—	947,185
Accounts receivable	2,828,812	—	—	—	—	—	2,828,812
Future income taxes	15,309	—	—	—	—	(15,309)	—
Total current assets	4,745,374	—	—	—	—	(15,309)	4,730,065
Deferred tax assets	—	—	—	—	—	1,503	1,503
Investment	5,000	—	—	934	—	—	5,934
Equipment and leasehold improvements	40,818	—	—	—	—	—	40,818
Intangibles	73,923	—	—	—	—	—	73,923
Goodwill	245,257	—	—	—	—	—	245,257
	5,110,372	—	—	934	—	(13,806)	5,097,500
LIABILITIES AND SHAREHOLDERS' EQUITY							
Current							
Bank indebtedness	13,580	—	—	—	—	—	13,580
Securities sold short	722,613	—	—	—	—	—	722,613
Accounts payable and accrued liabilities	3,557,275	—	—	—	(6,151)	—	3,551,124
Provisions	—	—	—	—	6,151	—	6,151
Income taxes payable	23,977	—	—	—	—	—	23,977
Subordinated debt	15,000	—	—	—	—	—	15,000
Total current liabilities	4,332,445	—	—	—	—	—	4,332,445
Deferred tax liabilities	21,404	—	—	—	—	(13,241)	8,163
	4,353,849	—	—	—	—	(13,241)	4,340,608
Shareholders' equity							
Common shares	467,050	—	—	—	—	—	467,050
Contributed surplus	53,441	(1,274)	—	—	—	—	52,167
Retained earnings	273,007	1,274	(35,304)	—	—	(330)	238,647
Accumulated other comprehensive income (loss)	(36,975)	—	35,304	934	—	(235)	(972)
Total shareholders' equity	756,523	—	—	934	—	(565)	756,892
	5,110,372	—	—	934	—	(13,806)	5,097,500

Reconciliations of net income and comprehensive income as reported under Canadian GAAP to IFRS

The following is a reconciliation of the Company's net income and comprehensive income reported in accordance with Canadian GAAP to its net income and comprehensive income in accordance with IFRS for the three months ended June 30, 2010 and the year ended March 31, 2011.

		Three months ended June 30, 2010			Year ended March 31, 2011		
	Notes	Canadian GAAP	Effect of transition	IFRS	Canadian GAAP	Effect of transition	IFRS
REVENUE							
Commission		62,256	—	62,256	294,650	—	294,650
Investment banking		55,901	—	55,901	327,499	—	327,499
Advisory fees		20,721	—	20,721	84,914	—	84,914
Principal trading		5,958	—	5,958	43,644	—	43,644
Interest		3,144	—	3,144	24,040	—	24,040
Other		3,937	—	3,937	28,884	—	28,884
		151,917	—	151,917	803,631	—	803,631
EXPENSES							
Incentive compensation	A	73,091	(606)	72,485	391,050	(2,004)	389,046
Salaries and benefits		15,816	—	15,816	64,420	—	64,420
Trading costs		7,705	—	7,705	31,507	—	31,507
Premises and equipment		6,038	—	6,038	27,158	—	27,158
Communication and technology		6,269	—	6,269	25,466	—	25,466
Interest		616	—	616	7,811	—	7,811
General and administrative		15,791	—	15,791	67,882	—	67,882
Amortization		3,284	—	3,284	12,742	—	12,742
Development costs	A	5,084	208	5,292	22,409	(22)	22,387
Acquisition-related costs		10,990	—	10,990	12,740	—	12,740
		144,684	(398)	144,286	663,185	(2,026)	661,159
Income before income taxes		7,233	398	7,631	140,446	2,026	142,472
Income taxes (recovery)							
Current		2,646	—	2,646	41,437	—	41,437
Deferred	E	(288)	101	(187)	775	517	1,292
		2,358	101	2,459	42,212	517	42,729
Net income		4,875	297	5,172	98,234	1,509	99,743
Other comprehensive income (loss), net of taxes		4,576	—	4,576	(1,671)	—	(1,671)
Net unrealized losses on available for sale assets, before tax	C	—	—	—	—	(798)	(798)
Income tax recovery relating to net unrealized losses on available for sale assets	E	—	—	—	—	196	196
Comprehensive income		9,451	297	9,748	96,563	907	97,470

Notes to the reconciliation of financial position as at April 1, 2010, June 30, 2010 and March 31, 2011 and reconciliations of net income and comprehensive income for the periods ended June 30, 2010 and March 31, 2011

A. Share-based payment

Under Canadian GAAP, the Company had the option to recognize forfeitures of share-based payments as they occurred or estimate a forfeiture rate at inception. The Company's former accounting policy was to recognize forfeitures as they occurred. Under IFRS, a forfeiture rate must be estimated upon inception. As a result of the transition, the Company determined a forfeiture rate based on historical data and calculated the impact on the amortization of all share-based payments.

Canadian GAAP permitted share-based payments to be amortized using either a straight-line or graded amortization basis for awards that vest on a graded basis. Graded amortization is required under IFRS for these awards.

