CANACCORD Financial

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BEIJING
SHANGHAI

A WORLD OF OPPORTUNITY

CANACCORD FINANCIAL INC. 2011 ANNUAL REPORT

ABOUT CANACCORD FINANCIAL INC.

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

Canaccord Financial Inc. is publicly traded under the symbol CF on the Toronto Stock Exchange and the symbol CF. on AIM, a market operated by the London Stock Exchange.

CONTENTS

6:40 p.m. SHANGHAI

THE SUN WILL SOON BE SETTING IN ASIA, BUT THE DAY IS NOT OVER. AROUND THE WORLD AND AROUND THE CLOCK, OPPORTUNITIES ARE BEING CREATED AND CANACCORD IS THERE.

37%

OF CAPITAL MARKETS REVENUE WAS GENERATED OUTSIDE OF CANADA

01.17.11

CANACCORD COMPLETES ITS ACQUISITION OF THE BALLOCH GROUP

REASONS TO INVEST IN CANACCORD FINANCIAL INC.

1. DEFINED GROWTH STRATEGY

- Leveraging our sector leadership by expanding into emerging, high-growth markets
- Broadening our sector coverage and service offering to build market share in Canada, the US and the UK
- Focused on pursuing business development opportunities that are accretive to earnings, culturally compatible and strategically complementary to the Company's existing businesses

2. SOLID FINANCIAL POSITION

- Strong, liquid balance sheet to support growing business volumes and continued investment in growth opportunities
- Book value of $8.79 per diluted share, as of March 31, 2011
- Excellent income growth from market share gains, business expansion and an ongoing commitment to improving operational efficiency
- Annualized 23.7% return on equity over the last half of fiscal 2011[1]

3. STRONG SHAREHOLDER ALIGNMENT

- All senior managers are shareholders and are committed to building exemplary long-term shareholder value
- Senior officers of the Company own more than 30% of Canaccord shares. Employees own more than 50%

[1] Normalized ROE. Excludes acquisition-related expense items.

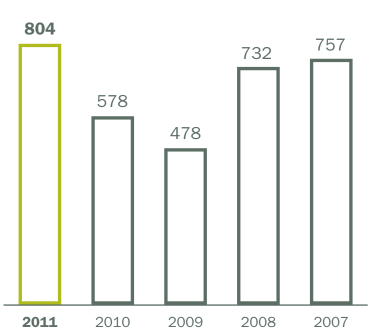
Financial Highlights

SELECTED FINANCIAL INFORMATION[1][2]

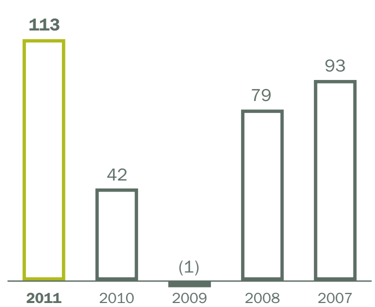
(C$ thousands, except per share and % amounts, and number of employees)	2011	2010	2011/2010 Change	
		For the years ended March 31		
CANACCORD FINANCIAL INC.				
Revenue				
Commission	**$ 294,650**	$ 235,606	*$ 59,044*	*25.1%*
Investment banking	**327,499**	215,237	*112,262*	*52.2%*
Advisory fees	**84,914**	39,200	*45,714*	*116.6%*
Principal trading	**43,644**	45,982	*(2,338)*	*(5.1)%*
Interest	**24,040**	12,965	*11,075*	*85.4%*
Other	**28,884**	28,547	*337*	*1.2%*
Total revenue	**$ 803,631**	$ 577,537	*$ 226,094*	*39.1%*
Expenses				
Incentive compensation	**391,050**	299,084	*91,966*	*30.7%*
Salaries and benefits	**64,420**	59,415	*5,005*	*8.4%*
Other overhead expenses[3]	**194,975**	162,397	*32,578*	*20.1%*
Acquisition-related costs	**12,740**	5,000	*7,740*	*154.8%*
Total expenses	**$ 663,185**	$ 525,896	*$ 137,289*	*26.1%*
Income before income taxes	**140,446**	51,641	*88,805*	*172.0%*
Net income	**$ 98,234**	$ 38,497	*$ 59,737*	*155.2%*
Basic earnings per share	**$ 1.35**	$ 0.79	*$ 0.56*	*70.9%*
Diluted earnings per share	**$ 1.20**	$ 0.69	*$ 0.51*	*73.9%*
Return on average common equity (ROE)	**14.0%**	9.8%	*4.2 p.p.*	
Dividends per share	**$ 0.275**	$ 0.15	*$ 0.125*	*83.3%*
Book value per diluted common share – period end	**8.79**	6.96	*1.83*	*26.3%*
EXCLUDING ACQUISITION-RELATED ITEMS[4]				
Total expenses	**$ 645,319**	$ 520,896	*$ 124,423*	*23.9%*
Net income	**112,617**	42,043	*70,574*	*167.9%*
Basic earnings per share	**$ 1.54**	$ 0.86	*$ 0.68*	*79.1%*
Diluted earnings per share	**$ 1.38**	$ 0.76	*$ 0.62*	*81.6%*
BALANCE SHEET DATA				
Total assets	**$ 5,110,372**	$ 3,123,848	*$ 1,986,524*	*63.6%*
Total liabilities	**4,353,849**	2,722,103	*1,631,746*	*59.9%*
Total shareholders' equity	**756,523**	401,745	*354,778*	*88.3%*
Number of employees	**1,684**	1,549	*135*	*8.7%*

(1) Data is considered to be GAAP except for ROE, book value per diluted common share, figures excluding acquisition-related items and number of employees.
(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) Consists of trading costs, premises and equipment, communication and technology, interest, general and administrative, amortization of tangible and intangible assets, and development costs.
(4) Figures excluding acquisition-related items are non-GAAP measures. See non-GAAP measures on page 23 and Selected Financial Information Excluding Significant and Acquisition-Related Items on page 32.
p.p.: percentage points
n.m.: not meaningful

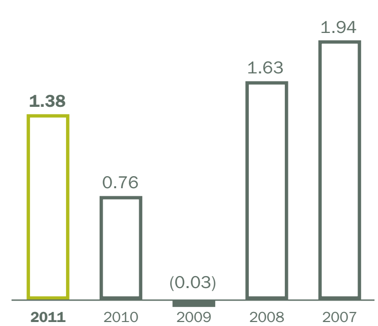
REVENUE FOR FISCAL 2011
(C$ millions)



NET INCOME FOR FISCAL 2011
(C$ millions, excluding acquisition-related and significant items)



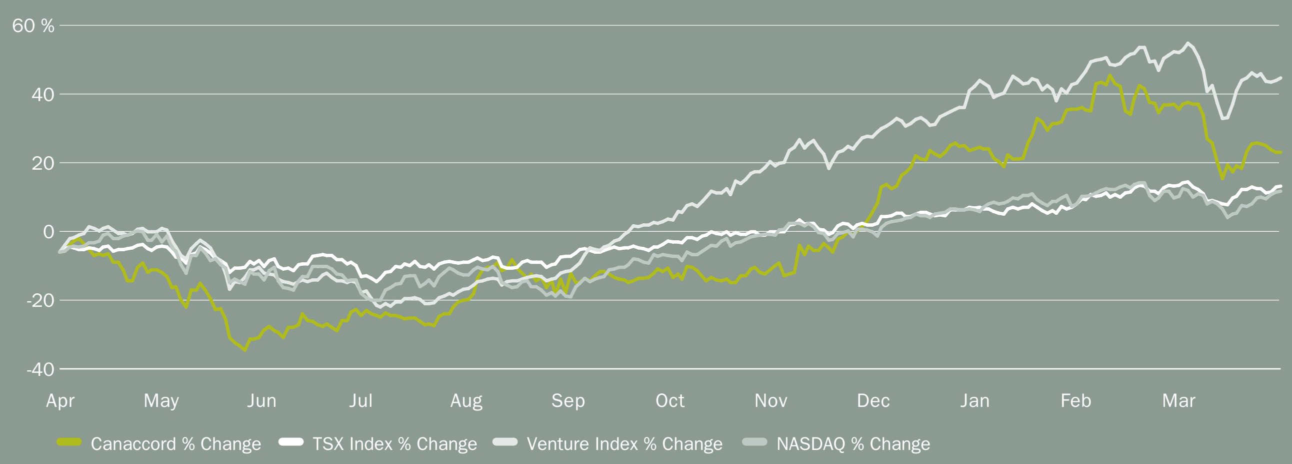
DILUTED EPS FOR FISCAL 2011
(C$, excluding acquisition-related and significant items)



Canaccord Financial At a Glance

Canaccord Financial Inc. is the publicly traded parent company of a group of companies that primarily consists of Canaccord Genuity and Canaccord Wealth Management.

CF SHARE PERFORMANCE DURING FISCAL 2011



CANACCORD GENUITY

- Provides investment research, equity underwriting, advisory and restructuring services, and equity and fixed-income trading to institutions and corporations
- Offices in Canada, the United States, the United Kingdom, China and Barbados
- Approximately 630 employees, including more than 150 senior level investment bankers, 70 research analysts and 180 sales and trading professionals[1]

CANACCORD WEALTH MANAGEMENT

- Offers a comprehensive suite of wealth management solutions and brokerage services to individual Canadian investors
- 32 Canaccord Wealth Management branches located across Canada[1]
- 271 Investment Advisory Teams[2]
- $17 billion in assets under administration; $546 million in assets under management
- Branches operate on one of two platforms: corporately owned or Independent Wealth Management (IWM)

(1) As of March 31, 2011

(2) 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 licenced 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.

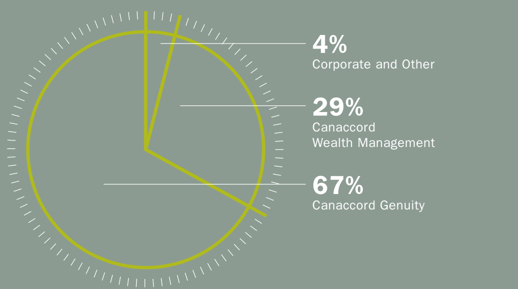
RECORD PERFORMANCE DURING FISCAL 2011

$804 MILLION
OF RECORD REVENUE

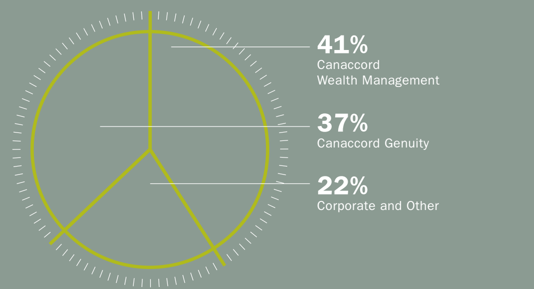
$98 MILLION
OF RECORD NET INCOME

$113 MILLION
OF NET INCOME EXCLUDING ACQUISITION-RELATED ITEMS[(1)]

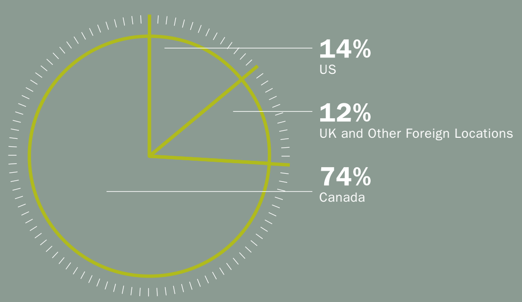
FISCAL 2011 – REVENUE BY BUSINESS SEGMENT



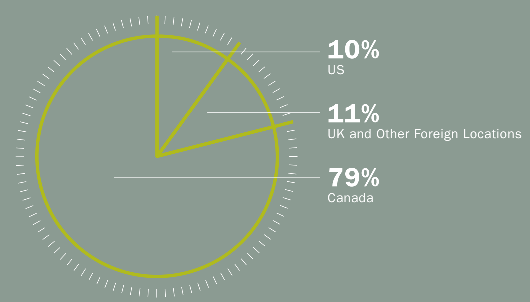
FISCAL 2011 – EMPLOYEES BY BUSINESS SEGMENT



FISCAL 2011 – REVENUE BY GEOGRAPHY

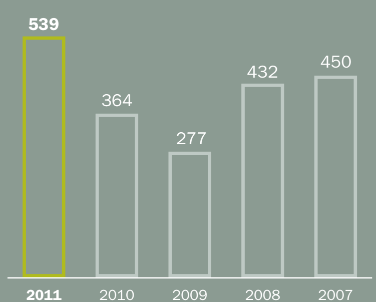


FISCAL 2011 – EMPLOYEES BY GEOGRAPHY

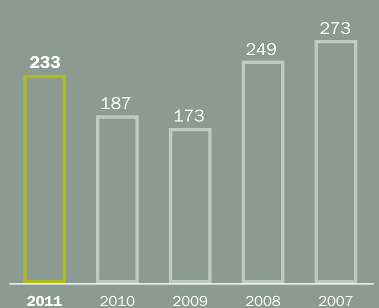


REVENUE DISTRIBUTION BY BUSINESS SEGMENT

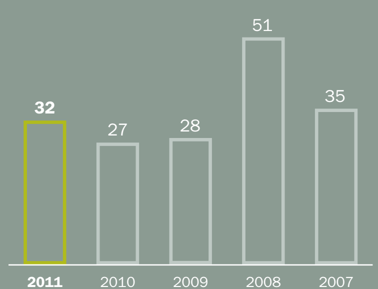
CANACCORD GENUITY
(C$ millions)



CANACCORD WEALTH MANAGEMENT
(C$ millions)



CORPORATE AND OTHER
(C$ millions)



(1) See non-GAAP measures on page 23.

> Our strategy remains focused on driving organic growth and exploring strategic business development opportunities that build the strength and capabilities of our global platform.

To Our Shareholders

Fiscal 2011 was a pivotal year for Canaccord Financial. We built a strong, accomplished M&A and advisory team, added to our sector and market cap coverage, and captured trading market share by acquiring and integrating a strategically important capital markets business in Canada. We successfully improved the margins of Canaccord Wealth Management by taking measures to increase the efficiency and productivity of our retail business, which ultimately achieved its first profitable year since the global financial crisis. And we gained further access to China's growing demand for cross-border investment and M&A opportunities by expanding our global platform into Asia through the acquisition of a leading boutique investment bank in China. Together, these initiatives helped Canaccord achieve record financial performance during fiscal 2011. Even more, they prove the success of our growth strategy and the power of our integrated, global platform.

RECORD FINANCIAL PERFORMANCE

All of Canaccord's businesses contributed to our record results for the fiscal year. Revenue of $804 million was an all time high, and something we are particularly proud of given these results were achieved during a year that was relatively quiet during the first six months. This 39% increase over last year is largely due to our expanded capital markets business; however, strong contributions were made from each of our subsidiaries and divisions – including our US operations, which achieved its best year ever.

Our exceptional top-line growth, combined with our continued commitment to increasing the efficiency of the Company, allowed us to grow net income by 155% compared to last year, to a record $98.2 million. Diluted earnings per share for fiscal 2011 were $1.20, 74% higher than the year earlier – impacted slightly by the 26.5 million shares that were issued to complete the acquisition of Genuity Capital Markets. On a normalized basis, excluding all acquisition-related expense items, net income was $113 million, 168% higher than fiscal 2010, and diluted EPS was $1.38.

During the year we also made meaningful progress in improving our return on equity. In fact, during the last half of fiscal 2011, annualized ROE was 23.7%[1] – an early indication of what we believe we can achieve for shareholders within healthy market conditions.

[1] Normalized ROE. Excludes acquisition-related expense items.

As market stability returned and our record results solidified the strength of our business, our Board of Directors approved another increase to our dividend for our fiscal fourth quarter – raising it to $0.10 per share, up from $0.05 a year ago. I'm pleased that our success has made it possible to responsibly distribute more of our earnings to shareholders.

GROWING OUR MARKET SHARE

We successfully completed the acquisition and integration of Genuity Capital Markets early in the fiscal year and rebranded our global capital markets team Canaccord Genuity on May 10, 2010. Since that time we have achieved exceptional results as a single team by leveraging our combined core strengths and client relationships. Canaccord Genuity is now delivering more expertise to more clients across a broader range of industry sectors than any time before.

Our investment banking team remains focused on cultivating long-term client relationships, catering to the changing needs of companies as they expand and mature. This is proving to be a highly competitive offering in the marketplace that just begins to demonstrate our ability to drive organic growth and earnings. More specifically, Canaccord Genuity is gaining significant momentum through our much-larger M&A and restructuring team. We advised on 39 transactions that closed during fiscal 2011, with an aggregate value of $5.7 billion. This includes our first major restructuring assignment and many transactions we would not have secured without the combined capabilities and expertise of our expanded capital markets team.

EXPANDING IN HIGH-GROWTH MARKETS

Canaccord Genuity's deep domain knowledge and full service offering have firmly established the Company as a leading global investment bank. This gives us an attractive opportunity to serve emerging geographies where the capital markets are still in the early stages of development. For several years, we have responded to client requests for cross-border transactions or advisory services with an Asia component. In January 2011, we formally launched Canaccord Genuity Asia to leverage the strength of the Company's sector expertise, particularly in the mining, energy, clean technology and life sciences sectors.