B. Foreign exchange translation

The Company has chosen to apply the election to not comply with the requirements of IAS 21, "*The Effects of Changes in Foreign Exchange Rates*", for cumulative translation differences that existed at the date of transition to IFRS. As a result, the Company has eliminated the cumulative translation difference of $35.3 million and adjusted retained earnings by the same amount at the date of transition to IFRS.

C. Financial instruments

Financial assets with no quoted market price that are classified as available for sale are carried at cost under Canadian GAAP. However, under IFRS, financial assets with no quoted market price that are classified as available for sale are carried at fair value unless fair value is not reliably measurable. Under Canadian GAAP, the Company's investment in an Alternative Alpha Trading System is designated as available for sale and is carried at cost. Under IFRS, the investment should be recorded at fair value unless the fair value cannot be reliably measured, and any unrealized gains and losses should be recorded through other comprehensive income. Management has determined that a reliable fair value measurement can be made, and the fair value adjustment has been recognized accordingly.

D. Provisions

Under Canadian GAAP, the Company accrued amounts related to contingent liabilities, which are included in accounts payable and accrued liabilities, in accordance with applicable recognition criteria. These amounts would be considered as provisions under IFRS and need to be disclosed separately on the face of the consolidated statement of financial position. IFRS also requires the provision to be distinguished between current and non-current.

E. Income taxes

There are no identified material differences in the methodology of the calculation of provisions for current and deferred taxes; the various transitional adjustments described above result in adjustments to the book values of the corresponding accounts, leading to adjusted temporary differences. Upon transition to IFRS, the Company recalculated the deferred tax liability based on revised balances using a tax rate of 24.9%. In addition, in accordance with IFRS, deferred tax is to be classified as non-current, while this was classified as current or non-current based on the nature of the temporary differences under Canadian GAAP.

Under IFRS, 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.

F. Material adjustments to the statement of cash flows

There is no significant impact on the presentation of the Company's consolidated statement of cash flows for the three months ended June 30, 2010 and the year ended March 31, 2011. Adjustments include the effects on comprehensive income and non-cash operating items as a result of the transition adjustments described in Note 4.

NOTE 5. 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 fair value of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree. 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 fair value less cost to sell.

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

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

Translation of foreign currency transactions and foreign subsidiaries

The Company's consolidated financial statements are presented in Canadian dollars. 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 currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at the reporting date. All differences upon translation are recognized in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at historical rates. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates 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 statement of operations.

Goodwill

Goodwill represents the excess of the purchase price paid for the acquisition of subsidiaries over the fair value of the net tangible and intangible assets acquired. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses.

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 fair value as at the date of acquisition. Following initial recognition, identifiable intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

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

Identifiable intangible assets reflect assigned values related to acquired brand names, customer relationships, sales backlogs and non-competition agreements. Customer relationships, sales backlogs and non-competition agreements have a finite life and are amortized on a straight-line basis over their estimated useful life. The remaining estimated amortization periods of the identifiable intangible assets at June 30, 2011 are as follows:

- Customer relationships 10 years
- Non-competition 4 years

The amortization of identifiable intangible assets has been included in the statement of operations as part of amortization expense.

Identifiable intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually. Branding is considered to have an indefinite life, as it will provide benefit to the Company over a continuous period.

Impairment of goodwill and intangible assets

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business acquisition is allocated to each of the Company's cash-generating units that are expected to benefit from the acquisition. Goodwill is assessed for impairment annually or more frequently if events or circumstances suggest that there may be impairment. A write-down is recognized if the recoverable amount of the cash-generating unit, determined as the greater of the estimated fair value less costs to sell or

value-in-use, is less than the carrying value. Any impairment of goodwill is expensed in the period in which the impairment is identified. Impairment losses relating to goodwill are not reversed if there is a subsequent recovery in value of the cash-generating unit.

Following initial recognition, finite life intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. Identifiable finite life intangible assets are amortized over their estimated useful lives on a straight-line basis. The amortization period and method of amortization for an intangible asset with a finite useful life are reviewed at least annually, at each financial year end.

Intangible assets with an indefinite life are not amortized but are assessed for impairment annually or more frequently if events or changes in circumstances indicate that there may be an impairment. Indefinite life intangible assets are tested for impairment by comparing their recoverable amount to their carrying values. An impairment loss is recognized when the carrying amount of the asset exceeds its recoverable amount. In estimating the recoverable amount of indefinite life intangible assets, the Company uses a value-in-use approach based on the projected discounted cash flows to be derived from these assets.

At each balance sheet date, intangible assets are assessed for indicators of impairment. If indicators are present, these assets are subject to an impairment review. Any loss resulting from impairment of intangible assets is expensed in the period the impairment is identified.

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): held for trading, 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, which is equivalent to the date at which the company commits itself to either the purchase or sale of the asset.

Financial instruments are initially measured at fair value. Transaction costs related to financial instruments classified as held for trading are recognized through net income 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 and loss

Financial assets purchased for trading activities are classified as held for trading and are measured at fair value, with unrealized gains and 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 and derivatives classified as held for trading include cash and cash equivalents, and securities owned, including broker warrants and foreign exchange forward contracts.