The exciting expansion of our global platform gives us significant new scope for growth by providing a wide range of capital markets services to regional and international clients. It also provides a strong base from which further growth initiatives in the Asia-Pacific region can draw on, providing Canaccord with even more opportunity to add strength to its operations in this important geography.

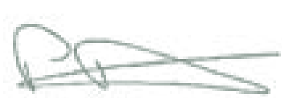
BUILDING MOMENTUM IN WEALTH MANAGEMENT

The focus of our wealth management team for the past two years has been on creating a sustainable business that delivers real value to both clients and shareholders. I'm pleased to say we are making great progress on both fronts. In fiscal 2011, Wealth Management delivered its first profitable year since the financial crisis. While stronger equity markets played a notable role in that result, our team's ongoing initiatives to contain costs, consolidate client assets in the hands of our most experienced Advisors, and grow our fee-based revenue contributed significantly. So did *Complete Canaccord*, our suite of tailored, easy-to-understand wealth management products designed specifically to meet the needs of Canada's emerging mass affluent market. Similarly, our transactional-oriented Advisors made tremendous gains in the last half of fiscal 2011, with many achieving best-ever years for annual production. During the year, assets under administration grew 31% to $17 billion, making Canaccord Wealth Management the largest non-bank pool of assets in Canada.

THE VIEW AHEAD

The initiatives we launched during fiscal 2011 have propelled Canaccord onto the global stage. We now rank in the top 20 investment banks worldwide based on equity underwriting fees.[1] And we're successfully competing against, and gaining market share from, competitors much larger than we are.

Canaccord's further evolution requires that we embrace geographies and business lines that will enable us to serve the broader needs of our growing client base around the world. Our strategy remains focused on driving organic growth and exploring strategic business development opportunities that build the strength and capabilities of our global platform. While we maneuver our businesses to be best situated for market opportunities, our commitment to generating long-term value for our shareholders remains paramount. All of our strategic decisions are, and always will be, anchored in delivering on this promise to you.



PAUL D. REYNOLDS
President & Chief Executive Officer
May 2011

(1) Bloomberg data and rankings.

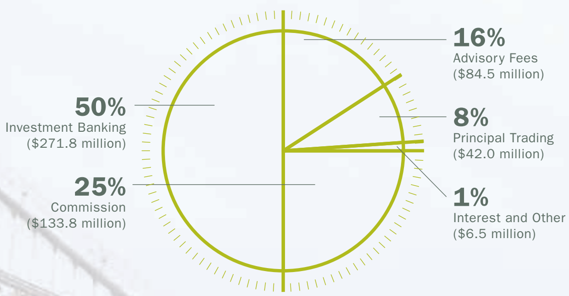
6:40 a.m. NEW YORK

THE DAY IS JUST BEGINNING BUT CANACCORD GENUITY ANALYSTS AND TRADERS ARE ALREADY IN THE OFFICE. REVIEWING CORPORATE RESULTS AND PREPARING RESEARCH REPORTS. EVALUATING ECONOMIC DATA AND GENERATING IDEAS FOR CLIENTS.

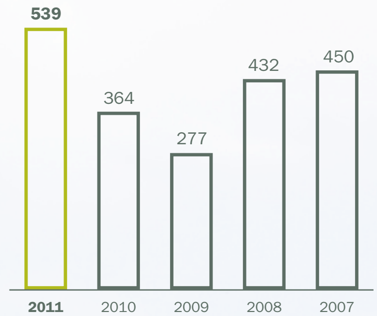
Canaccord Genuity

Canaccord's very successful acquisition and integration of Genuity Capital Markets in early fiscal 2011 created the gold standard independent investment bank. Our collective operations, rebranded Canaccord Genuity on May 10, 2010, united Canaccord's leadership in equity financing with Genuity's deep advisory expertise to form a comprehensive, global platform that serves the entire client lifecycle. With this broader skill set, expanded sector coverage and growing diversification by geography and market cap, our clients are already seeing the benefits we knew our combination could provide. And we're just beginning to realize the earnings power we knew was possible.

REVENUE BY ACTIVITY
(Fiscal 2011)



RECORD REVENUE IN FISCAL 2011
Canaccord Genuity Revenue (C$ millions)



Fiscal 2011 proved to be an exceptional year for Canaccord Genuity. With record revenue from advisory fees, investment banking activities and trading commissions, Canaccord Genuity achieved its best-ever financial performance, despite unfavourable market conditions during much of the first half of the fiscal year. It's a testament to the quality of our employees and their ability to generate value for our clients in all market conditions.

The fiscal year was characterized by two distinct halves for Canaccord's capital markets operations. The first was built around the acquisition of Genuity Capital Markets, which was a key transaction in our long-term strategy to add depth and breadth to the value proposition we can offer to clients in our core markets. We completed the acquisition on April 23, 2010 and fully integrated and rebranded our operations as Canaccord Genuity on May 10, 2010. As market instability and uncertainty related to economic recovery reduced client activity for much of the first half of the fiscal year, we used that time to align our newly expanded capabilities and better understand how we could best serve our growing client base.

A resurgence in client activity during the second half of the fiscal year produced record revenue levels across our capital markets divisions and demonstrated the real leverage and earnings potential of Canaccord Genuity. By combining our long-established global platform, proven equity underwriting and distribution strength, with a wider breadth of top-rated research and robust advisory and restructuring capabilities, more clients are finding more value in Canaccord Genuity's enhanced capabilities than ever before.

As fiscal 2011 proved, our new competitive strength is more than the sum of its parts. In fact, our enhanced execution capabilities and growing client relationships are driving many new opportunities for Canaccord Genuity. Whether we're leading or advising transactions that we would not have before, or gaining trading market share, it's clear that our clients recognize the quality of our ideas, our ability to see opportunity and our commitment to working with them to accomplish all their investment banking needs.

BUILDING ON MOMENTUM

Canaccord Genuity generated record revenue of $538.6 million during fiscal 2011, a 48% increase compared to fiscal 2010 and 20% higher than our previous record in fiscal 2007. This tremendous result was due largely to revenue growth from our Canadian operations, but was also buoyed by record performance from our US operations and a solid result from our UK business. What's more, the revenue contribution from all of our capital markets activities speaks to the broad strengths of Canaccord Genuity's services and global platform. Investment banking revenue rose 50% compared to last year to a record $271.8 million. Advisory fee revenue increased 116% to $84.5 million, while commission revenue increased 30% to $133.8 million.

Client activity picked up dramatically in the second half of our fiscal year, as the health of equity markets returned and companies acted on opportunities to refinance and grow. Revenue flows reflect this increase in activity, with more than 63% of Canaccord Genuity revenue generated in the second half of the fiscal year. And while many investment banks benefited from the improved market conditions, we were particularly pleased with our market position and sector strength, which we were able to leverage into market share gains on several fronts.

Our ongoing commitment to cost containment continues to enhance the efficiency of Canaccord Genuity. Fiscal 2011's lower expense ratios made a meaningful contribution to improving the operating margins of the division. In the

The power of Canaccord Genuity's global capabilities was evident in the division's improving performance throughout the fiscal year. As we completed the integration of Genuity and focused on our growing client base, the outstanding results we generated in fiscal 2011 demonstrated the earnings power we knew we could achieve.

last two quarters of fiscal 2011, pre-tax margins for Canaccord Genuity increased to more than 31%, significantly higher than it's ever been and an indication of how we're generating more value for our shareholders.

Earnings from Canaccord Genuity continue to drive a significant portion of Canaccord Financial's performance. Canaccord Genuity accounted for $134.3 million, or 96%, of Canaccord Financial's operating income during fiscal 2011.

17TH WORLDWIDE FOR TOTAL EQUITY UNDERWRITING FEES

(Calendar 2010, in US$ billions)

1	JPMorgan Chase	$	1.61
2	Goldman Sachs	$	1.57
3	Morgan Stanley	$	1.51
4	Bank of America Merrill Lynch	$	1.08
5	UBS	$	1.04
6	Nomura Holdings	$	0.94
7	Credit Suisse	$	0.92
8	Deutsche Bank	$	0.90
9	Citigroup	$	0.78
10	Barclays Capital	$	0.56
11	Wells Fargo	$	0.32
12	RBC Capital Markets	$	0.26
13	Mizuho Financial Group	$	0.25
14	Macquarie	$	0.20
15	Jefferies	$	0.18
16	GMP Securities	$	0.15
17	**Canaccord Genuity**	**$**	**0.14**
17	BMO Capital Markets	$	0.14
17	CIBC World Markets	$	0.14
20	HSBC Holdings	$	0.12

Source: *Bloomberg Markets*

EXPANDING OUR GLOBAL PLATFORM

On January 17, 2011, we expanded our capital markets operations in China with the launch of Canaccord Genuity Asia. With over 40 employees based in four offices in China, we now bring a thorough understanding of local markets to the proven strengths of our global platform. To fully engage the expertise and networks of our global team, several Canaccord Genuity investment bankers and research analysts from North American offices have relocated to Beijing, facilitating business continuity and building even more prospects for Canaccord's cross-border relationships.

Continued strong demand for commodities, coupled with our established expertise in high-growth sectors that are of interest to Chinese businesses, government agencies and international investors – specifically mining, energy, life sciences and clean technologies – suggests that there is significant growth opportunity for Canaccord Genuity in the region. While it's still very early in our Asia strategy, we are pleased with how the integration has progressed and optimistic about the opportunities this expansion will provide to clients and shareholders in the future. Perhaps just as important, we're pleased with the ways in which our Asia initiative is beginning to expand the opportunities and value we can provide existing clients within our established markets.

15

TRANSACTIONS OVER $100 MILLION[1]

[1] Led or co-led during fiscal 2011.

LEADERSHIP IN INVESTMENT BANKING

The creation of Canaccord Genuity Asia brings us another experienced team of investment banking professionals, and adds offices in Beijing, Shanghai, Wuhan and Hangzhou to those of Canaccord Genuity in Canada, the US, and the UK. Our Investment Banking team now numbers more than 150 senior professionals, with deep industry knowledge and strong ties to critical growth sectors of the global economy. Together, they represent proven independent expertise and experience in corporate finance, mergers and acquisitions, and financial restructuring, with the value of a global distribution platform and direct access to institutional investors around the world.

We continue to diversify the capabilities of our strong banking platform. With the launch of our operations in Asia, as well as the resurgence of growth in emerging economies, Canaccord Genuity is operating in more geographies than ever before. Many of the 138 transactions we led or co-led during fiscal 2011 had a cross-border component, and in the past five years we have developed experience in more than 70 countries on behalf of our clients.

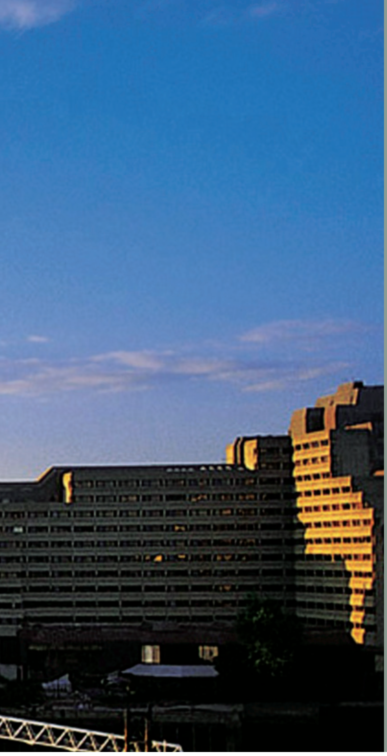
The growing value of our global platform was showcased this year, as Canaccord Genuity broke into the top 20 investment banks worldwide based on the value of all equity underwriting fees.[1] We not only advanced 15 places to rank 17th, we also outranked several well-known bank-owned investment dealers. It speaks to the power of Canaccord Genuity's growing team, and the success of our strategy. By focusing on small to mid-cap corporate clients, and continuing to cater to these companies' needs as they grow and mature, Canaccord Genuity is able to maintain strong client relationships throughout their entire corporate lifecycle and successfully compete with far larger investment banks.

(1) Bloomberg data and rankings.

During fiscal 2011 we also broadened our sector coverage substantially, adding many new sectors through our acquisition of Genuity including Agriculture and Transportation, and growing others such as Financials and Technology. And in the US, we added senior bankers specializing in the Consumer Products, Life Sciences, Cleantech and Sustainability sectors. In the past three years, we have invested aggressively in building our capabilities in these verticals, and the results are notable. During calendar 2010, we participated in more Life Sciences and medical technology transactions in the US than any other investment bank – firmly establishing Canaccord Genuity as a recognized leader in these important growth sectors.

This growing diversity complements the continued and substantial opportunity we have to leverage our traditional expertise in the resource sector. In fact, during fiscal 2011, approximately half of the transactions Canaccord Genuity completed were in non-resource sectors like Life Sciences and Cleantech. And while we continue to provide best-in-class service to the small to mid-cap market, we are now serving more-established large-cap companies such as Air Canada – highlighting the skills and relationships of the new Canaccord Genuity team.

The most marked change in Canaccord Genuity's operations during fiscal 2011 was the significant expansion of our M&A and advisory capabilities, and the resulting record advisory fee revenue we achieved during the year. Much of this increase can be attributed to the strength and experience of our expanded capital markets team and the deep-rooted client relationships we gained through the acquisition in April. As an advisor to 39 M&A and restructuring transactions during fiscal 2011, we achieved the Company's best year for this segment. Perhaps more importantly, it is an early indication of what we can achieve by furthering our relationships with corporate clients and finding opportunities for them as they expand and grow.



In November 2010, Canaccord announced a significant expansion of its global platform. Through our acquisition and integration of The Balloch Group (TBG), a leading boutique investment bank in China, and a strategic agreement with the Export-Import Bank of China (China Eximbank), Canaccord Genuity clients now have even greater access to opportunities in Asia.

FISCAL 2011 EQUITY TRANSACTIONS

Highlights of the 138 transactions Canaccord Genuity led or co-led

- C$382.8 million for Tahoe Resources Inc. on the TSX
- C$347.6 million for Eastern Platinum Limited on the TSX
- C$308.2 million for Primero Mining Corp. on the TSX Venture
- £206.3 million for Rockhopper Exploration Plc. on AIM
- £205.0 million for Petra Diamonds Ltd. on AIM
- C$162.8 million for Air Canada on the TSX
- US$90.9 million for Rubicon Technologies, Inc. on the NASDAQ
- Four separate transactions for Artis Real Estate Investment Trust on TSX totalling C$375.5 million
- Two separate transactions for Northern Oil and Gas Inc. on the AMEX totalling US$294.7 million
- Two separate transactions for Triangle Petroleum Corporation on the AMEX totalling US$183.2 million

FISCAL 2011 ADVISORY ASSIGNMENTS

Highlights of the 39 transactions on which Canaccord Genuity was a principal advisor

- Parkbridge Lifestyle Communities Inc. on its acquisition by British Columbia Investment Management Corporation
- Goldcorp Inc. on the sale of its Escobal project to Tahoe Resources Inc.
- Brett Resources Inc. on its sale to Osisko Mining Corporation
- Primero Mining Corp. on its acquisition of Goldcorp's San Dimas gold and silver mine
- Dragonwave Inc. on its acquisition of Axerra Networks Inc.
- Pacific Equity Partners on its acquisition of CIBC Mellon Issuer Services Business
- CyDex Pharmaceuticals, Inc. on its acquisition by Ligand Pharmaceuticals Inc.
- SunOpta Inc. on its sale of SunOpta Bioprocess Inc. to Mascoma Corporation
- Curamik Electronics GmbH on its acquisition by Rogers Corporation
- Pediment Gold Corp. on its merger with Argonaut Gold Inc.

48%

INCREASE IN REVENUE FROM CANACCORD GENUITY ACTIVITIES(1)

116%

INCREASE IN ADVISORY REVENUE(1)

138

INVESTMENT BANKING TRANSACTIONS LED OR CO-LED

(1) Compared to fiscal 2010.

CANACCORD GENUITY SECTOR COVERAGE

- Mining and Metals
- Energy
- Technology
- Life Sciences
- Consumer Products
- Real Estate
- Infrastructure
- Sustainability and Cleantech
- Financials
- Agriculture and Fertilizers
- Media and Telecommunications
- Transportation and Industrial Products
- Paper and Forestry Products
- Investment Trusts
- Support Services
- Structured Products

DEEPENING OUR RESEARCH COVERAGE

Canaccord Genuity's ability to generate in-depth and timely ideas is integral to our success. Moreover, our clients depend on Canaccord Genuity because our research is independent and global. Over 100 research professionals follow more than 750 companies in 16 focus sectors from offices across North America, the UK and China.

The quality of our research coverage was clear in the 2010 Brendan Wood International Canadian Capital Markets Survey of equity analysts. Canaccord Genuity was ranked the top independent provider of equity research in Canada, first among all Canadian investment banks for the quality of our investment ideas and first for the quality of small-cap research. Companies also voted Canaccord Genuity analysts first for who understands their business best. And five of our Canadian analysts also received top-three rankings for their specific sector coverage. We're having similar success in the US and UK. Three of Canaccord Genuity's US-based analysts received top-two rankings in their respective sectors by the *Wall Street Journal*. And in the UK our analysts have received wide-ranging recognition from the *Financial Times* and *StarMine*, including best metals and mining stock picker, best technology stock picker, best earnings estimator for financial services, and second place for selecting stocks in all sectors.(1)

16
FOCUS SECTORS

750+
COMPANIES COVERED BY CANACCORD GENUITY'S RESEARCH TEAM

2,300+
MARKETS MADE FOR COMPANIES BY OUR TRADING TEAM

(1) *Financial Times* and *StarMine*. Top Analysts of 2010 for the United Kingdom and Ireland.

Ideas are the engine of our business. Canaccord Genuity was ranked first for Quality of Investment Ideas in the 2010 Brendan Wood International Canadian Capital Markets Survey of equity analyst performance.

We are continually adding to the value we can offer institutional and individual clients through our global perspective and proprietary investment opinions. Our expanded Canaccord Genuity team now provides top-ranked research coverage of the Transportation, Financial and Telecommunications sectors in addition to our well-established expertise in Mining, Energy, Sustainability and Life Sciences. During fiscal 2011, we also bolstered our research coverage of wireless and internet technologies with the addition of several highly ranked analysts in the US and Canada.

Canaccord Genuity's 30th Annual Growth Conference was held in Boston on August 9–11, 2010, and was our most successful conference ever. This premier event provides institutional investors with highly actionable opportunities from nearly 300 small to mid-cap growth companies from the US, Canada and the UK. Our teams facilitated nearly 600 investment banking meetings and more than 3,000 individual meetings with institutional clients, which speaks to the quality of our coverage and our ability to identify targeted opportunities for investors.

GROWING STRENGTH IN INSTITUTIONAL EQUITY SALES AND TRADING

The integration of the Canaccord Genuity sales and trading desks, the strength of our combined relationships with institutional investors and several years of investment in building our capabilities in Canada, the US and the UK drove strong sales and trading market share gains during fiscal 2011. In Canada, the Canaccord Genuity sales and trading team increased their block trading market share on the TSX by 40% to 5.1% of total trading volume. And on the TSX Venture, a traditionally strong market for Canaccord Genuity, our team captured 13.4% of trading volume, finishing the year with 15.3% market share during our fiscal fourth quarter. We're also making great advances in the US and UK. Our US trading desks grew their agency business by 10% during a year when many industry participants experienced lower trading volumes. And in the UK, Canaccord Genuity holds the largest market share on AIM of all investment banks, averaging 6% based on total trading value during fiscal 2011.

Whether we work with long-only accounts or alternative asset managers, Canaccord Genuity is passionate about ensuring that institutional clients receive high-quality investment and trading ideas. Our sales team is specialized by both geography and industry, and we are active participants on seven global exchanges from our eight international trading floors. Our skilled team of 115 sales and trading professionals facilitate timely execution of both high-volume, large-capitalization names and less liquid, emerging companies, managing the potential impact of each transaction.

Globally, we make a market in over 2,300 stocks on seven exchanges, with expertise that ranges from NASDAQ listings in the US to investment trusts in the UK. Our ability to leverage Canaccord Wealth Management's strong distribution network also provides greater distribution opportunities for our institutional and corporate clients.

3:40 a.m. VANCOUVER

THE DAY HASN'T BEGUN, BUT CANACCORD WEALTH MANAGEMENT ADVISORS ARE RECEIVING ALL THE NEWS AND RESEARCH DATA THEY NEED TO PROVIDE TIMELY AND ACTIONABLE IDEAS TO CLIENTS. SOON ENOUGH, THEY WILL BE WATCHING THE MARKETS, REVIEWING CLIENT PORTFOLIOS AND EVALUATING INVESTMENT OPPORTUNITIES.

Canaccord Wealth Management

Over the past two fiscal years, the Canaccord Wealth Management team has focused on building a stronger, more profitable business that creates outstanding value for clients and sustainable returns for shareholders. Our efforts have produced solid progress. We have reduced operating costs, strengthened Advisory Teams and created a suite of easy-to-understand products that meet Canadians' growing need for solutions that address the creation, preservation and estate-transfer of their wealth. These initiatives, combined with improved market conditions, have returned Canaccord Wealth Management to profitability.

ASSETS UNDER ADMINISTRATION (AUA)
(C$ billions)

$12.4 MILLION

OF NET INCOME BEFORE INCOME TAXES IN FISCAL 2011

The slowdown in market activity during the first half of Canaccord's fiscal year gave us an opportunity to work more aggressively on two key priorities for Canaccord Wealth Management during fiscal 2011 – to identify and target opportunities to operate more efficiently and to generate profitable returns to Canaccord. Over the past two fiscal years the division has made substantial progress in increasing its margins, largely due to our cost containment initiatives and efforts to build our assets under administration. During fiscal 2011, Canaccord Wealth Management successfully enhanced its efficiency ratio to 79%, the lowest it's been since fiscal 2007, and grew assets under administration by more than 31%. These achievements, combined with a surge in client activity in the last half of the year, resulted in net income before taxes of $12.4 million in fiscal 2011 – the division's first profitable year since the global financial crisis.

Many factors are contributing to the turnaround that is gaining momentum in Canaccord Wealth Management. No less important than our focus on productivity, is the stronger value proposition we are offering to clients. We are experiencing excellent adoption of our proprietary *Complete Canaccord* solutions. This financial planning framework offers affluent Canadians credible, easy-to-understand advice and products to help assess, plan, implement and monitor their investable assets. These all-inclusive, fee-based services not only provide more value to clients, they build recurring revenues and assets for Canaccord and have contributed to a growing proportion of fee-based client accounts. In fact, in calendar 2010 Canaccord Wealth Management ranked first for asset growth in fee-based accounts among all Canadian investment dealers, according to *Investor Economics*.

271

INVESTMENT ADVISORY TEAMS

47%

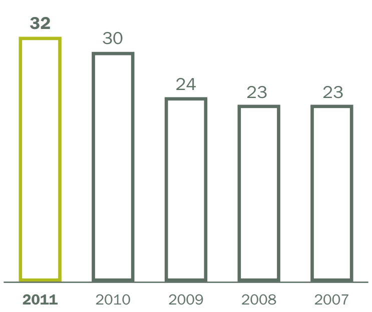
INCREASE IN AUA PER ADVISORY TEAM DURING FISCAL 2011

At year end, Canaccord Wealth Management had $17 billion in assets under administration (AUA), representing the largest non-bank pool of individual investment assets in Canada.

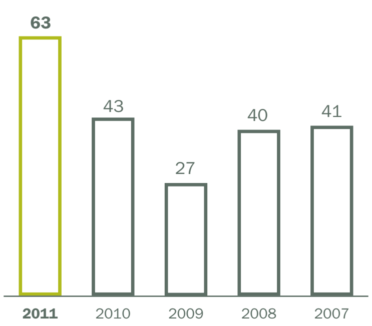
During the past two years, we have also made excellent progress in enhancing the overall productivity of our Investment Advisors. We have invested in quality over scale to ensure client assets are being handled by experienced, well-trained Advisors who share our commitment to meeting our clients' expectations for comprehensive wealth management services. This strategy, combined with improved equity markets, has led to a doubling of average book size over the past two years. AUA per Advisory Team now averages $63 million, the highest it has ever been in Canaccord's history.

Our national network of Wealth Management branches continues to grow through our Independent Wealth Management (IWM) platform. We continue to be pleased with this operating model, through which independent agents operate under the Canaccord brand but take on a larger share of the costs and risks associated with operating a branch office. During fiscal 2011, we transferred four corporate branches to the IWM network and opened new IWM branches in Ottawa, Burlington and Cobourg, Ontario, and Calgary, Alberta. Canaccord Wealth Management now has 32 locations across Canada, including 18 on the IWM platform.

CANACCORD WEALTH MANAGEMENT LOCATIONS ACROSS CANADA
(as of March 31 of fiscal year)



AUA PER ADVISORY TEAM
(C$ millions)



SEVEN KEY VALUES DRIVE CANACCORD EMPLOYEES AND MANAGEMENT IN DELIVERING RESULTS TO OUR SHAREHOLDERS, CLIENTS AND THE COMMUNITIES WE OPERATE IN. PURSUING AND LIVING UP TO THESE VALUES IS A RESPONSIBILITY WE TAKE GREAT PRIDE IN.

1. WE PUT OUR CLIENTS FIRST.

We develop deep trust with our clients through detailed consultation, appropriate investment ideas and value-added services.

2. A GOOD REPUTATION IS OUR MOST-VALUED CURRENCY.

Integrity and respect for client confidentiality are the basis of all our relationships.

3. IDEAS ARE THE ENGINE OF OUR BUSINESS.

Our ability to generate original, quality ideas – for clients and for ourselves – positions us ahead of the competition globally.

4. WE ARE AN ENTREPRENEURIAL, HARD-WORKING CULTURE.

We believe that highly qualified, motivated professionals working together in an entrepreneurial environment results in superior client service and shareholder value.

5. WE STRIVE FOR CLIENT INTIMACY.

The more detailed our understanding of our clients' needs and objectives, the better positioned we are to meet them.

6. WE ARE DEDICATED TO CREATING EXEMPLARY SHAREHOLDER VALUE.

We are committed to aligning the interests of our people with fellow Canaccord shareholders through share ownership. We believe that ownership motivates the ideas and efforts that lead to value creation.

7. WE ARE COMMITTED TO EXCELLENCE IN OUR FOCUS AREAS.

We are a focused investment firm, offering our corporate, institutional and private clients specialized expertise in the key sectors of the global economy.

CANACCORD Genuity Foundation

Investing in Our Communities

THE CANACCORD GENUITY FOUNDATION

Canaccord believes in the value of supporting initiatives that make a difference in the local, national and international communities we serve. The three pillars of Canaccord's charitable giving efforts focus on promoting education, families and children, and Canadians on a global stage. These pillars are the platform on which we are establishing a new charitable fund – the Canaccord Genuity Foundation. We expect this Foundation to be operational by mid-2011, at which point Canaccord Genuity will target its charitable donations based on quarterly and annual reviews to ensure the communities in which we operate receive the most benefit from our corporate giving.

CONTRIBUTING TO OUR COMMUNITIES

Canaccord continued its support for the student community at the University of British Columbia with a corporate donation of $300,000 to the Canaccord Learning Commons. This important new student learning center aims to enhance the educational experience of its students through new information technology tools, which will help establish the Sauder School of Business as a global leader in management thinking. The Canaccord Learning Commons was officially opened in January 2011.

In support of families and children, Canaccord was proud to make a corporate donation of $100,000 to Lupus Canada this year, an organization dedicated to improving the lives of people and families affected by the disease. Canaccord Genuity has also made a five-year, $200,000 annual commitment to Street to Home, a British Columbia-based foundation that works to ensure all citizens of Vancouver have access to safe, affordable housing by developing lasting solutions to homelessness.

Canaccord's ongoing commitment to Canadian Olympic and Paralympic success was evident through our continued sponsorship of the Gold Medal Plates tour, which raises funds through a national culinary competition that benefits the Canadian Olympic Foundation and athletes who train for competitive sport.

And to aid in the resolution and prevention of international conflicts, Canaccord Genuity continues to provide financial contributions to the International Crisis Group, an independent, non-profit organization committed to promoting peace worldwide by providing analysis and advisory services to governments and international bodies.

EMPLOYEE INVOLVEMENT

Canaccord's employees have long been committed to supporting the United Way and its dedication to improving the living conditions of countless people. Over the past five years, Canaccord's employees have raised approximately $600,000 for the United Way in the hopes of providing opportunities to individuals and families and strengthening our local communities.

In response to the devastating impact of the Japanese tsunami in March 2011, many Canaccord employees expressed a desire to aid with disaster relief campaigns. The Canaccord Japan Relief Fund, comprised of employee and corporate donations, raised $50,000 for the Canadian Red Cross and their emergency response efforts.

Financial Review

CAUTION REGARDING FORWARD-LOOKING STATEMENTS:

This document may contain certain forward-looking statements. These statements relate to future events or future performance and reflect management's expectations or beliefs regarding future events 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" 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 detailed from time to time in Canaccord's interim and annual consolidated financial statements and its Annual Information Form filed on www.sedar.com. These forward-looking statements are made as of the date of this document, and will not be updated or reviewed except as may be required by applicable securities law.

Management's Discussion and Analysis

Fiscal year 2011 ended March 31, 2011 – this document is dated May 17, 2011.

The following discussion of Canaccord Financial Inc.'s financial condition and results of operations is provided to enable a reader to assess material changes in the financial condition and results of operations for the year ended March 31, 2011 compared to the preceding fiscal year, with an emphasis on the most recent year. Unless otherwise indicated or the context otherwise requires, the "Company" refers to Canaccord Financial Inc. and "Canaccord" refers to the Company and its direct and indirect subsidiaries. "Canaccord Genuity" refers to the international capital markets division of the Company during fiscal 2011. The Management's Discussion and Analysis (MD&A) should be read in conjunction with the audited consolidated financial statements for the year ended March 31, 2011, beginning on page 67 of this report. Canaccord's financial information is expressed in Canadian dollars unless otherwise specified. The Company's audited financial statements for the year ended March 31, 2011 are prepared in accordance with Canadian generally accepted accounting principles (GAAP).

NON-GAAP MEASURES

Certain non-GAAP measures are utilized by Canaccord as measures of financial performance. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other companies.

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 shareholders' equity divided by the number of diluted shares outstanding.

Assets under administration (AUA) and assets under management (AUM) are non-GAAP 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 *Complete Canaccord Managed Accounts*. 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 which exclude acquisition-related and significant items are non-GAAP measures. Acquisition-related expense items during the year ended March 31, 2011 include $11.0 million for acquisition-related costs and $5.1 million for the amortization of intangible assets related to the acquisition of Genuity Capital Markets, and $1.8 million costs incurred for the acquisition of The Balloch Group Limited. Acquisition-related expense items during the year ended March 31, 2010 include $5.0 million charges related to the acquisition of Genuity.

Significant items incurred in fiscal 2009 include asset-backed commercial paper (ABCP) fair value adjustment of $6.7 million, additional accrual for client relief programs of $2.7 million, fair value adjustment of ABCP purchased by the Company under a client relief program of $2.6 million, impairment of Canaccord Genuity Inc. (formerly Canaccord Adams Inc.) and Enermarket goodwill and intangible assets of $31.5 million and restructuring costs of $7.7 million.

Management believes that the non-GAAP measures presented, which exclude acquisition-related and significant items, provide useful information by excluding certain items that may not be indicative of Canaccord's core operating results. Management believes that these non-GAAP 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. A limitation of utilizing these non-GAAP measures is that the GAAP accounting effects of the acquisition-related and significant items do in fact reflect the underlying financial results of Canaccord's business and these effects should not be ignored in evaluating and analyzing Canaccord's financial results. Therefore, management believes that Canaccord's GAAP measures of financial performance and the respective non-GAAP 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.

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, China and Barbados.

Canaccord Wealth Management

As a leading independent investment dealer, Canaccord Wealth Management provides comprehensive wealth management solutions and services to individual investors and private clients. Canaccord Wealth Management's experienced Advisory Teams provide tailored financial services that meet their clients' financial planning and investment needs.

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.

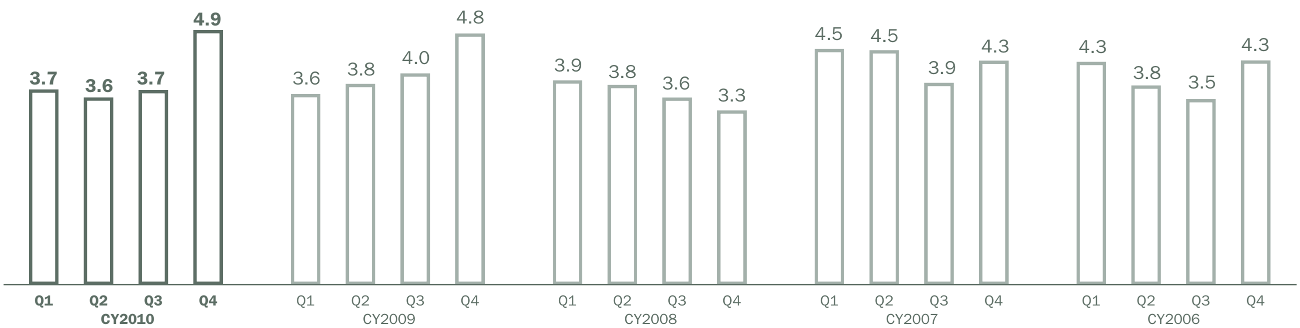
Business activity

Our business is subject to the overall condition of the North American and European equity markets, including seasonal fluctuations. Historically, North American capital markets are slower during the first half of Canaccord's fiscal year, when Canaccord typically generates less than 50% of its annual revenue. Fiscal 2011 followed this pattern, as Canaccord's revenue in the second half of the fiscal year represented 62.5% of annual revenue for the fiscal year.