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. When the Company is unable to trade these financial assets due to inactive markets or 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 the difference between fair value and amortized cost recorded in other comprehensive income, net of tax, until the assets are sold, at which time the difference is recognized in net income for the year. Investment 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. Other-than-temporary declines in the value of available for sale financial assets are recognized in net income. The Company's investment in Alternative Alpha Trading System is classified as available for sale and measured at its estimated fair value.

Financial assets classified as loans and receivables and held to maturity

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost. 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. In the case of debt or equity securities classified as available for sale or held to maturity, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is recognized in the statement 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 and classified as either fair value through profit and loss or other financial liabilities. For financial liabilities, trade date accounting is applied.

Classification and subsequent measurement

Financial liabilities classified 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 income statement. 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 and securities sold short 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 income statement through the effective interest rate method of amortization. Other financial liabilities include accounts payable and accrued liabilities, provisions, 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 statement 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 valuation technique is not considered as reliable, 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 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 fair value financial instruments.

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. 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. At June 30, 2011, the floating rates for equities and bonds ranged from 0.00% to 0.66% [March 31, 2011 – 0.00% to 0.66% and April 1, 2010 – 0.00% to 0.049%].

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 against specific criteria 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 net of commission revenues. Facilitation losses for the three months ended June 30, 2011 were $12.5 million [June 30, 2010 – $8.2 million].

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

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

Principal trading revenue consists of 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 accrual 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 and leasehold improvements are recorded at cost less accumulated amortization. Amortization is being recorded as follows:

Computer equipment	30% declining balance basis
Furniture and equipment	20% declining balance basis
Leasehold improvements	Straight-line over the term of the respective 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 statement of operations when the asset is derecognized.

The assets' residual values, useful lives and method of depreciation 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 statement 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 statement of financial position.

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.

Pension plans

Defined contribution plan

The Company provides a defined contribution pension plan on behalf of its current employees. The defined contribution pension plan is available to certain administrative employees after a specified period of service. The Company is required to match the employees' contributions up to a certain maximum percentage of the employees' base salary. Costs of the defined contribution plan, representing the Company's required contribution, are charged to income in the period.

Defined benefit plan

The Company formerly provided a final pay defined benefit pension plan for certain administrative employees. The plan is closed and has 22 current and retired members. The plan's assets, accrued benefit obligations and related pension expense of the Company are not material to the Company's financial position and results of operations.

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 of outstanding options and share-based payments are 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 15]. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognized in general and administrative expense where directors' remuneration expense is recognized.

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 statement 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.

Impairment of non-financial assets

An impairment exists when the carrying value of an asset exceeds its recoverable amount. The Company assesses at each reporting date whether there is any indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. A previously recognized impairment loss can be reversed up to the carrying amount of the asset. Any reversal of impairment is recognized in the statement of operations. Impairment losses relating to goodwill cannot be reversed in future periods.

Leases

The Company only has leases that have the characteristics of an operating lease. Operating lease payments are recognized as an expense in the statement of operations on a straight-line basis over the lease term.

Borrowing costs

The Company incurs borrowing costs in relation to its investment and broker dealer and client payable balances, and its subordinated debt. Borrowing costs are expensed as incurred.

Segment reporting

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

NOTE 6. SECURITIES OWNED AND SECURITIES SOLD SHORT

		June 30, 2011		March 31, 2011		April 1, 2010
	Securities owned	**Securities sold short**	Securities owned	Securities sold short	Securities owned	Securities sold short
Corporate and government debt	**$ 741,411**	**$ 702,738**	$ 816,363	$ 689,509	$ 282,686	$ 342,916
Equities and convertible debentures	**108,268**	**28,992**	130,822	33,104	80,069	21,221
	$ 849,679	**$ 731,730**	$ 947,185	$ 722,613	$ 362,755	$ 364,137

As at June 30, 2011, corporate and government debt maturities ranged from 2011 to 2108 [March 31, 2011 – 2011 to 2060; April 1, 2010 – 2010 to 2060] and bear interest ranging from 0.50% to 13.50% [March 31, 2011 – 0.50% to 14.00%; April 1, 2010 – 0.50% to 14.00%].

NOTE 7. FINANCIAL INSTRUMENTS

Presented below is a fair value hierarchy 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 inputs based on quoted prices, Level 2 uses observable inputs other than quoted prices and Level 3 uses inputs that are not based on observable market data.

		Estimated fair value		
			June 30, 2011	
	June 30, 2011	Level 1	Level 2	Level 3
Cash and cash equivalents	**$ 710,734**	**$ 710,734**	**$ —**	**$ —**
Securities owned[1]	**849,679**	**838,505**	**10,534**	**640**
Securities sold short	**731,730**	**731,730**	**—**	**—**

[1] Securities owned includes $640 of investment in ABCP and $10,534 of broker warrants

		Estimated fair value		
			March 31, 2011	
	March 31, 2011	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 954,068	$ 954,068	$ —	$ —
Securities owned[1]	947,185	932,073	14,321	791
Securities sold short	722,613	722,613	—	—

[1] Securities owned includes $791 of investment in ABCP and $14,321 of broker warrants