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

The chart below illustrates the seasonal variance in revenue in the Canadian broker dealer industry over the past five years.

CANADIAN BROKER DEALER TOTAL INDUSTRY REVENUE
(C$ billions, calendar quarters)



Source: Investment Industry Association of Canada. IIAC Securities Industry Quarterly Statistics. March 30, 2011.

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

MARKET DATA

TOTAL FINANCING VALUE BY EXCHANGE

	Q1/11	Q2/11	Q3/11	Q4/11	**Fiscal 2011**	Fiscal 2010	Fiscal 2011/ 2010 change
TSX and TSX Venture (C$ billions)	14.5	8.1	20.4	14.4	**57.4**	61.9	(7.3)%
AIM (£ billions)	1.5	1.3	3.1	1.6	**7.5**	5.9	27.1%
NASDAQ (US$ billions)	9.0	8.0	12.5	16.5	**46.0**	61.1	(24.7)%

Source: TSX Statistics, LSE AIM Statistics, Equidesk

FINANCING VALUE FOR RELEVANT AIM INDUSTRY SECTORS
(£ millions, except for percentage amounts)

	Q1/11	Q2/11	Q3/11	Q4/11	**Fiscal 2011**	Fiscal 2010	Fiscal 2011/ 2010 change
Oil and gas	472.3	348.2	1,052.1	375.9	**2,248.5**	1,387.2	62.1%
Mining	584.5	134.9	837.2	609.3	**2,165.9**	910.8	137.8%
Health Care	23.3	3.3	63.2	35.5	**125.3**	159.3	(21.3)%
Media	5.0	3.5	22.7	26.9	**58.1**	102.9	(43.5)%
Technology	27.7	31.9	97.8	65.2	**222.6**	235.0	(5.3)%

Source: LSE AIM Statistics

FINANCING VALUE FOR RELEVANT TSX AND TSX VENTURE INDUSTRY SECTORS
($ millions, except for percentage amounts)

	Q1/11	Q2/11	Q3/11	Q4/11	**Fiscal 2011**	Fiscal 2010	Fiscal 2011/ 2010 change
Oil and gas	3,707.9	2,126.3	4,055.8	3,618.7	**13,508.7**	11,342.3	19.1%
Mining	1,662.0	1,546.9	5,730.1	2,149.2	**11,088.2**	13,687.3	(19.0)%
Biotech	53.1	49.4	91.3	105.1	**298.9**	152.4	96.1%
Media	22.0	200.0	31.5	9.3	**262.8**	57.5	357.0%
Technology	187.7	691.5	78.2	9.7	**967.1**	506.0	91.1%

Source: FP Infomart

Market Data

Total financing values on the TSX & TSX Venture decreased slightly compared to the previous year, however financing values in most of Canaccord's focus sectors rose. There was a notable increase in financing values on AIM compared to last year, which was driven largely by increases in the resource sectors. Financing values decreased by almost 25% on the NASDAQ, a result of the heightened financing levels the year earlier as companies recapitalized following the global financial crisis.

IMPACT OF CHANGES IN CAPITAL MARKETS ACTIVITY

As a brokerage firm, Canaccord derives its revenue primarily from sales commissions, underwriting and advisory fees, and trading activity. As a result, the Company's business is materially affected by conditions in the financial marketplace and the economic environment, primarily North America and Europe. Canaccord's long-term international business development initiatives over the past several years have laid a solid foundation for revenue diversification.

Canaccord's strong capital base enables it to remain competitive in today's changing financial landscape and continue its growth by maintaining high standards of client service, enhancing relationships, continually recruiting highly qualified professionals and conducting strategic acquisitions as opportunities arise.

During fiscal 2011, Canaccord's capital markets activities were focused on the company's 16 focus sectors, including: Mining and Metals, Energy, Technology, Life Sciences, Agriculture and Fertilizers, Media and Telecommunications, Financials, Consumer Products, Paper and Forestry Products, Real Estate, Infrastructure, Transportation and Industrial Products, Sustainability and Structured Products. Coverage of these sectors included investment banking, and institutional equity activities, such as sales, trading and research.

KEY DEVELOPMENTS DURING FISCAL 2011

Corporate

- On April 22, 2010, shareholders of Canaccord Financial Inc. approved a share issuance to complete the acquisition of Genuity Capital Markets (Genuity)
- On April 23, 2010, Canaccord completed the acquisition of Genuity
- On May 10, 2010, the integration of Genuity with Canaccord's operations was complete. Canaccord's capital markets division was rebranded Canaccord Genuity
- On November 22, 2010, Canaccord announced a strategic agreement with the Export-Import Bank of China, which provides the Company's China-based clients with an enhanced ability to grow internationally and provides international clients with increased access to Chinese debt financing
- On January 17, 2011, Canaccord completed the acquisition of The Balloch Group Limited (TBG), a leading independent boutique investment bank in China. Canaccord's operations in China were launched as Canaccord Genuity Asia

Canaccord Genuity

- Canaccord Genuity generated record revenue of $538.6 million and record net income before income taxes of $134.3 million during fiscal 2011
  - During fiscal 2011, Canaccord Genuity recognized record commission, investment banking, advisory and principal trading revenue
- Canaccord Genuity led 138 transactions globally, each over $1.5 million, to raise total proceeds of $5.3 billion during fiscal 2011. Of this:
  - Canada led 104 transactions, which raised $3.0 billion
  - The UK led 9 transactions, which raised $700 million
  - The US led 25 transactions, which raised $1.6 billion
- During fiscal 2011, Canaccord Genuity participated in a total of 426 transactions globally, each over $1.5 million, to raise gross proceeds of $11.1 billion. Of this:
  - Canada participated in 352 transactions, which raised $3.4 billion
  - The UK participated in 13 transactions, which raised $1.7 billion
  - The US participated in 61 transactions, which raised $6.0 billion

- During fiscal 2011, Canaccord Genuity led or co-led the following equity transactions:
  - C$382.8 million for Tahoe Resources Inc. on the TSX
  - Four separate transactions for Artis Real Estate Investment Trust on TSX totalling C$375.5 million
  - C$347.6 million for Eastern Platinum Limited on the TSX
  - C$308.2 million for Primero Mining Corp. on the TSX Venture
  - Two separate transactions for Northern Oil and Gas Inc. on the AMEX totalling US$294.7 million
  - C$213.0 million for Keegan Resources Inc. on the TSX
  - £206.3 million for Rockhopper Exploration Plc. on AIM
  - £205.0 million for Petra Diamonds Ltd. on AIM
  - C$184.1 million for Baja Mining Corp. on the TSX
  - C$181.1 million for Canaco Resources Inc. on the TSX
  - C$172.5 million for Griffiths Energy International (non-exchange listed)
  - C$162.8 million for Air Canada on the TSX
  - C$145.0 million for Eacom Timber Corporation on the TSX Venture
  - Two separate transactions for Canacol Energy Ltd. on the TSX Venture totalling $115.1 million
  - £133.0 million for Bellzone Mining Plc. on AIM
  - C$130.0 million for Canadian Overseas Petroleum Ltd. on the TSX Venture
  - Two separate transactions for Triangle Petroleum Corporation on the AMEX totalling US$183.2 million
  - US$92.0 million for Alphatec Holdings on the NASDAQ
  - US$91.2 million for Amarin Corp. on the NASDAQ
  - US$90.9 million for Rubicon Technologies, Inc. on the NASDAQ
  - US$90.2 million for Abraxas Petroleum on the NASDAQ
  - C$86.3 million for Pinecrest Energy Inc. on the TSX Venture
  - US$86.3 million for Golden Minerals Company on the TSX
  - C$86.2 million for Valeura Energy Inc. on the TSX Venture
  - C$80.0 million for Alliance Grain Traders Inc. on the TSX
  - US$76.0 million for NxStage Medical Inc. on the NASDAQ
  - C$75.0 million for Petromanas Energy Inc. on the TSX Venture
  - C$74.8 million for International Tower Hill Mines Ltd. on the TSX
  - C$58.2 million for GLG Life Tech Corporation on the TSX
  - US$56.9 million for NPS Pharmaceuticals on the NASDAQ
  - US$55.0 million for IMRIS Inc. on the NASDAQ
  - C$53.9 million for Orezone Gold Corporation on the TSX
  - £52.0 million for Aberdeen Latin American Income Fund Limited on the LSE
  - C$50.0 million for Exeter Resource Corporation on the TSX
  - US$50.0 million for Voyager Oil & Gas on the AMEX
  - C$50.0 million for Zodiak Exploration Corp. on the TSX Venture
- Canaccord Genuity broke into the top 20 investment banks worldwide, tied for 17th based on total equity underwriting fees during calendar 2010, according to Bloomberg Markets. Canaccord Genuity advanced 15 places from the year earlier
- In fiscal 2011, Canaccord Genuity completed 15 Private Equity (PIPE) transactions in the United States that raised US$647.4 million in proceeds

- During fiscal 2011, Canaccord Genuity advised on the following M&A transactions:
  - Levon Resources Ltd. on its acquisition of Valley High Ventures Ltd.
  - ArPetrol Inc. on its consolidation with ArPetrol Ltd.
  - Dalsa Corporation on its acquisition by Teledyne Technologies Inc.
  - Pediment Gold Corp. on its merger with Argonaut Gold Inc.
  - CyDex Pharmaceuticals, Inc. on its acquisition by Ligand Pharmaceuticals Inc.
  - Innovectra Corporation on its acquisition by ImmersiFind Inc.
  - Rivermine, Inc. on its acquisition by Emptoris, Inc.
  - Curamik Electronics GmbH on its acquisition by Rogers Corporation
  - Nellix, Inc. on its acquisition by Endologix Inc.
  - Skana Capital Corp. on its merger with MENA Hydrocarbons Inc.
  - Avenir Diversified Income Trust on its acquisition of Great Plains Exploration Inc.
  - Pacific Equity Partners on its acquisition of CIBC Mellon Issuer Services Business
  - Dragonwave Inc. on its acquisition of Axerra Networks Inc.
  - Francisco Partners LP on its acquisition of Source Photonics Inc.
  - Parkbridge Lifestyle Communities Inc. on its acquisition by British Columbia Investment Management Corporation
  - SunOpta Inc. on its sale of SunOpta Bioprocess Inc. to Mascoma Corporation
  - Pure Technologies Ltd. on its acquisition of Pressure Pipe Inspection Co.
  - Brett Resources Inc. on its sale to Osisko Mining Corporation
  - Primero Mining Corp. on its acquisition of Goldcorp's San Dimas gold and silver mine
  - Corriente Resources Inc. on its sale to Tongling Nonferrous Metals Group Holdings Co., Ltd and China Railway Construction Corporation Limited
  - Goldcorp Inc. on the sale of its Escobal project to Tahoe Resources Inc.
- During fiscal 2011, Canaccord Genuity advised:
  - The Ad Hoc Committee of Unsecured Noteholders of Abitibi-Consolidated Inc. et al. during the restructuring of $4.0 billion of debt under the *Companies' Creditors Arrangement Act* (Canada)
  - Newport Income Fund on its recapitalization

Canaccord Wealth Management

- Canaccord Wealth Management generated $233.0 million of revenue and $12.4 million of net income before income taxes during fiscal 2011
- During fiscal 2011, Canaccord opened five new Canaccord Wealth Management branches on the Independent Wealth Management (IWM) platform, and closed one IWM branch
- Four corporate branches were converted to the IWM platform during fiscal 2011
- At March 31, 2011, Canaccord Wealth Management had 32 offices located across Canada, including 18 IWM branches
- As at March 31, 2011, Canaccord had 271 Advisory Teams[(1)], down 32 from 303 Advisory Teams as of March 31, 2010
  - This decrease is largely due to the conversion of corporate branches to the IWM platform, where each branch is led by one Investment Advisor (IA) and is counted as one Advisory Team, and an ongoing strategic review of our Wealth Management division

Key Developments subsequent to March 31, 2011

- On April 15, 2011, Canaccord Financial Inc. shareholders approved changes to the Company's articles to clarify the rights, privileges, restrictions and conditions attached to the shares of the Company and to alter the authorized capital of the Company by creating an additional class of preferred shares. The amendments provide the Company with a wider range of financing options.

(1) 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 licenced 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.

MARKET ENVIRONMENT DURING FISCAL 2011

During fiscal 2011 it became evident that the global economic recovery could be sustained by policy stimulus and move into a self-sustaining phase after the global credit crisis of 2008/2009. The global recession was not an ordinary recession and, even now, we are still seeing a recovery that is anything but ordinary.

Early in the fiscal year, many developed economies continued to feel the effects of the extraordinary measures taken to avert the global financial crisis, including artificial stimulation and unprecedented policy support. As we entered fiscal 2011 the capital markets were focused on "exit strategies" from these policy measures, but these hopes soon gave way to anxiety and fears of a relapse. The pace of economic recovery and job growth were already disappointing given the amount of global fiscal and monetary stimulus doled out by policy makers. Nevertheless, by the beginning of the summer of 2010 it became obvious that global growth was slowing and that risks to the downside had increased materially.

The tepid recovery was thought to be at risk due to a number of factors including the impact of the expiration of stimulative fiscal programs in the US, a fiscal and banking crisis developing in the peripheral regions of the Eurozone, as well as worries about a housing-centric hard landing in China. Asset markets reacted in a classic risk-aversion pattern; equity markets corrected sharply; US treasuries rallied hard thus driving yields to historic lows and the US dollar continued a major countertrend rally. In August 2010 the US Federal Reserve signaled in a speech by Chairman Bernanke that they would respond, if necessary, with further asset purchases to expand their balance sheet. This move, known as "quantitative easing", had been done before in the midst of the crisis, and the market soon dubbed this program "QE2". This extreme form of monetary stimulus was designed to encourage risk taking in the markets and drive asset prices higher.

As a result of QE2 and other global fiscal stimulus programs, market participants began to reverse their aversion to risk and started a rally in equities and commodities. In the US, business confidence began to return, helped by a year-end deal to extend tax cuts and reduce payroll taxes. US unemployment started to ease and consumer confidence stabilized. This positive environment lasted through the end of fiscal 2011, with equity markets rallying and trading volumes increasing. Capital markets activity picked up, and in the last half of fiscal 2011, new and further equity issuances grew substantially. The large cash holdings by many companies translated into near-record merger and acquisition activity, which buoyed advisory business levels at most investment banking firms. Fiscal 2011 ended with hesitant optimism, as markets continued with relative stability and most major economic concerns appear to have waned.

FISCAL 2012 OUTLOOK

Looking forward, the improved environment for risk assets and capital markets activities is expected to be sustained during fiscal 2012; however, periods of heightened volatility are likely to occur. 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 and may be subject to sporadic setbacks such as the "soft patch" experienced in fiscal 2011. While not enough to derail the global recovery, these periodic setbacks could be triggered by worries stemming from any number of aftershocks from the global financial crisis that would include the slow rolling European and banking debt crisis, political unrest in the Middle East and the negative consequences of premature attempts at fiscal consolidation in some developed nations. While it is likely that policy rates in developed markets will remain accommodative throughout fiscal 2012, we are already seeing tighter policies in developing nations, most notably China, aimed at restraining inflationary forces and speculative excess. As a result, volatility in currency and commodity markets is likely to persist.

As confidence in the economic recovery returns it is likely that cash rich corporations will increase capital investment. Global mergers and acquisition activity in particular should continue to accelerate. Thematically this investment will tend to focus on the higher growth opportunities exposed to developing economies. Regardless of any shorter term cyclical fluctuations, the pace and duration of Chinese industrialization that we are experiencing will continue to have a profound impact on the global economy. In recent years it has been most evident in the demand dynamics of commodities markets. However, we are increasingly seeing the impact of Chinese expansion in capital markets through direct investments in companies and projects.

Against this largely constructive backdrop we believe that the currently healthy market for capital markets activities will persist, albeit perhaps at a more restrained pace than recent quarters. The global need for infrastructure investment remains an ongoing and dominant theme. In particular, funding and M&A activities for resource focused companies should be sustained through fiscal 2012. We continue to be optimistic that positive dynamics will soon return to the investment activities of diversified industrial companies. Absent from errors by fiscal policy makers, we remain cautiously optimistic the global economic outlook in fiscal 2012 will remain favourable.

OVERVIEW OF PRECEDING YEARS – FISCAL 2010 VS. 2009

Total revenue for the year ended March 31, 2010 (fiscal 2010) was $577.5 million, an increase of $99.8 million or 21% compared to the previous year. This increase was primarily due to improved economic and market conditions, and heightened demand for corporate recapitalization. Most major indices also improved during fiscal 2010, with the TSX up 38%, the TSX Venture up 65%, the NASDAQ up 12% and the LSE up 47%.

Canaccord recorded net income of $38.5 million during fiscal 2010, which included $5.0 million of charges related to the acquisition of Genuity Capital Markets. Excluding these acquisition-related items, net income for fiscal 2010 was $42.0 million. Canaccord's performance during fiscal 2010 was a significant improvement over fiscal 2009, when the Company recorded a net loss of $47.7 million, or $1.4 million excluding significant items, which occurred at the height of the global financial crisis.

Financial Overview

SELECTED FINANCIAL INFORMATION[1][2]

(C$ thousands, except per share and % amounts, and number of employees)	2011	2010	2009	2011/2010 Change	
	For the years ended March 31				
CANACCORD FINANCIAL INC.					
Revenue					
Commission	**$ 294,650**	$ 235,606	$ 233,104	$ 59,044	25.1%
Investment banking	**327,499**	215,237	117,916	112,262	52.2%
Advisory fees	**84,914**	39,200	51,453	45,714	116.6%
Principal trading	**43,644**	45,982	18,319	(2,338)	(5.1)%
Interest	**24,040**	12,965	38,287	11,075	85.4%
Other	**28,884**	28,547	18,642	337	1.2%
Total revenue	**803,631**	577,537	477,721	226,094	39.1%
Expenses					
Incentive compensation	**391,050**	299,084	222,006	91,966	30.7%
Salaries and benefits	**64,420**	59,415	56,771	5,005	8.4%
Other overhead expenses[3]	**194,975**	162,397	194,910	32,578	20.1%
Acquisition-related costs	**12,740**	5,000	—	7,740	154.8%
Client relief program and asset-backed commercial paper (ABCP) related expenses[4]	**—**	—	12,047	—	—
Impairment of goodwill and intangibles[5]	**—**	—	31,524	—	—
Restructuring costs[6]	**—**	—	7,662	—	—
Total expenses	**663,185**	525,896	524,920	137,289	26.1%
Income (loss) before income taxes	**140,446**	51,641	(47,199)	88,805	172.0%
Net income (loss)	**$ 98,234**	$ 38,497	$ (47,651)	$ 59,737	155.2%
Earnings (loss) per share – basic	**$ 1.35**	$ 0.79	$ (0.97)	$ 0.56	70.9%
Earnings (loss) per share – diluted	**$ 1.20**	$ 0.69	$ (0.97)	$ 0.51	73.9%
Return on average common equity (ROE)	**14.0%**	9.8%	(12.4)%	4.2 p.p.	
Dividends per share	**$ 0.275**	$ 0.15	$ 0.125	$ 0.125	83.3%
Book value per diluted common share – period end	**$ 8.79**	$ 6.96	$ 6.51	$ 1.83	26.3%
Excluding significant and acquisition-related items[7]					
Total expenses	**$ 645,319**	$ 520,896	$ 473,687	$ 124,423	23.9%
Net income (loss)	**$ 112,617**	$ 42,043	$ (1,417)	$ 70,574	167.9%
Earnings (loss) per share (EPS) – basic	**$ 1.54**	$ 0.86	$ (0.03)	$ 0.68	79.1%
Earnings (loss) per share (EPS) – diluted	**$ 1.38**	$ 0.76	$ (0.03)	$ 0.62	81.6%
Balance sheet data					
Total assets	**$ 5,110,372**	$ 3,123,848	$ 2,022,099	$ 1,986,524	63.6%
Total liabilities	**4,353,849**	2,722,103	1,649,395	1,631,746	59.9%
Total shareholders' equity	**756,523**	401,745	372,704	354,778	88.3%
Number of employees	**1,684**	1,549	1,530	135	8.7%

(1) Data is considered to be GAAP except for ROE, book value per diluted common share, figures excluding significant and acquisition-related items and number of employees.
(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) Consists of trading costs, premises and equipment, communication and technology, interest, general and administrative, amortization of tangible and intangible assets, and development costs.
(4) Includes an ABCP fair value adjustment of $6.7 million, a $2.7 million client relief provision, and a $2.6 million client relief program fair value adjustment.
(5) Relates to impairment of Canaccord Genuity Inc. (formerly Canaccord Adams Inc.) and Enermarket goodwill and intangibles.
(6) Consists of staff restructuring costs.
(7) Refer to the Selected financial information excluding significant and acquisition-related items table below.
p.p.: percentage points

SELECTED FINANCIAL INFORMATION EXCLUDING SIGNIFICANT AND ACQUISITION-RELATED ITEMS(1)(2)

	For the years ended March 31				
(C$ thousands, except per share and % amounts)	**2011**	2010	2009	2011/2010 Change	
Total revenue per GAAP	**$ 803,631**	$ 577,537	$ 477,721	$ 226,094	39.1%
Total expenses per GAAP	**663,185**	525,896	524,920	137,289	26.1%
Acquisition-related items – Genuity(3)	**(16,116)**	(5,000)	—	(11,116)	222.3%
Acquisition-related costs – TBG	**(1,750)**	—	—	(1,750)	n.m.
Client relief program and asset-backed commercial paper (ABCP) related expenses(4)	**—**	—	(12,047)	—	—
Impairment of goodwill and intangibles(5)	**—**	—	(31,524)	—	—
Restructuring costs(6)	**—**	—	(7,662)	—	—
Total significant and acquisition-related items	**(17,866)**	(5,000)	(51,233)	(12,866)	257.3%
Total expenses excluding significant and acquisition-related items	**645,319**	520,896	473,687	124,423	23.9%
Net income before tax – adjusted	**158,312**	56,641	4,034	101,671	179.5%
Net income (loss) – adjusted	**$ 112,617**	$ 42,043	$ (1,417)	$ 70,574	167.9%
Earnings (loss) per share (EPS) – basic, adjusted	**$ 1.54**	$ 0.86	$ (0.03)	$ 0.68	79.1%
Earnings (loss) per share (EPS) – diluted, adjusted	**$ 1.38**	$ 0.76	$ (0.03)	$ 0.62	81.6%

(1) Figures excluding significant and acquisition-related items are non-GAAP measures. See non-GAAP measures on page 23.
(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) Acquisition-related items in fiscal 2011 include $11.0 million of acquisition-related costs and $5.1 million of amortization of intangible assets. Acquisition-related items in fiscal 2010 include $5.0 million of acquisition-related costs. Amortization of intangible assets is classified as other overhead expenses.
(4) Includes an ABCP fair value adjustment of $6.7 million, a $2.7 million client relief provision, and a $2.6 million client relief program fair value adjustment.
(5) Relates to impairment of Canaccord Genuity Inc. (formerly Canaccord Adams Inc.) and Enermarket goodwill and intangibles.
(6) Consists of staff restructuring costs.
n.m.: not meaningful

Revenue

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

Revenue for fiscal 2011 was a record high of $803.6 million, an increase of 39.1% or $226.1 million from fiscal 2010. Overall, the increase in revenue for the year ended March 31, 2011 was mainly driven by higher revenue generated by our Canaccord Genuity segment, resulting from positive market trends and increased performance from our focus sectors.

Commission revenue is principally generated from private client trading activity and institutional sales and trading. Revenue generated from commissions increased by $59.0 million or 25.1% from fiscal 2010. Our Canaccord Wealth Management segment contributed $28.1 million while our Canaccord Genuity segment contributed $30.6 million.

Investment banking revenue was $327.5 million, up $112.3 million or 52.2%, and advisory revenue grew $45.7 million from fiscal 2010 to $84.9 million in fiscal 2011. Both investment banking and advisory revenues were at a record high due to the improved economic environment, increased performance from our focus sectors and the incremental revenue generated from the acquisition of Genuity.

Principal trading revenue was $43.6 million, a decrease of 5.1% or $2.3 million, due to decreased trading gains from our Fixed Income group and our Canaccord Wealth Management segment, offset by improved performance in our UK segment.

Interest revenue is derived from interest realized from financial instruments and fixed income securities held by Canaccord, interest earned on cash balances held at the bank and interest paid by clients on margin accounts. As a result of higher interest rates and additional interest revenue earned from activities in the Fixed Income group, interest revenue increased by $11.1 million or 85.4% from fiscal 2010 to $24.0 million for fiscal 2011.

Other revenue of $28.9 million remained relatively consistent from fiscal 2010 with a slight increase of $0.3 million or 1.2%.

EXPENSES AS A PERCENTAGE OF REVENUE[1]

	For the years ended March 31		
	2011	2010	2011/2010 Change
Incentive compensation	**48.7%**	51.8%	(3.1)p.p.
Salaries and benefits	**8.0%**	10.3%	(2.3)p.p.
Other overhead expenses[2]	**24.3%**	28.1%	(3.8)p.p.
Acquisition-related costs[3]	**1.5%**	0.9%	0.6p.p.
Total	**82.5%**	91.1%	(8.6)p.p.

[1] 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.
[2] Consists of trading costs, premises and equipment, communication and technology, interest, general and administrative, amortization of tangible and intangible assets and development costs.
[3] Includes professional and consulting fees, and staff restructuring costs related to the purchase of Genuity and TBG.
p.p.: percentage points

Expenses for fiscal 2011 were $663.2 million, an increase of 26.1% or $137.3 million compared to last year. Although total expenses grew with business activity, total expenses as a percentage of revenue decreased by 8.6 percentage points from the prior year.

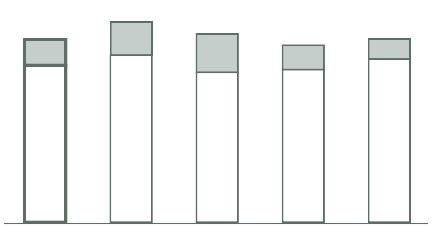
In fiscal 2011, the Company recognized $17.9 million of acquisition-related items. Acquisition-related expense items during the year ended March 31, 2011 include $11.0 million for acquisition-related costs and $5.1 million for the amortization of intangible assets related to the acquisition of Genuity. They also include $1.8 million for costs incurred to acquire TBG.

Compensation expenses

Incentive compensation expense was $391.1 million, up $92.0 million or 30.7%, which was consistent with the increase in incentive-based revenue. Incentive compensation expense as a percentage of total revenue was 48.7%, a decrease of 3.1 percentage points, mainly as a result of continued monitoring of the incentive compensation ratio by the Company and the reclassification of expense recoveries to compensation pools. Salaries and benefits expense was $64.4 million, an increase of 8.4% from the prior year due to changes in staffing levels, as well as classification of certain expenses as salaries and benefits expense in the current year rather than as development costs. Salaries and benefits expense as a percentage of revenue declined from 10.3% in fiscal 2010 to 8.0% in fiscal 2011.

The total compensation (incentive compensation plus salaries) expense as a percentage of consolidated revenue was 56.7%, a decrease of 5.4 percentage points compared to 62.1% in fiscal 2010. As discussed above, this was mainly due to the Company's efforts to manage its compensation structure to maximize shareholder value.

TOTAL COMPENSATION AS A % OF REVENUE



2011	2010	2009	2008	2007	
8.0%	10.3%	11.9%	7.5%	6.3%	Salaries and benefits
48.7%	51.8%	46.5%	47.4%	50.6%	Incentive compensation
56.7%	62.1%	58.4%	54.9%	56.9%	Total

OTHER OVERHEAD EXPENSES

	For the years ended March 31		
(C$ thousands, except % amounts)	**2011**	2010	2011/2010 Change
Trading costs	**$ 31,507**	$ 28,884	9.1%
Premises and equipment	**27,158**	24,402	11.3%
Communication and technology	**25,466**	21,868	16.5%
Interest	**7,811**	2,581	202.6%
General and administrative	**67,882**	52,153	30.2%
Amortization[1]	**12,742**	7,609	67.5%
Development costs	**22,409**	24,900	(10.0)%
Total other overhead expenses	**$ 194,975**	$ 162,397	20.1%

(1) Includes $5.1 million of amortization of intangible assets for the year ended March 31, 2011 in connection with the acquisition of Genuity Capital Markets.

Other overhead expenses increased by $32.6 million in fiscal 2011, which as a percentage of revenue decreased by 3.8 percentage points compared to fiscal 2010.

The Company recovers certain expenses from compensation pools, which were netted against the related expenses in previous periods. Beginning in Q1/11, these expense recoveries were reflected in incentive compensation expense resulting in a decrease in this expense and an increase in promotion and travel, and communication and technology expenses.

General and administrative expense grew by an aggregate of $15.7 million or 30.2%, primarily as a result of the $8.9 million increase in promotion and travel expense due to the reclassification discussed above. The credit provision was up by $3.5 million as per the Company's policy to reserve against unsecured balances. In addition, office expense increased by $2.0 million, due mostly to the printing of new marketing materials as part of the Company's rebranding during the year.

Interest expense was $5.2 million higher than the prior fiscal year because of activities in the Fixed Income group. Reclassification of the expense recoveries mentioned above also resulted in a $3.6 million increase in communication and technology expense. An increase in trading costs of $2.6 million or 9.1% was a direct result of the higher trading volume during the year.

The Company incurred $2.8 million more in premises and equipment expense for the additional leases assumed from the purchase of Genuity. Amortization of intangible assets acquired through the purchase of Genuity resulted in the $5.1 million increase in amortization expense.

The above increase in overhead expenses was partially offset by a decrease in development costs of $2.5 million due mainly to reduced expenditures on systems development and hiring incentives.

Including acquisition-related items, non-compensation expense as a percentage of revenue was 25.8% in fiscal 2011, a decrease of 3.2 percentage points year over year. Excluding acquisition-related items, non-compensation expense as a percentage of revenue decreased by 4.5 percentage points compared to the prior year to 23.6%.

Net income

Net income for fiscal 2011 was $98.2 million, compared to net income of $38.5 million for fiscal 2010. Diluted earnings per share was $1.20 in fiscal 2011 versus diluted earnings per share of $0.69 in the prior year. For fiscal 2011, ROE was 14.0% compared to 9.8% in fiscal 2010. Excluding acquisition-related items, net income for fiscal 2011 was $112.6 million versus a net income of $42.0 million in fiscal 2010, and diluted earnings per share was $1.38 compared to a diluted earnings per share of $0.76 in fiscal 2010.

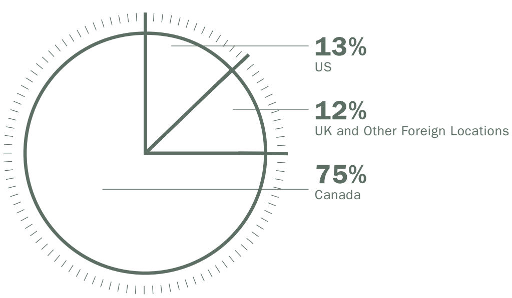
Income taxes were $42.2 million for fiscal 2011, an increase of $29.1 million during the year. The effective tax rate was 30.1%, compared to 25.5% the previous year. The decrease in loss carryforwards utilized as a percentage of consolidated net income has resulted in the increase in our effective tax rate compared to the prior year. A further discussion of our taxes is provided in the critical accounting estimates section of the MD&A on page 54.

RESULTS BY GEOGRAPHIC SEGMENT

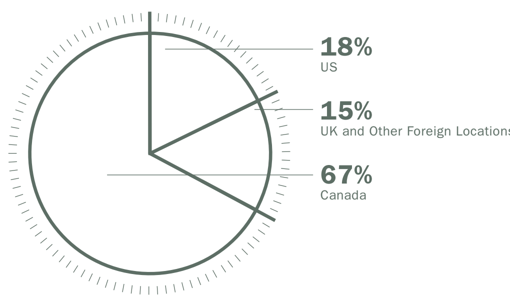
This section is an analysis of Canaccord's results by geographic segment. Canaccord's business operations are grouped into three geographic segments: Canada, the United Kingdom (UK) and Other Foreign Locations, and the United States (US). Revenue from the UK and Other Foreign Locations is derived entirely from Canaccord Genuity's activity, while revenue in Canada and the US is derived from the Canaccord Genuity, Canaccord Wealth Management, and Corporate and Other segments.

GEOGRAPHIC DISTRIBUTION OF REVENUE(1)
(For the years ended March 31)

2011



2010



(C$ thousands, except number of employees and % amounts)	For the years ended March 31 **2011**				2010				
	Canada(2)	**UK and Other Foreign Locations**(2)(3)	**US**	**Total**	Canada	UK and Other Foreign Locations(3)	US	Total	2011/ 2010 Change
Revenue	**$ 598,556**	**$ 93,905**	**$ 111,170**	**$ 803,631**	$ 388,772	$ 88,348	$ 100,417	$ 577,537	39.1%
Expenses	**487,760**	**80,093**	**95,332**	**663,185**	358,736	75,374	91,786	525,896	26.1%
Income before income taxes	**$ 110,796**	**$ 13,812**	**$ 15,838**	**$ 140,446**	$ 30,036	$ 12,974	$ 8,631	$ 51,641	172.0%
Excluding acquisition-related items(4)									
Total expenses	**469,894**	**80,093**	**95,332**	**645,319**	353,736	75,374	91,786	520,896	23.9%
Income before income taxes	**$ 128,662**	**$ 13,812**	**$ 15,838**	**$ 158,312**	$ 35,036	$ 12,974	$ 8,631	$ 56,641	179.5%
Number of employees	**1,325**	**184**	**175**	**1,684**	1,247	139	163	1,549	8.7%

(1) Data is considered to be GAAP except for figures excluding acquisition-related items and number of employees.
(2) Data in Canada includes the results of Genuity since the closing date of April 23, 2010. Data in UK and Other Foreign Locations includes results of TBG since the acquisition date of January 17, 2011.
(3) Canaccord's UK operations include activities related to Canaccord Genuity Limited, which engages in capital markets activities in the UK. Revenue derived from capital markets activities outside of Canada, the US and the UK is reported as Other Foreign Locations, which includes operations for Canaccord International Ltd. and Canaccord Genuity Asia.
(4) Fiscal 2011 data includes $11.0 million for acquisition-related costs, $5.1 million for the amortization of intangible assets related to the acquisition of Genuity, and $1.8 million for costs incurred for the acquisition of TBG. Fiscal 2010 data includes $5.0 million of acquisition-related costs connected to the purchase of Genuity.