		Estimated fair value		
			April 1, 2010	
	April 1, 2010	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 731,852	$ 731,852	$ —	$ —
Securities owned[1]	362,755	358,621	3,163	971
Securities sold short	364,137	364,137	—	—

[1] Securities owned includes $971 of investment in ABCP and $3,163 of broker warrants

Securities lending and borrowing

	Cash		Securities	
	Loaned or delivered as collateral	Borrowed or received as collateral	Loaned or delivered as collateral	Borrowed or received as collateral
June 30, 2011	**$ 107,665**	**$ 49,291**	**$ 48,563**	**$ 107,324**
March 31, 2011	117,187	51,364	52,075	119,295
April 1, 2010	135,690	45,575	50,703	140,124

NOTE 8. ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts receivable

	June 30, 2011	March 31, 2011	April 1, 2010
Brokers and investment dealers	**$ 1,410,919**	$ 1,426,005	$ 932,408
Clients	**492,296**	789,896	503,733
RRSP cash balances held in trust	**520,003**	553,802	475,220
Other	**65,608**	59,109	61,563
	$ 2,488,826	$ 2,828,812	$ 1,972,924

Accounts payable and accrued liabilities

	June 30, 2011	March 31, 2011	April 1, 2010
Brokers and investment dealers	**$ 1,379,920**	$ 1,649,601	$ 949,595
Clients	**1,265,321**	1,642,532	1,188,545
Other	**151,553**	258,991	165,015
	$ 2,796,794	$ 3,551,124	$ 2,303,155

Amounts due from and to brokers and 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 are based on a floating rate [June 30, 2011 – 6.00% to 6.25% and 0.00% to 0.05%, respectively; March 31, 2011 – 6.00% to 6.25% and 0.00% to 0.05%, respectively; April 1, 2010 – 5.25% to 6.25% and 0.00% to 0.05%, respectively].

As at June 30, 2011, the allowance for doubtful accounts was $12.4 million [March 31, 2011 – $12.0 million; April 1, 2010 – $11.6 million].

NOTE 9. INVESTMENT

	June 30, 2011	March 31, 2011	April 1, 2010
Available for sale	**$ 5,934**	$ 5,934	$ 6,732

The Company invested $5.0 million in a limited partnership as part of its initiative to operate an Alternative Trading System. The investment is carried at fair value, determined using a market approach. For the year ended March 31, 2011, the Company recognized a fair value adjustment of $0.8 million through other comprehensive income.

NOTE 10. GOODWILL AND INTANGIBLE ASSETS

		Identifiable intangible assets				
	Goodwill	Brand names	Customer relationships	Sales backlog	Non-competition	Total
Gross amount						
Balance, April 1, 2010	$ —	$ —	$ —	$ —	$ —	$ —
Additions – Genuity	242,074	44,930	25,450	1,633	7,037	79,050
Additions – TBG	3,183	—	—	—	—	—
Impairment	—	—	—	—	—	—
Balance, March 31, 2011	245,257	44,930	25,450	1,633	7,037	79,050
Impairment	—	—	—	—	—	—
Balance, June 30, 2011	**245,257**	**44,930**	**25,450**	**1,633**	**7,037**	**79,050**
Amortization						
Balance, April 1, 2010	—	—	—	—	—	—
Amortization	—	—	(2,172)	(1,633)	(1,322)	(5,127)
Impairment	—	—	—	—	—	—
Balance, March 31, 2011	—	—	(2,172)	(1,633)	(1,322)	(5,127)
Amortization	—	—	(578)	—	(352)	(930)
Impairment	—	—	—	—	—	—
Balance, June 30, 2011	**—**	**—**	**(2,750)**	**(1,633)**	**(1,674)**	**(6,057)**
Net book value						
April 1, 2010	—	—	—	—	—	—
March 31, 2011	245,257	44,930	23,278	—	5,715	73,923
June 30, 2011	**245,257**	**44,930**	**22,700**	**—**	**5,363**	**72,993**

Impairment testing of goodwill and identifiable intangible assets with indefinite lives

Goodwill and branding acquired through the acquisition of Genuity have been allocated to the Canadian segment of the Canaccord Genuity cash-generating unit for impairment testing. Goodwill acquired through the acquisition of TBG has been allocated to the Asian segment of the Canaccord Genuity cash-generating unit for impairment testing.

An impairment exists when the carrying value of an asset exceeds its recoverable amount. The Company assesses at each reporting date whether there is any indication that an asset may be impaired. If any indication exists, the Company estimates the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and written down to its recoverable amount.

At March 31, 2011, the recoverable amount of the Canadian segment of the Canaccord Genuity unit has been determined based on value in use calculation (VIU), which is determined based on discounted future cash flows.

	March 31, 2011
	%
Discount rate	12.0
Projected growth rate	5.0

Key assumptions used in value in use calculations

The calculation of value in use is most sensitive to interest margins, discount rates and projected growth rate.

Interest margins

Interest margins are based on current fixed-interest yields.

Discount rates

Discount rates reflect the current market assessment of the risk specific to each cash-generating unit. The discount rate was estimated based on the average percentage of a weighted average cost of capital for the industry. This rate was further adjusted to reflect the market assessment of any risks specific to the cash-generating unit for which future estimates of cash flows have not been adjusted.