Revenue in Canada was $598.6 million, an increase of $209.8 million or 54.0%. In the UK and Other Foreign Locations, revenue was $93.9 million, which was up by $5.6 million or 6.3%, and revenue in the US was $111.2 million, an increase of $10.8 million or 10.7% from the prior year. The overall increase in revenue across geographic segments was related to the expansion of our capital markets operations together with the increased confidence in the global economic environment in fiscal 2011.

Expenses in the Canadian operations

Expenses for fiscal 2011 in Canada were up $129.0 million or 36.0%, mainly due to higher incentive compensation expense, which is consistent with the growth in incentive-based revenue. Salaries expense was up $5.2 million due to increased headcount and classification of certain expenses as salaries and benefits expense in the current year rather than as development costs. Total compensation expense as a percentage of revenue decreased 6.6 percentage points from 62.9% in fiscal 2010 to 56.3% in fiscal 2011 as a result of the Company's efforts to monitor the compensation ratio to maximize shareholder value.

Trading costs were 27.2% or $5.1 million higher than the prior year due to the increase in trading volume. Interest expense was up $6.9 million compared to fiscal 2010, which was attributable to the Fixed Income group's activities. Additional leases assumed from the acquisition of Genuity resulted in the $3.4 million increase in premises and equipment expense. Amortization expense in Canada was $5.6 million or 114.4% higher than the prior year due to the amortization of intangible assets related to the acquisition of Genuity.

The $11.2 million or 30.1% increase in general and administrative expense consisted mostly of additional expenses incurred for promotion and travel expense and credit provisions. Promotion and travel expense increased as a result of the reclassification of expense recoveries from promotion and travel expense to incentive compensation and the Company's sales and marketing initiatives. The Company's policy for reserving against unsecured balances led to an increase in the credit provision compared to the prior fiscal year. The rebranding of the Company also resulted in higher office expense in fiscal 2011.

The overall increase in expenses was offset by lower development costs. Reduced expenditures on systems development and hiring incentives led to a $4.1 million or 23.3% decrease in development costs.

In fiscal 2011, the Company recorded acquisition-related costs in the amount of $12.7 million related to expenses incurred during the year for the acquisitions of Genuity and TBG. The Company recorded acquisition-related costs in the amount of $5.0 million in the prior year related to expenses incurred for the acquisition of Genuity. Excluding acquisition-related items, total expenses in Canada were $469.9 million compared to $353.7 million the previous year, an increase attributed to the growth in revenue. Total non-compensation expenses as a percentage of revenue excluding acquisition-related items have decreased from 28.1% in fiscal 2010 to 22.2% in fiscal 2011 reflecting the Company's initiative to improve operational efficiency during the year.

Expenses in the UK and Other Foreign Locations operations

Expenses in the UK and Other Foreign Locations were $80.1 million, $4.7 million or 6.3% higher than the prior year. Total compensation expense as a percentage of revenue decreased from 61.9% to 57.2% for fiscal 2011. Communication and technology expense increased by $2.7 million or 112.2%, largely due to the reclassification of pool recoveries discussed above.

General and administrative expense was up by $1.8 million compared to the prior year. Promotion and travel expense increased by $1.9 million as a result of the reclassification of pool recoveries. Additional hiring incentives in the UK operations resulted in the $1.8 million increase in development costs in fiscal 2011 compared to the prior year.

Expenses in the US operations

Expenses in the US for the year were $95.3 million, up $3.5 million, mainly due to a $4.6 million increase in incentive compensation expense, and a $2.7 million increase in general and administrative expense, offset by a $2.5 million decrease in trading costs. Incentive compensation expense was up by $4.6 million or 8.3% due to the increase in incentive-based revenue. Total compensation expense as a percentage of revenue decreased by 1.1% to 58.1% for fiscal 2011. General and administrative expense was also $2.7 million higher than the prior year, partially due to the reclassification of expense recoveries from promotion and travel expense to incentive compensation expense. As a result of our cost reduction efforts in the US operations, trading costs decreased by $2.5 million or 37.3%.

QUARTERLY FINANCIAL INFORMATION[1][2]

The following table provides selected quarterly financial information for the eight most recently completed financial quarters ended March 31, 2011. This information is unaudited, but reflects all adjustments of a recurring nature that are, in the opinion of management, necessary to present a fair statement of the results of operations for the periods. Quarter-to-quarter comparisons of financial results are not necessarily meaningful and should not be relied upon as an indication of future performance.

(C$ thousands,				**Fiscal 2011**				Fiscal 2010
except per share amounts)	**Q4**	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Revenue								
Commission	**$ 81,959**	**$ 87,433**	**$ 63,002**	**$ 62,256**	$ 62,826	$ 60,696	$ 56,628	$ 55,456
Investment banking	**103,646**	**116,716**	**51,236**	**55,901**	54,191	82,089	32,366	46,590
Advisory fees	**25,702**	**25,276**	**13,215**	**20,721**	8,323	6,328	15,254	9,296
Principal trading	**17,431**	**10,658**	**9,597**	**5,958**	7,278	15,645	11,589	11,470
Interest	**7,707**	**7,753**	**5,436**	**3,144**	3,269	3,099	3,121	3,476
Other	**11,150**	**6,998**	**6,799**	**3,937**	7,246	5,340	4,786	11,175
Total revenue	**247,595**	**254,834**	**149,285**	**151,917**	143,133	173,197	123,744	137,463
Total expenses	**189,817**	**193,338**	**135,346**	**144,684**	137,658	150,887	115,883	121,468
Net income before taxes	**57,778**	**61,496**	**13,939**	**7,233**	5,475	22,310	7,861	15,995
Net income	**$ 40,944**	**$ 42,704**	**$ 9,711**	**$ 4,875**	$ 7,526	$ 15,113	$ 6,746	$ 9,112
EPS – basic	**$ 0.54**	**$ 0.57**	**$ 0.13**	**$ 0.07**	$ 0.15	$ 0.31	$ 0.14	$ 0.19
EPS – diluted	**$ 0.48**	**$ 0.51**	**$ 0.12**	**$ 0.06**	$ 0.14	$ 0.27	$ 0.12	$ 0.16
Excluding acquisition-related items[3]								
Net income	**$ 41,874**	**$ 45,311**	**$ 11,538**	**$ 13,894**	$ 11,072	$ 15,113	$ 6,746	$ 9,112
EPS – basic	**$ 0.56**	**$ 0.61**	**$ 0.16**	**$ 0.20**	$ 0.22	$ 0.31	$ 0.14	$ 0.19
EPS – diluted	**$ 0.50**	**$ 0.54**	**$ 0.14**	**$ 0.18**	$ 0.21	$ 0.27	$ 0.12	$ 0.16

(1) Data is considered to be GAAP except for figures excluding acquisition-related 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) Figures excluding acquisition-related items are non-GAAP measures. See the Quarterly financial information excluding acquisition-related items table below.

QUARTERLY FINANCIAL INFORMATION EXCLUDING ACQUISITION-RELATED ITEMS[1][2]

(C$ thousands,				**Fiscal 2011**				Fiscal 2010
except per share amounts)	**Q4**	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Total revenue per GAAP	**$ 247,595**	**$ 254,834**	**$ 149,285**	**$ 151,917**	$ 143,133	$ 173,197	$ 123,744	$ 137,463
Total expenses per GAAP	**189,817**	**193,338**	**135,346**	**144,684**	137,658	150,887	115,883	121,468
Acquisition-related items – Genuity[3]	**(930)**	**(930)**	**(1,827)**	**(12,429)**	(5,000)	—	—	—
Acquisition-related items – TBG	**—**	**(1,750)**	**—**	**—**	—	—	—	—
Total expenses excluding acquisition-related items	**188,887**	**190,658**	**133,519**	**132,255**	132,658	150,887	115,883	121,468
Net income before tax – adjusted	**58,708**	**64,176**	**15,766**	**19,662**	10,475	22,310	7,861	15,995
Net income – adjusted	**$ 41,874**	**$ 45,311**	**$ 11,538**	**$ 13,894**	$ 11,072	$ 15,113	$ 6,746	$ 9,112
EPS – basic – adjusted	**$ 0.56**	**$ 0.61**	**$ 0.16**	**$ 0.20**	$ 0.22	$ 0.31	$ 0.14	$ 0.19
EPS – diluted – adjusted	**$ 0.50**	**$ 0.54**	**$ 0.14**	**$ 0.18**	$ 0.21	$ 0.27	$ 0.12	$ 0.16

(1) Figures excluding acquisition-related items are non-GAAP measures.
(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) Include acquisition-related costs and amortization of intangible assets related to the acquisition of Genuity.

Quarterly trends and risks

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

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

During the first quarter of fiscal 2011, revenue increased by 6.1% from the previous quarter due largely to the acquisition of Genuity and increases in trading market share in Canada. Q1/11 revenue was up 10.5% compared to the first quarter of fiscal 2010 as our operations were improved due to a strong pipeline of business and the acquisition of Genuity. While markets improved during the first half of the quarter, the flash crash that occurred on May 6, 2010 caused heightened market volatility during the latter half. As a result, many major markets experienced losses during fiscal Q1/11, with the TSX down 6.2%, the TSX Venture down 10.2%, the NASDAQ down 12.0% and the LSE down 12.6% from the previous quarter.

The second fiscal quarter is typically Canaccord's least active. Q2/11 followed this pattern, with revenue down approximately 1.7% compared to Q1/11. However, revenue increased by 20.6% compared to the same quarter of fiscal 2010.

The strongest quarter of fiscal 2011 for Canaccord was the third quarter. Revenue grew 70.7%, compared to Q2/11, to $254.8 million and was 47.1% higher than that of Q3/10. This tremendous revenue growth was driven mostly by increased capital markets activity, strong performance from our focus sectors, and incremental revenue generated from the acquisition of Genuity. Investment banking revenue increased by 127.8% compared to Q2/11 and was 42.2% higher than in the same quarter the year before. Advisory revenue increased to $25.3 million in the third quarter, an increase of 299.4% from Q3/10. Canaccord participated in 138 transactions worldwide, leading 44 of them.

During the fourth quarter of fiscal 2011, Canaccord recorded $247.6 million in revenue – a 2.8% drop from the record quarter before, but up 73.0% compared to Q4/10. This decrease from Q3/11 was due mostly to a decline in capital markets revenue during the quarter, with investment banking activity down from the elevated levels experienced in the third quarter. Advisory revenue remained relatively consistent at $25.7 million, representing a $0.4 million increase from the prior quarter. The fourth quarter was Canaccord Wealth Management's strongest of the fiscal year, with revenue up 32.2% compared to the same quarter of fiscal 2010. Markets experienced only modest gains during Q4/11, as the TSX rose 5.0%, the NASDAQ rose 4.8%, and the TSX Venture and LSE remained relatively flat.

Fourth quarter 2011 performance

Revenue for the fourth quarter was $247.6 million, an increase of $104.5 million or 73.0% compared to the same period the previous year, due to higher investment banking, advisory fees and commission revenue. Investment banking revenue was $49.5 million higher compared to Q4/10, and there was a $19.1 million growth in commission revenue. Advisory revenue was up 208.8% from the prior fiscal year to $25.7 million. Both of our operating segments, Canaccord Genuity and Canaccord Wealth Management, experienced growth in revenue compared to Q4/10 of $80.3 million, and $17.7 million, respectively. The revenue growth resulted from the increased market activities in Q4/11, as well as the acquisition of Genuity.

Expenses were $189.8 million, up $52.2 million or 37.9% from the previous year. This increase was largely attributable to higher incentive compensation expense, which was consistent with the increase in incentive-based revenue. Total compensation expense as a percentage of revenue dropped by 7.3 percentage points to 55.2% in Q4/11. Trading costs also increased $1.2 million as a result of higher revenue and trading volume.

The Company began recovering certain expenses from compensation pools in Q1/11, which were netted against the related expenses in previous periods. These expense recoveries resulted in a decrease in incentive compensation expense and contributed to an increase in promotion and travel expense of $2.5 million and an increase in communication and technology expense of $1.0 million comparing Q4/11 with Q4/10.

General and administrative expense increased by $4.1 million or 27.4%. In addition to the $2.5 million increase in promotion and travel expense discussed above, the Company's policy for reserving against unsecured balances contributed another $1.6 million to the increase in general and administrative expense.

Activities in the Fixed Income group led to a $1.9 million increase in interest expense from the fourth quarter of fiscal 2010. Premises and equipment expense was up by $1.2 million or 19.6% from Q4/10 as the Company assumed additional lease obligations from the purchase of Genuity in the current fiscal year. Amortization of intangible assets acquired through the purchase of Genuity is the main contributing factor for the $1.1 million increase in amortization expense.

Net income for the fourth quarter was $40.9 million, an increase of $33.4 million from the previous year. Diluted EPS in the current quarter was $0.48, compared to a diluted EPS of $0.14 in the same quarter of fiscal 2010. Annualized ROE was 22.4%, compared to 7.6% the previous year and book value per diluted share was up by 26.3% to $8.79 from $6.96, mainly due to increased profitability during the year.

There were $0.9 million and $5.0 million of acquisition-related items in connection with the purchase of Genuity included in the fourth quarter of 2011 and 2010, respectively. Excluding acquisition-related items, net income for Q4/11 was $41.9 million, compared to $11.1 million in Q4/10, and diluted EPS was $0.50, compared to $0.21 in Q4/10.

BUSINESS SEGMENT RESULTS(1)(2)

	For the years ended March 31							
	2011				2010			
(C$ thousands, except number of employees)	**Canaccord Genuity**	**Canaccord Wealth Management**	**Corporate and Other**	**Total**	Canaccord Genuity	Canaccord Wealth Management	Corporate and Other	Total
Revenue								
Canada	**$ 338,520**	**$ 228,098**	**$ 31,938**	**$ 598,556**	$ 177,581	$ 184,258	$ 26,933	$ 388,772
UK and Other Foreign Locations	**93,905**	**—**	**—**	**93,905**	88,348	—	—	88,348
US	**106,219**	**4,951**	**—**	**111,170**	97,629	2,788	—	100,417
Total revenue	**538,644**	**233,049**	**31,938**	**803,631**	363,558	187,046	26,933	577,537
Expenses	**393,468**	**184,070**	**85,647**	**663,185**	292,596	159,263	74,037	525,896
Income before income taxes	**$ 145,176**	**$ 48,979**	**$ (53,709)**	**$ 140,446**	$ 70,962	$ 27,783	$ (47,104)	$ 51,641
Excluding acquisition-related items(3)								
Expenses	**375,602**	**184,070**	**85,647**	**645,319**	287,596	159,263	74,037	520,896
Income (loss) before income taxes	**$ 163,042**	**$ 48,979**	**$ (53,709)**	**$ 158,312**	$ 75,962	$ 27,783	$ (47,104)	$ 56,641
Number of employees	**627**	**684**	**373**	**1,684**	505	680	364	1,549

(1) Data is considered to be GAAP except for figures excluding acquisition-related items and number of employees. Detailed financial results for the business segments are shown in Note 15 of the audited consolidated financial statements on page 91.

(2) Canaccord Genuity 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) Fiscal 2011 data includes $11.0 million for acquisition-related costs, $5.1 million for the amortization of intangible assets related to the acquisition of Genuity and $1.8 million for costs incurred for the acquisition of TBG. Fiscal 2010 data includes $5.0 million of acquisition-related costs connected to the purchase of Genuity.

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

Canaccord Genuity provides investment banking, research, and sales and trading services to corporate, institutional and government clients as well as conducting principal trading activities in Canada, the US, and the UK and Other Foreign Locations. Canaccord Genuity's revenue is generated from commissions and fees earned in connection with investment banking transactions and institutional sales and trading activity, as well as trading gains and losses from Canaccord's principal and international trading operations. For fiscal 2011 total revenue was $538.6 million, an increase of $175.1 million or 48.2% from the previous year. Fiscal 2011 expenses for Canaccord Genuity were $393.5 million, up $100.9 million or 34.5% from fiscal 2010. Excluding acquisition-related items, expenses were $375.6 million, an increase of 30.6% from fiscal 2010.