Projected growth rates

Projected growth rates are based on management's estimate of the growth trend of the Company as well as on current economic trends.

Based on the impairment test performed at March 31, 2011, there was no impairment related to the goodwill or intangible assets acquired through the purchase of Genuity.

Goodwill acquired through the purchase of TBG was not tested for impairment, as this acquisition was recently completed on January 17, 2011. There have been no changes to circumstances or events that would indicate the carrying value of goodwill was impaired at March 31, 2011.

At June 30, 2011, there were no indications that the value of the goodwill and intangibles related to Genuity or TBG had been impaired; therefore no impairment testing has been performed. The annual impairment testing will be performed during the year ending March 31, 2012.

NOTE 11. INCOME TAXES

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

	June 30, 2011	June 30, 2010
Income taxes at the statutory rate (F2012: 25.7%; F2011: 27.7%)	**$ 4,040**	$ 2,116
Difference in tax rates in foreign jurisdictions	**337**	148
Non-deductible items affecting the determination of taxable income	**478**	603
Change in accounting and tax base estimate	**(301)**	1,101
Change in deferred tax asset – reversal period of temporary difference	**(370)**	(358)
Utilization of tax losses and other temporary differences previously not recognized	**(1,630)**	(1,151)
Income tax expense – current and deferred	**$ 2,554**	$ 2,459

NOTE 12. PREFERRED SHARES

On April 15, 2011, Canaccord Financial Inc. shareholders approved amendments to the Company's 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.

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 aggregate gross proceeds of $100 million. The Company granted the underwriters an over-allotment option to purchase up to an additional 600,000 Series A Preferred Shares, on the same terms and conditions as the offering, exercisable in whole or in part, for a period of 30 days from the closing date of the offering.

At June 30, 2011, the aggregate net proceeds after deducting issue costs, net of deferred taxes of $1.0 million, were $97.4 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.

On July 7, 2011, the Company announced that it closed the over-allotment option and an additional 540,000 Series A Preferred Shares at $25.00 per share were sold for gross proceeds of $13.5 million [Note 20].

NOTE 13. COMMON SHARES

	June 30, 2011		March 31, 2011		April 1, 2010	
	Amount	**Number of shares**	Amount	Number of shares	Amount	Number of shares
Issued and fully paid	**$ 536,302**	**83,097,441**	$ 533,876	82,809,623	$ 254,553	55,571,133
Unvested share purchase loans	**(27,081)**	**(3,630,004)**	(36,018)	(4,501,992)	(35,280)	(4,475,468)
Held for long term incentive plan	**(46,682)**	**(3,870,771)**	(30,808)	(2,903,991)	(33,582)	(3,201,274)
	$ 462,539	**75,596,666**	$ 467,050	75,403,640	$ 185,691	47,894,391

[i] Authorized

Unlimited common shares without par value

[ii] Issued and fully paid

	Number of shares	Amount
Balance, April 1, 2010	55,571,133	$ 254,553
Shares issued in relation to the acquisition of Genuity	26,500,000	271,900
Shares issued in connection with share-based payment plans [note 15]	823,144	7,969
Shares cancelled	(84,654)	(546)
Balance, March 31, 2011	82,809,623	533,876
Shares issued in connection with share-based payment plans [note 15]	346,866	3,032
Shares cancelled	(59,048)	(606)
Balance, June 30, 2011	**83,097,441**	**$ 536,302**

During the three months ended June 30, 2011, the Company cancelled 59,048 escrow shares issued in connection with the acquisition of Genuity.

The Company has filed a notice for a normal course issuer bid (NCIB) to allow for the purchase of up to 2,000,000 of its common shares through the facilities of the TSX from June 13, 2011 to June 12, 2012. The purchase of common shares under the NCIB will enable the Company to acquire shares for cancellation. The shares that may be repurchased represent 2.4% of the Company's outstanding common shares. No shares were repurchased through the NCIB between June 13, 2011 and June 30, 2011.

[iii] Excess on repurchase of common shares

The excess on repurchase of common shares represents amounts paid to shareholders, by the Company and its subsidiaries, on repurchase of their shares in excess of the book value of those shares at the time of repurchase. The excess on repurchase of common shares has been charged against contributed surplus.

	June 30, 2011	March 31, 2011	April 1, 2010
Repurchase price	**$ —**	$ 1,184	$ 411
Book value	**—**	(546)	(171)
Excess on repurchase of common shares	**$ —**	$ 638	$ 240

[iv] 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.

[v] Earnings per common share

	June 30, 2011	June 30, 2010
Basic earnings per common share		
Net income for the period	**$ 13,195**	$ 5,172
Preferred share dividends	**(90)**	—
Net income available to common shareholders	**$ 13,105**	$ 5,172
Weighted average number of common shares (number)	**75,086,958**	67,930,712
Basic earnings per share	**$ 0.17**	$ 0.08
Diluted earnings per common share		
Net income available to common shareholders	**$ 13,105**	$ 5,172
Weighted average number of common shares (number)	**75,086,958**	67,930,712
Dilutive effect of unvested shares (number)	**3,630,005**	4,488,146
Dilutive effect of share options (number)	**747,869**	119,447
Dilutive effect of unvested shares purchased by employee benefit trust (number) [note 15]	**4,244,528**	3,266,585
Dilutive effect of share issuance commitment in connection with long term incentive plan (number) [note 15]	**573,296**	412,351
Adjusted weighted average number of common shares (number)	**84,282,656**	76,217,241
Diluted earnings per common share	**$ 0.16**	$ 0.07

NOTE 14. DIVIDENDS

Common share dividend

The Company declared the following common share dividend during the three months ended June 30, 2011:

Record date	Payment date	Cash dividend per common share	Total dividend amount
June 3, 2011	June 15, 2011	$ 0.10	$ 8,416

On August 3, 2011, the Board of Directors approved a cash dividend of $0.10 per common share payable on September 15, 2011 to common shareholders of record as at August 26, 2011 [Note 20].

Preferred share dividend

The Board also approved the initial cash dividend of $0.37295 per Series A Preferred Shares payable on September 30, 2011 and with a record date of September 16, 2011 [Note 20].

NOTE 15. SHARE-BASED PAYMENT PLANS

[i] Share options

The Company grants share options to purchase common shares of the Company to independent directors and senior managers. 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 managers 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 $9.83 at June 30, 2011.

The following is a summary of the Company's share options as at June 30, 2011 and changes during the periods then ended:

	Number of options	Weighted average exercise price
Balance, April 1, 2010	2,449,993	$ 9.91
Granted	150,000	8.39
Exercised	(58,659)	9.47
Balance, March 31, 2011	2,541,334	9.82
Granted	—	—
Exercised	(58,659)	(9.47)
Balance, June 30, 2011	**2,482,675**	**$ 9.83**

The following table summarizes the share options outstanding as at June 30, 2011:

	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	2.87 years	$ 23.13	100,000	$ 23.13
7.21–9.48	2,382,675	5.14 years	9.27	135,091	8.38
$7.21–23.13	**2,482,675**	**5.05 years**	**$ 9.83**	**235,091**	**$ 13.40**

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.

[ii] Long term incentive plan

Under the long term incentive plan (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 2,010,835 RSUs [March 31, 2011 – 2,713,726 RSUs] granted in lieu of cash compensation to employees during the period ended June 30, 2011. The Trust purchased 1.7 million [March 31, 2011 – 1.7 million] number of common shares for the period ended June 30, 2011.

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 period ended June 30, 2011 was $13.89 [March 31, 2011 – $9.77].

	Number
Awards outstanding, April 1, 2010	5,317,945
Grants	2,713,726
Vested	(2,680,631)
Forfeited	(95,212)
Awards outstanding, March 31, 2011	5,255,828
Grants	2,010,835
Vested	(982,327)
Forfeited	(7,604)
Awards outstanding, June 30, 2011	**6,276,732**

	Number
Common shares held by the Trust, April 1, 2010	3,201,274
Acquired	1,695,553
Released on vesting	(1,992,836)
Common shares held by the Trust, March 31, 2011	2,903,991
Acquired	1,660,900
Released on vesting	(694,120)
Common shares held by the Trust, June 30, 2011	**3,870,771**

[iii] Deferred share units

Beginning April 1, 2011, the Company adopted a deferred share unit (DSU) plan for its independent directors. The independent directors can elect to have the fees payable to them paid in the form of DSUs or in cash. Directors must elect annually as to how they wish their directors' fees to be paid and can specify the allocation of their directors' fees between DSUs and cash. When a director leaves the Board of Directors, outstanding DSUs are paid out in cash. 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 period, the Company granted nil DSUs, and the related expense recognized for the three months ended June 30, 2011 is $nil. The carrying amount of the liability relating to DSUs at June 30, 2011 is $nil.

[iv] Share-based compensation expense

	June 30, 2011	June 30, 2010
Share options	**$ 400**	$ 435
LTIP expense	**7,560**	6,326
Forgivable common share purchase loans [note 13 iv]	**3,896**	3,708
Total share-based compensation expense	**$ 11,856**	$ 10,469

NOTE 16. 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	June 30, 2011	March 31, 2011	April 1, 2010
Canaccord Genuity Corp.	Canada	100%	100%	100%
Canaccord Genuity Limited	United Kingdom	100%	100%	100%
Intelli Corporate Finance Limited	United Kingdom	100%	100%	100%
Canaccord Genuity Inc.	United States	100%	100%	100%
Canaccord Wealth Management (USA) Inc.	United States	100%	100%	100%
Canaccord Estate Planning Services Ltd.	Canada	100%	100%	100%
Canaccord Independence Asset Management Inc.	Canada	100%	100%	100%
Canaccord Adams Financial Group Inc.	United States	100%	100%	100%
Canaccord Adams (Delaware) Inc.	United States	100%	100%	100%
Canaccord Adams Financial Group ULC	Canada	100%	100%	100%
Stockwave Equities Ltd.	Canada	100%	100%	100%
CLD Financial Opportunities Limited	Canada	100%	100%	100%
Beijing Parkview Balloch Investment Advisory Company Limited (to be renamed Canaccord Genuity Asia)	China	100%	100%	n/a
Canaccord International Ltd.	Barbados	100%	100%	100%

[ii] Compensation of key management personnel of the Company

Disclosed in the table below are the amounts recognized as expenses related to key management personnel for the year ended:

	March 31, 2011
Short term employee benefits	$ 21,069
Share-based payments	5,419
Total compensation paid to key management personnel	$ 26,488

[iii] Transactions with key management personnel of the Company

Share purchase loans

The Company offers share purchase loans to senior management for the purpose of acquiring common shares of the Company. These loans are forgiven over a vesting period and are amortized over the vesting period on a graded basis. No interest is charged related to the share purchase loans.