Canaccord Wealth Management provides brokerage services and investment advice to private clients, primarily in Canada and, to a lesser degree, in the US. Canaccord Wealth Management's revenue is generated through traditional commission-based brokerage services; the sale of fee-based products and services; client-related interest; and fees and commissions earned by Investment Advisors (IAs) for investment banking and venture capital transactions by private clients. In fiscal 2011, total revenue was $233.0 million, up 24.6% from the previous year. For the year, expenses for Canaccord Wealth Management were $184.1 million, up 15.6% compared to fiscal 2010.

The Corporate and Other segment includes correspondent brokerage services, interest, and foreign exchange revenue and expenses not specifically allocable to the Canaccord Genuity and Canaccord Wealth Management divisions. Also included in this segment are Canaccord's operations and support services departments, which are responsible for front and back-office information technology systems, compliance and risk management, operations, finance and other administrative functions. For fiscal 2011, revenue for the Corporate and Other segment was $31.9 million, up 18.6%. Expenses also increased by 15.7% to $85.6 million for the year compared to fiscal 2010.

Canaccord Genuity

Overview

Canaccord Genuity's revenue is generated from commissions and fees earned in connection with investment banking transactions and institutional sales and trading activity, as well as trading gains and losses from Canaccord's principal and international trading operations. Accordingly, this revenue is directly affected by the level of corporate and institutional activity and general economic, market and business conditions in Canada and internationally. Revenue for this segment is generated from three geographic segments: Canada, the US, and the UK and Other Foreign Locations. Canaccord Genuity has 18 locations worldwide, including 13 locations outside of Canada.

Capital Markets activity improved significantly compared to fiscal 2010, due largely to growing demand for capital and increased M&A activity in the second half of the fiscal year. Canaccord Genuity participated in 426 transactions globally for clients, to raise gross proceeds of $11.1 billion. Of these, Canaccord Genuity led 138 transactions globally, raising total proceeds of $5.3 billion. Within our capital markets segment, Canaccord Genuity's Canadian operations led or co-led more deals than any other investment dealer in Canada in fiscal 2011, with 104 transactions, which raised $3.0 billion.

Canaccord Genuity's sector diversification remains an integral component of the Company's strategy. Resource-related revenue was 72% of Canaccord Genuity's total revenue in fiscal 2011, versus 61% in fiscal 2010. For comparison purposes, resource-related transactions were 47% of Canaccord Genuity's total transactions in fiscal 2011, versus 43% in fiscal 2010. The strong commodities cycle that continued through fiscal 2011 helped to leverage Canaccord Genuity's traditional strength in the resource sector, which is evident by the number of resource sector transactions Canaccord led or co-led during the year. The acquisition of Genuity early in the fiscal year also added considerable strength in non-resource sectors.

During fiscal 2011, Canaccord Genuity expanded its research coverage and investment banking activity to include more companies in the following sectors:

- Mining and Metals
- Energy
- Technology
- Life Sciences
- Consumer Products
- Real Estate
- Infrastructure
- Sustainability and Cleantech
- Financials
- Agriculture and Fertilizers
- Media and Telecommunications
- Transportation and Industrial Products
- Paper and Forestry Products
- Investment Trusts
- Support Services
- Structured Products

Industry profile

Canaccord Genuity is active in stocks listed or quoted on seven exchanges internationally – the TSX, TSX Venture, LSE, AIM, NASDAQ, NYSE and AMEX. Our expertise in these markets allows us to lower costs of capital, broaden shareholder bases and provide best execution and liquidity for our clients. For fiscal 2011, financing values were down on the TSX and TSX Venture, as well as the NASDAQ, but up on the AIM compared to the prior year. Despite a decrease in financing values on the TSX and TSX Venture, and the NASDAQ, most of Canaccord's focus sectors rose.

Consolidation continues to be an industry theme, with significant merger and acquisition activity taking place within the financial services sector. A stronger emphasis on international operations and expansion into new markets is also prevalent, as capital markets companies see opportunities in countries with stronger economic growth. Many boutique or specialized investment banks are also expanding operations to become full service, hoping to capitalize on existing client relationships.

As some industry participants grew their fixed income capabilities to capitalize on market dislocations last year, many of these same peers came under pressure as markets have normalized.

Electronic trading and alternative trading systems continue to grow, enhancing liquidity but compressing commissions and trading margins. We anticipate this trend will grow in coming years.

Outlook

The market momentum built during the last half of fiscal 2011 has carried over into the beginning of fiscal 2012. The long-term resource cycle and secular bull-market continues to provide many opportunities for Canaccord Genuity to leverage its strength in the resource sector.

The balance sheets of companies continue to hold large amounts of cash, providing ample opportunity for M&A activity to sustain its heightened levels. Canaccord's expanded advisory capabilities are well positioned to capitalize on strong M&A activity.

As North American economies continue to grow at a weaker pace than expected, many industry participants are looking to establish operations in Asia and other emerging markets. Canaccord's expansion into China has provided Canaccord with more leverage to benefit from growth in Asian economies. We continue to explore growth opportunities to build our capital markets business in high-growth economies in Asia and Latin America.

FINANCIAL PERFORMANCE[1][2]
(C$ thousands, except number of employees)

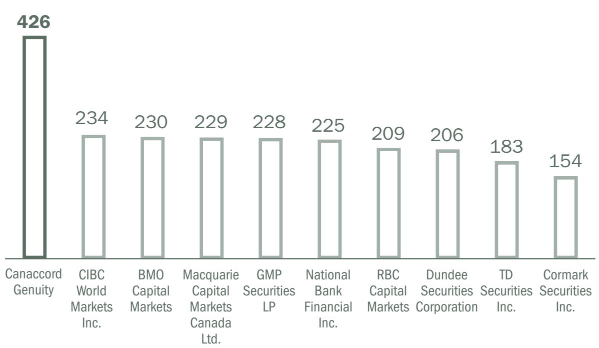
	For the years ended March 31								
				2011				2010	
	Canada	**UK and Other Foreign Locations**	**US**	**Total**	Canada	UK and Other Foreign Locations	US	Total	2011/2010 Change
Revenue	**$ 338,520**	**$ 93,905**	**$ 106,219**	**$ 538,644**	$ 177,581	$ 88,348	$ 97,629	$ 363,558	48.2%
Expenses									
Incentive compensation	**148,319**	**48,026**	**57,339**	**253,684**	93,132	48,246	53,826	195,204	30.0%
Salaries and benefits	**5,760**	**5,701**	**4,921**	**16,382**	4,484	6,479	4,346	15,309	7.0%
Other overhead expenses	**53,802**	**26,366**	**30,494**	**110,662**	24,229	20,649	32,205	77,083	43.6%
Acquisition-related costs	**12,740**	**—**	**—**	**12,740**	5,000	—	—	5,000	154.8%
Total expenses	**220,621**	**80,093**	**92,754**	**393,468**	126,845	75,374	90,377	292,596	34.5%
Income before income taxes[3]	**$ 117,899**	**$ 13,812**	**$ 13,465**	**$ 145,176**	$ 50,736	$ 12,974	$ 7,252	$ 70,962	104.6%
Excluding acquisition-related items[4]									
Total expenses	**202,755**	**80,093**	**92,754**	**375,602**	121,845	75,374	90,377	287,596	30.6%
Income before income taxes	**$ 135,765**	**$ 13,812**	**$ 13,465**	**$ 163,042**	$ 55,736	$ 12,974	$ 7,252	$ 75,962	114.6%
Number of employees	**268**	**184**	**175**	**627**	203	139	163	505	24.2%

(1) Data is considered to be GAAP except for figures excluding acquisition-related items and number of employees.
(2) Data in Canada includes the results of Genuity since the closing date of April 23, 2010. Results of TBG are included for UK and Other Foreign Locations since the closing date of January 17, 2011.
(3) See "Intersegment allocated costs" on page 50.
(4) Fiscal 2011 data includes $11.0 million for acquisition-related costs and $5.1 million for the amortization of intangible assets related to the acquisition of Genuity, and $1.8 million for costs incurred for the acquisition of TBG. Fiscal 2010 data includes $5.0 million of acquisition-related costs connected to the purchase of Genuity.

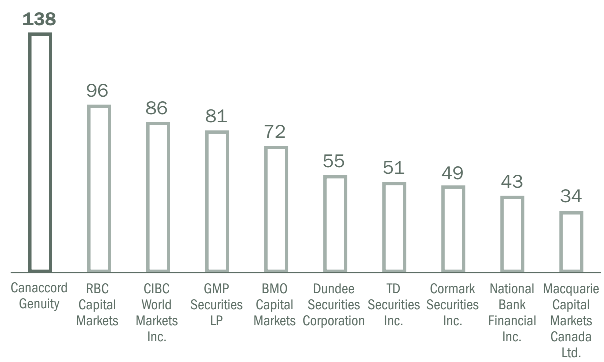
Revenue

The expansion of our capital markets group through the acquisition of Genuity, along with the improved confidence and increased risk appetite in the economic environment during fiscal 2011 led to record high revenue in our Canaccord Genuity segment. For fiscal year 2011, revenue was $538.6 million, which was 48.2% or $175.1 million higher than the previous year.

PARTICIPATION IN NUMBER OF TRANSACTIONS – EQUITY OFFERINGS OF $1.5 MILLION AND GREATER DURING FISCAL 2011[1]



NUMBER OF LED TRANSACTIONS – EQUITY OFFERINGS OF $1.5 MILLION AND GREATER DURING FISCAL 2011[1]



(1) Canaccord transactions include transactions executed by its UK and Other Foreign Locations and US operations.

Source: FP Infomart as of March 31, 2011 and Company information.

Revenue from Canadian operations

The acquisition of Genuity along with increased capital markets activity in North America resulted in record high revenue generated from Canaccord Genuity's operations in Canada during fiscal 2011. Despite a decrease in financing value on the TSX and TSX Venture of 7.3% during fiscal 2011, financing values in most of Canaccord's focus sectors rose, resulting in the Company reporting record revenue of $338.5 million, an increase of 90.6% over fiscal 2010.

Canaccord's International Trading group earns revenue by providing services, principally to US brokerage firms, executing orders on their behalf in Canadian listed equities and trading in US equities on behalf of Canadian clients. Revenue in this business was $14.4 million, up $2.8 million or 24.2% from fiscal 2010 due mainly to increased activity in this group.

Canaccord's Registered Traders operate by taking positions, trading and making markets in equity securities, including securities of companies with small to medium-sized market capitalizations and limited liquidity. Revenue is generated through inventory trading gains and losses. Revenue in this business was $4.9 million, a decrease of $1.0 million or 16.6% from fiscal 2010.

Canaccord also trades in fixed income securities, generating revenue through interest income and trading gains and losses. Canaccord's activity in this area is generally limited to higher grade corporate and government debt instruments. Canaccord's focus on expanding this business was evident as revenue increased by 52.9% to $18.3 million during the year.

Revenue from UK and Other Foreign Locations operations

Canaccord Genuity's operations in the UK and Europe include providing sales and trading, corporate finance and research services to its institutional and corporate clients. Canaccord is an approved broker, sponsor and Nominated Adviser (Nomad) for AIM and LSE companies. Revenue derived from capital markets activity 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 in these segments was $93.9 million, an increase of $5.6 million or 6.3% from fiscal 2010. This increase was due to higher advisory and principal trading revenue.

Revenue from US operations

Canaccord Genuity's operations in the US also include providing sales and trading, corporate finance and research services to institutional and corporate clients. Revenue generated by Canaccord Genuity's operations in the US was $106.2 million for fiscal 2011, up $8.6 million or 8.8% from fiscal 2010 as a result of the improved market environment in the US.

Investment banking activity

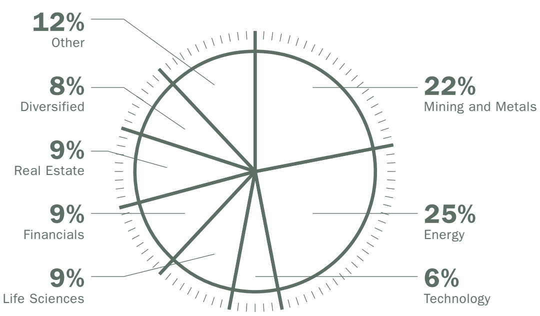
During fiscal 2011, Canaccord participated in raising $11.1 billion in 426 equity offerings of $1.5 million and greater, excluding venture capital. Canaccord Genuity's sector mix in fiscal 2011 showed increasing diversity, with over 53% of the transactions occurring in the Technology, Life Sciences, Financials, Real Estate, Diversified and other sectors. The Mining and Metals and Energy sectors, traditionally Canaccord's strength, made up nearly 47% of the transactions the Company participated in, and brought in nearly 72% of investment banking revenue.

Throughout fiscal 2011, key producers were hired in our focus sectors across all of our geographies. The acquisition of Genuity Capital Markets has added significant strength to our Investment Banking team, and further diversified our focus sectors. Following the acquisition, Canaccord Genuity now also has industry expertise in the Agriculture, Paper and Forestry Products, Transportation and Industrial Products, and Media and Telecommunications sectors.

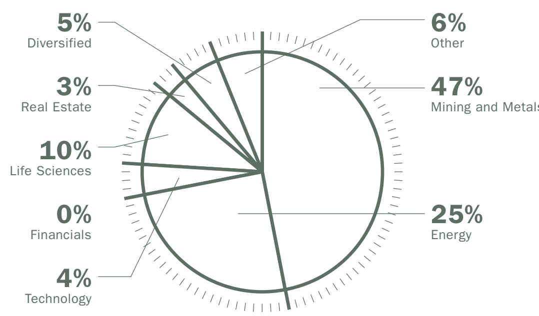
CANACCORD GENUITY – OVERALL

(Note: Other includes Agriculture and Fertilizers, Consumer Products, Infrastructure, Investment Trusts, Paper and Forestry Products, Structured Products, Support Services, Sustainability and Cleantech, Media and Telecommunications, and Transportation and Industrial Products sectors)

Transactions by sector



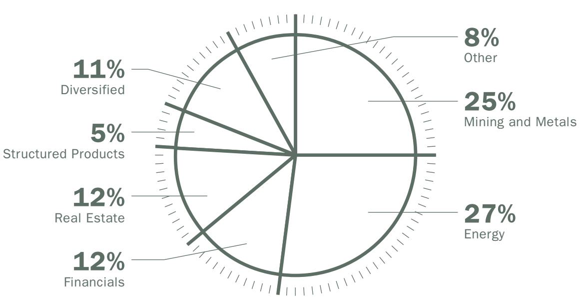
Revenue by sector



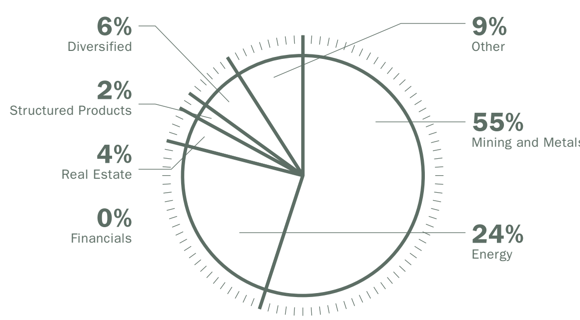
CANACCORD GENUITY – CANADA

(Note: Other includes Life Sciences, Technology, Agriculture and Fertilizers, Consumer Products, Infrastructure, Investment Trusts, Paper and Forestry Products, Support Services, Sustainability and Cleantech, Media and Telecommunications, and Transportation and Industrial Products sectors)

Transactions by sector



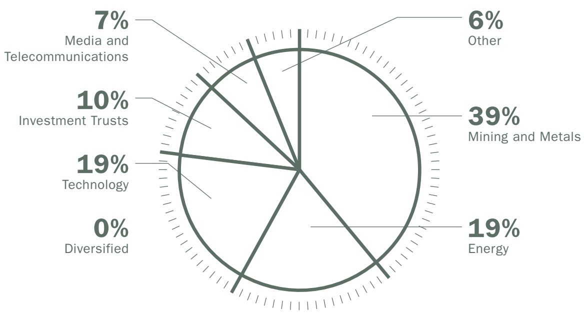
Revenue by sector



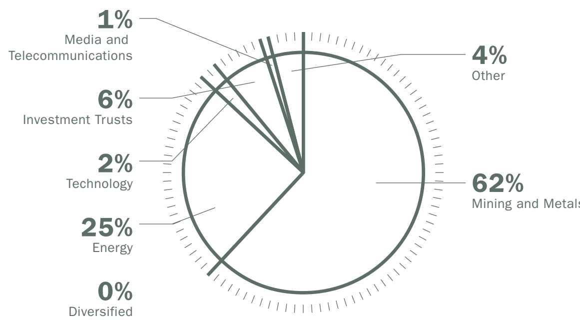
CANACCORD GENUITY – INTERNATIONAL

(Note: Other includes Life Sciences, Agriculture and Fertilizers, Consumer Products, Financials, Infrastructure, Paper and Forestry Products, Real Estate, Structured Products, Support Services, Sustainability and Cleantech, and Transportation and Industrial Products sectors)