	March 31, 2011
Amounts unamortized	$ 1,857

Long term incentive plan

Restricted share units granted to senior management under LTIP and the number of shares outstanding are as follows:

	March 31, 2011 (number)
Awards outstanding, beginning of year	1,072,000
Grants	363,327
Vested	(538,736)
Awards outstanding, end of year	896,591

Share options

Share options are granted to senior management to purchase common shares of the Company and have the following expiry dates and exercise prices:

			March 31, 2011
Issue date	Expiry date	Exercise price	Number outstanding[1]
2009	August 2016	$ 9.47	586,590

[1] Number outstanding is the number of options unvested as of March 31, 2011

Share options are granted to the directors of the Company and have the following expiry dates and exercise prices:

			March 31, 2011
Issue date	Expiry date	Exercise price	Number outstanding[1]
2007	2014	$ 23.13	—
2008	2015	9.48	31,250
2009	2016	7.21	62,500
2010	2017	8.39	112,500

[1] Number outstanding is the number of options unvested as of March 31, 2011

[iv] Other transactions with key management personnel

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

	June 30, 2011	March 31, 2011	April 1, 2010
Accounts receivable	**$ —**	$ 29	$ 53
Accounts payable and accrued liabilities	**21,490**	24,754	14,585

[v] 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 17. 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, Other Foreign Locations, and the US.

Canaccord Wealth Management – provides brokerage services and investment advice to retail or private clients in Canada and the US.

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

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. The accounting policies of the segments are the same as those described in Note 5, Summary of Significant Accounting Policies. 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.

	Canaccord Genuity	Canaccord Wealth Management	Corporate and Other	Total
Three months ended June 30, 2011				
Revenues, excluding interest revenue	**$ 95,573**	**$ 51,391**	**$ 4,962**	**$ 151,926**
Interest revenue	**1,804**	**3,392**	**2,661**	**7,857**
Expenses, excluding undernoted	**74,111**	**40,795**	**18,285**	**133,191**
Amortization	**1,802**	**641**	**462**	**2,905**
Development costs	**3,150**	**1,979**	**401**	**5,530**
Interest expense	**1,908**	**102**	**398**	**2,408**
Income (loss) before income taxes	**$ 16,406**	**$ 11,266**	**$ (11,923)**	**$ 15,749**
Three months ended June 30, 2010				
Revenues, excluding interest revenue	$ 100,171	$ 44,905	$ 3,697	$ 148,773
Interest revenue	(19)	2,302	861	3,144
Expenses, excluding undernoted	81,526	36,390	17,178	135,094
Amortization	2,348	619	317	3,284
Development costs	2,489	2,433	370	5,292
Interest expense	202	58	356	616
Income (loss) before income taxes	$ 13,587	$ 7,707	$ (13,663)	$ 7,631

The Company's business operations are grouped into the following geographic segments:

	Canada	United Kingdom	United States	Other Foreign Locations	Total
Three months ended and as at June 30, 2011					
Revenue	$ 123,090	$ 9,246	$ 27,195	$ 252	$ 159,783
Equipment and leasehold improvements	30,944	3,843	8,189	313	43,289
Goodwill	242,074	—	—	3,183	245,257
Non-current assets	355,732	6,043	7,422	352	369,549
Year ended and as at March 31, 2011					
Revenue	598,556	92,678	111,170	1,227	803,631
Equipment and leasehold improvements	30,843	4,079	5,896	—	40,818
Goodwill	242,074	—	—	3,183	245,257
Non-current assets	355,856	6,135	5,166	278	367,435
As at April 1, 2010					
Equipment and leasehold improvements	27,712	4,936	5,479	—	38,127
Non-current assets	38,316	6,333	13,098	58	57,805

NOTE 18. 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 subordinated debt. The following tables summarize our capital as at June 30, 2011, March 31, 2011, and April 1, 2010:

Type of capital		Carrying amount	
	June 30, 2011	March 31, 2011	April 1, 2010
Preferred shares	**$ 97,352**	$ —	$ —
Common shares	**462,539**	467,050	185,691
Contributed surplus	**46,585**	52,167	58,103
Retained earnings	**243,426**	238,647	158,138
Accumulated other comprehensive income (loss)	**(1,661)**	(972)	1,301
Shareholders' equity	**848,241**	756,892	403,233
Subordinated debt	**15,000**	15,000	15,000
	$ 863,241	$ 771,892	$ 418,233

NOTE 19. PROVISIONS AND CONTINGENCIES

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. At each balance sheet 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 three months ended June 30, 2011 and the year ended March 31, 2011:

Balance, April 1, 2010	$ 4,991
Additions	6,239
Utilized	(5,079)
Balance, March 31, 2011	6,151
Additions	315
Utilized	(591)
Balance, June 30, 2011	**$ 5,875**

Commitments, litigation proceedings and contingent liabilities

During the period ended June 30, 2011, there were no material changes to the Company's commitments or contingencies from those described in Note 17 of the 2011 Audited Annual Consolidated Financial Statements.

NOTE 20. SUBSEQUENT EVENTS

[i] Exercise of preferred shares over-allotment option

On July 7, 2011, the Company announced that it has closed the over-allotment option granted to the underwriters in connection with the preferred shares issuance of the Series A Preferred Shares, which closed on June 23, 2011. As a result of the exercise of the over-allotment option, the Company sold an additional 540,000 Series A Preferred Shares at $25.00 per share for additional gross proceeds of $13.5 million.

[ii] Business combination

On July 31st, 2011, the Company announced that it had signed a definitive agreement to acquire 50% equity interest in BGF Capital Group Pty Ltd (BGF), a boutique investment bank based in Australia, with offices in Melbourne, Sydney and Hong Kong. The consideration for this transaction will be AUD$40.0 million [C$41.1 million], to be payable in cash and, subject to TSX approval, Canaccord common shares. All of the Canaccord common shares issued as part of the purchase price will be placed in escrow at closing and will be released ratably over five years. The purchase agreement grants the Company a call option to purchase the remaining 50% equity interest in BGF. The option will be exercisable, at the Company's option, for a three-month period commencing at the fifth anniversary of the initial investment at a price to be determined at that time by reference to BGF profits.

The completion of the acquisition is subject to regulatory and stock exchange approvals. The Company anticipates the acquisition will close during the third quarter of fiscal 2012, at which point BGF will be re-branded as Canaccord BGF.

[iii] Dividends

On August 3, 2011, the Board of Directors approved a quarterly dividend of $0.10 per common share payable on September 15, 2011 with a record date of August 26, 2011. The Company also declared the initial cash dividend of $0.37295 per Series A Preferred Shares payable on September 30, 2011 and with a record date of September 16, 2011.

Shareholder Information

CORPORATE HEADQUARTERS

Street address
Canaccord Financial Inc.
2200 – 609 Granville Street
Vancouver, BC, Canada

Mailing address
P.O. Box 10337
Pacific Centre
2200 – 609 Granville Street
Vancouver, BC, V7Y 1H2, Canada

STOCK EXCHANGE LISTING

Common shares:
TSX: CF
AIM: CF.

Preferred shares:
TSX: CF.PR.A.

CORPORATE WEBSITE

www.canaccordfinancial.com

GENERAL SHAREHOLDER INQUIRIES AND INFORMATION

Investor Relations
Suite 3000 – 161 Bay Street
Toronto, ON, Canada
Telephone: (416) 869-7293
Fax: (416) 947-8343
Email: investor.relations@canaccord.com

MEDIA RELATIONS AND INQUIRIES FROM INSTITUTIONAL INVESTORS AND ANALYSTS

Scott Davidson
Managing Director, Global Head
of Marketing & Communications
Telephone: (416) 869-3875
Email: scott.davidson@canaccord.com

The Canaccord Financial 2011 Annual Report is available on our website at www.canaccordfinancial.com. For a printed copy please contact the Investor Relations department.

FISCAL 2012 EXPECTED DIVIDEND EARNINGS RELEASE DATES[1]

	Expected earnings release date	Preferred dividend record date	Preferred dividend payment date	Common dividend record date	Common dividend payment date
Q1/12	August 4, 2011	September 16, 2011	September 30, 2011	August 26, 2011	September 15, 2011
Q2/12	November 10, 2011	December 16, 2011	January 3, 2012	December 2, 2011	December 15, 2011
Q3/12	February 9, 2012	March 16, 2012	April 2, 2012	March 2, 2012	March 15, 2012
Q4/12	May 23, 2012	June 15, 2012	July 3, 2012	June 1, 2012	June 15, 2012

[1] Dividends are subject to Board of Directors approval. All dividend payments will depend on general business conditions and the Company's financial conditions, results of operations, capital requirements and such other factors as the Board determines to be relevant.

SHAREHOLDER ADMINISTRATION

For information about stock transfers, address changes, dividends, lost stock certificates, tax forms and estate transfers, contact:

Computershare Investor Services Inc.
100 University Avenue, 9th Floor
Toronto, ON M5J 2Y1
Telephone Toll Free (North America):
1-800-564-6253
International: (514) 982-7555
Fax: 1-866-249-7775
Toll Free Fax (North America): or
International Fax: (416) 263-9524
Email: service@computershare.com
Website: www.computershare.com
Offers enrolment for self-service account management for registered shareholders through the Investor Centre.

FINANCIAL INFORMATION

For present and archived financial information, please visit www.canaccordfinancial.com

AUDITOR

Ernst & Young LLP
Chartered Accountants
Vancouver, BC

EDITORIAL SERVICES

Tudhope & Company, Inc.
The Works Design Communications Ltd.

CANACCORD Financial