Transactions by sector



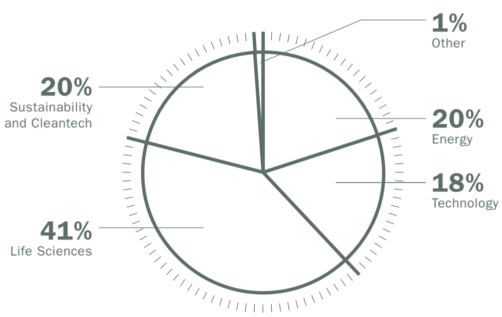
Revenue by sector



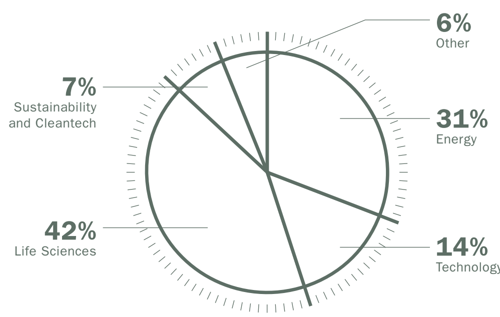
CANACCORD GENUITY – US

(Note: Other includes Mining and Metals, Agriculture and Fertilizers, Consumer Products, Financials, Infrastructure, Investment Trusts, Paper and Forestry Products, Real Estate, Structured Products, Support Services, Media and Telecommunications, Transportation and Industrial Products, and Diversified sectors)

Transactions by sector



Revenue by sector



EQUITY OFFERINGS OF $1.5 MILLION AND GREATER

For the years ended March 31

(C$ billions, except number of transactions)

Market	**2011** Number of transactions	**2011** Aggregate transaction value	2010 Number of transactions	2010 Aggregate transaction value
Canada	**352**	**$ 3.4**	273	$ 3.1
UK	**13**	**1.7**	21	1.8
US	**61**	**6.0**	42	3.8
Total	**426**	**$ 11.1**	336	$ 8.7

Sources: Financial Post Data Group and Company sources

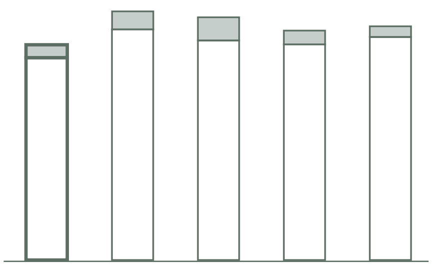
Expenses

Expenses for fiscal 2011 were $393.5 million, an increase of 34.5% year over year. Canaccord Genuity recognized $16.1 million of acquisition-related items in connection with the purchase of Genuity and $1.8 million in relation to the purchase of TBG. In the prior year, Canaccord Genuity recognized $5.0 million of acquisition-related costs related to the purchase of Genuity. Therefore, excluding acquisition-related items, total expenses in fiscal 2011 were $375.6 million, an increase of 30.6% or $88.0 million compared to fiscal 2010.

Incentive compensation and salaries and benefits

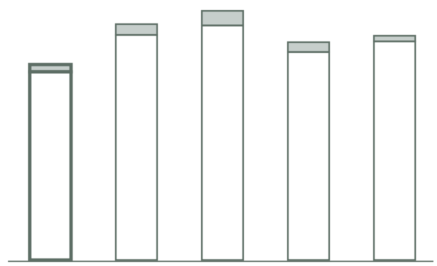
Incentive compensation expense for fiscal 2011 increased by $58.5 million or 30.0% over fiscal 2010, which was largely linked to the $175.1 million or 48.2% increase in revenue. The incentive compensation expense as a percentage of revenue was 47.1%, down 6.6% from fiscal 2010. The impact of the higher revenue was offset by the reclassification of communication and technology expense and promotion and travel expense recoveries into incentive compensation expense. Salaries and benefits expense for fiscal 2011 was up by $1.1 million or 7.0% compared to fiscal 2010. Total compensation expense as a percentage of revenue was down 7.8 percentage points to 50.1% from fiscal 2010, mainly due to the Company's efforts to maximize shareholder value by monitoring the incentive compensation structure, as well as the reclassification of pool recoveries discussed above.

TOTAL COMPENSATION AS A % OF CANACCORD GENUITY REVENUE – OVERALL



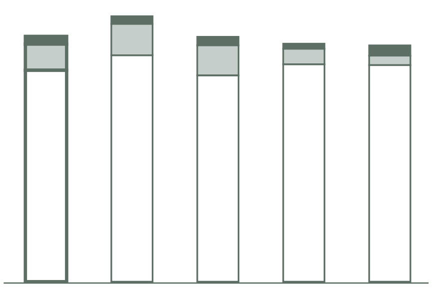
2011	2010	2009	2008	2007	
3.0%	4.2%	5.4%	3.2%	2.5%	Salaries and benefits
47.1%	53.7%	51.1%	50.2%	51.9%	Incentive compensation
50.1%	57.9%	56.5%	53.4%	54.4%	Total

TOTAL COMPENSATION AS A % OF CANACCORD GENUITY REVENUE – CANADA



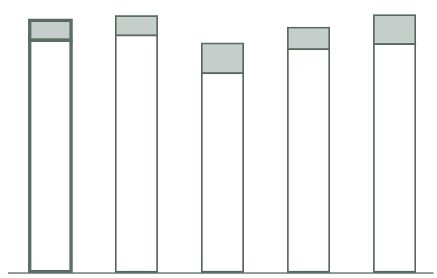
2011	2010	2009	2008	2007	
1.7%	2.5%	3.4%	2.3%	1.3%	Salaries and benefits
43.8%	52.4%	54.6%	48.4%	50.9%	Incentive compensation
45.5%	54.9%	58.0%	50.7%	52.2%	Total

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



2011	2010	2009	2008	2007	
1.8%	1.8%	2.0%	1.2%	2.4%	National Health Insurance Tax
6.1%	7.3%	7.0%	3.6%	2.2%	Salaries and benefits
49.3%	52.8%	48.1%	50.7%	50.5%	Incentive compensation
57.2%	61.9%	57.1%	55.5%	55.1%	Total

TOTAL COMPENSATION AS A % OF CANACCORD GENUITY REVENUE – US



2011	2010	2009	2008	2007	
4.6%	4.5%	6.9%	5.0%	6.7%	Salaries and benefits
54.0%	55.1%	46.3%	51.9%	53.1%	Incentive compensation
58.6%	59.6%	53.2%	56.9%	59.8%	Total

Other overhead expenses

Other overhead expenses were $110.7 million, up $33.6 million. The largest fluctuation in other overhead expenses was a $14.1 million increase in general and administrative expense. The remainder of the change in other overhead expenses is mostly due to increases in the following expenses: $5.2 million in interest expense, $5.1 million in amortization expense, $4.8 million in communication and technology expense, and $3.2 million in trading costs.

The Company recovers certain expenses from compensation pools, which were netted against the related expenses in previous periods. Beginning in Q1/11, these expense recoveries were reflected in incentive compensation expense, resulting in a decrease in this expense and an increase in promotion and travel expense and communication and technology expense. This reclassification of pool recoveries largely contributed to an increase in communication and technology expense of $4.8 million or 43.0% and an increase in promotion and travel expense of $10.6 million or 112.4% during fiscal 2011 compared to the prior year.

Increased activity of the Fixed Income group led to higher interest expense of $6.0 million, an increase of $5.2 million over the prior year. The $3.2 million increase in trading costs was largely due to higher revenues and trading volumes compared to fiscal 2010. There was $5.1 million of amortization of intangible assets in relation to the purchase of Genuity included in the Company's amortization expense in fiscal 2011.

General and administrative expense increased $14.1 million or 66.4% in fiscal 2011. This was mainly due to an increase in promotion and travel expense as discussed above. The Company's policy of reserving against unsecured balances led to an additional $3.1 million credit provision recognized in fiscal 2011 compared to fiscal 2010.

Income before income taxes

Income before income taxes in fiscal 2011 was $145.2 million compared to income before income taxes of $71.0 million in fiscal 2010. Excluding acquisition-related items, income before income taxes was $163.0 million versus $76.0 million in fiscal 2010. The acquisition of Genuity as well as increased activity in capital markets operations resulted in higher pre-tax income in fiscal 2011 compared to fiscal 2010.

Canaccord Wealth Management

Overview

Canaccord Wealth Management provides a broad range of financial services and investment products to individual investors (private clients). 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 IAs for investment banking and venture capital transactions.

Over the past two years, the Company has implemented several initiatives as part of a five-year strategic plan to better align the investment solutions and services offered by Canaccord Wealth Management with the changing needs and preferences of Canadian investors. These initiatives have included the launch of ETF Portfolios, the advancement of IA training programs and the enhancement of many of our retail investment solutions. The Company is committed to attracting and investing in highly experienced IAs who are dedicated to providing comprehensive financial solutions to Canadian investors. As part of this strategy alignment, Canaccord re-aligned its compensation grid for IAs during fiscal 2011.

Canaccord Wealth Management has had great success in expanding its operations through the Independent Wealth Management platform (IWM). IWM allows IAs to work under the Canaccord Wealth Management brand with full access to Canaccord's back-office and compliance support, products and services, while working as independent agents of the Firm. This business model provides IAs with more freedom to run their daily business, and, in doing so, transfers the daily expenses, risks and management of operating a branch to the IWM Advisory Team. The Company added five new branches under the IWM model and converted four corporate branches. Canaccord Wealth Management now has 32 branches across Canada, including 18 operating on the IWM platform.

Industry profile

Market volatility kept many retail investors to the sidelines during the first half of Canaccord's fiscal year, a trend that worsened after the flash crash of May 6, 2010. All industry participants saw lower business volumes during this period as a result. By late summer, Canadian investment dealers saw a dramatic reversal as retail investors returned to the markets in September, helping boost revenues industry wide.

The growth of fee-based accounts continues throughout the industry, as clients choose to benefit from all-inclusive accounts and companies focus on generating more consistent revenue streams. Industry-wide fee-based revenues reached $2.7 billion during calendar 2010, an increase of 14% compared to the previous year and a new record high.

Consolidation remains a theme as many Canadian investment dealers try to build scale, which has amplified the competition for high-quality IAs, causing recruitment costs to rise considerably.

Outlook

The investments made to improve technology, training and divisional efficiency over the last several years are showing benefits, with the Canaccord Wealth Management segment achieving its first profitable year since the global financial crisis. If markets remain strong and stable, we expect this division to continue performing well. However Canaccord Wealth Management clients are sensitive to market fluctuations, and as a result, market instability could impact business levels as well as the consistency of revenue and divisional performance.

Our focus on cost containment in Canaccord Wealth Management has improved our efficiency ratio to the lowest it's been since the global financial crisis. More revenue generated by this segment is now reaching the bottom line, resulting in increases to AUA and our operating scale which will have a more positive outcome to the benefits of our shareholders.

We continue to make strategic recruiting decisions, ensuring that only advisors who share our client experience expectations join Canaccord's wealth management platform. The recruiting environment for experienced IAs has become highly competitive and expensive. Recognizing this, Canaccord is committed to hiring Advisory Teams only when it is economically beneficial for the Company to do so. It is expected most growth in Advisory Teams will occur through the IWM operating model, as experienced advisors with substantial client assets look to operate their own branch within a large, national platform such as Canaccord's.

To enhance the overall client experience, further investments in Canaccord Wealth Management's technology systems will be made during fiscal 2012. While these projects will incur some additional costs, we expect they will contribute to lowering expenses for the division going forward.

FINANCIAL PERFORMANCE[(1)]

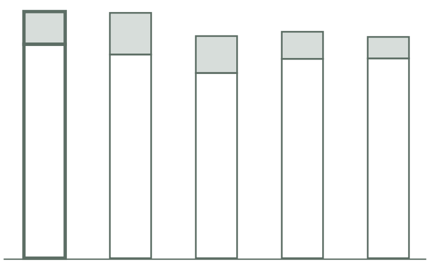
(C$ thousands, except assets under management and assets under administration, which are in C$ millions, number of employees and Advisory Teams, and % amounts)	For the years ended March 31			
	2011	2010	2011/2010 Change	
Revenue	**$ 233,049**	$ 187,046	$ 46,003	24.6%
Expenses				
Incentive compensation	**116,021**	88,590	27,431	31.0%
Salaries and benefits	**17,865**	18,194	(329)	(1.8)%
Other overhead expenses	**50,184**	52,479	(2,295)	(4.4)%
Total expenses	**184,070**	159,263	24,807	15.6%
Income before income taxes[(2)]	**$ 48,979**	$ 27,783	$ 21,196	76.3%
Assets under management (AUM)	**546**	445	101	22.7%
Assets under administration (AUA)	**16,985**	12,922	4,063	31.4%
Number of Advisory Teams	**271**	303	(32)	(10.6)%
Number of employees	**684**	680	4	0.6%

(1) Data is considered to be GAAP except for number of Advisory Teams and employees, AUA and AUM.
(2) See "Intersegment allocated costs" on page 50.

Fiscal 2011 revenue from Canaccord Wealth Management was $233.0 million, an increase of 24.6% or $46.0 million from fiscal 2010. This segment was able to benefit from the growth in our capital markets activity, as demonstrated in the increase in investment banking revenue this year. The growth in revenue was also a result of the Company's strategic initiatives in this sector.

Expenses for fiscal 2011 were $184.1 million, up 15.6% or $24.8 million from fiscal 2010. Expenses increased year over year, mainly due to the $27.4 million increase in incentive compensation expense consistent with higher revenue and profitability in fiscal 2011.

TOTAL COMPENSATION AS A % OF CANACCORD WEALTH MANAGEMENT REVENUE



2011	2010	2009	2008	2007	
7.6%	9.7%	8.6%	6.3%	5.0%	Salaries and benefits
49.8%	47.4%	43.1%	46.4%	46.5%	Incentive compensation
57.4%	57.1%	51.7%	52.7%	51.5%	Total

The increase in overall expenses was offset by a $1.1 million decrease in development costs and a $0.9 million decrease in communication and technology expense. The lower expenses were a result of this segment's cost reduction efforts. As a reflection of our strategy to contain expenses, non-compensation expense as a percentage of revenue dropped 6.6 percentage points from 28.1% to 21.5%.

Income before income taxes for Canaccord Wealth Management during fiscal 2011 and 2010 was $49.0 million and $27.8 million, respectively. Revenue growth as well as cost-containment efforts resulted in this segment's return to profitability.

Corporate and Other segment

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

Also included in this segment are Canaccord's operations and support services departments, which are responsible for front and back-office information technology systems, compliance and risk management, operations, finance, and other administrative functions. Canaccord has approximately 373 employees in the Corporate and Other segment. The majority of Canaccord's corporate support functions are based in Vancouver and Toronto, Canada.

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

FINANCIAL PERFORMANCE[1]

(C$ thousands, except number of employees and % amounts)		2011		2010		2011/2010 Change	
			For the years ended March 31				
Revenue	$	**31,938**	$	26,933	$	5,005	18.6%
Expenses							
Incentive compensation		**21,345**		15,290		6,055	39.6%
Salaries and benefits		**30,173**		25,912		4,261	16.4%
Other overhead expenses		**34,129**		32,835		1,294	3.9%
Total expenses		**85,647**		74,037		11,610	15.7%
Loss before income taxes[2]	$	**(53,709)**	$	(47,104)	$	(6,605)	14.0%
Number of employees		**373**		364		9	2.5%

[1] Data is considered to be GAAP except for number of employees.
[2] See "Intersegment allocated costs" below.

Revenue for fiscal 2011 was $31.9 million, an increase of $5.0 million or 18.6% from fiscal 2010. The change was mainly due to a $2.3 million increase in other revenue and a $3.4 million increase in interest revenue. Other revenue increased as a result of higher foreign exchange gains related to the fluctuations in the foreign exchange rates, and interest revenue was up due to higher interest rates.

Fiscal 2011 expenses were $85.6 million, an increase of $11.6 million or 15.7%. The $6.1 million increase in incentive compensation expense resulted from the higher profitability of the consolidated group of companies. Salaries and benefits expense was also up by $4.3 million compared to fiscal 2010 due to higher staffing levels and the reclassification of salaries and benefits expense related to systems development to this expense line item. This reclassification also explains the $2.0 million decrease in development costs. Premises and equipment increased by $2.2 million or 47.5% as a result of obtaining additional office space to support the growth of the Company.

Loss before income taxes was $53.7 million for fiscal 2011 compared to a loss before income taxes of $47.1 million for the same period a year ago.

Operational highlights

The strength of Canaccord's back-office team was evident during the integrations of Genuity and TBG during fiscal 2011. The seamless transition of Genuity and TBG operations onto the Canaccord platform enabled the Company to focus on creating value for clients and shareholders through the acquisitions. All of the integration was managed internally, and its success was due entirely to the skills and commitment of Canaccord's back-office and support team.

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

Intersegment allocated costs

Included in the Corporate and Other segment are certain trade processing, support services, research and other expenses that have been incurred to support the activities within the Canaccord Genuity and Canaccord 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 $36.6 million for the year ending March 31, 2011, and to Canaccord Genuity such allocable costs were $10.9 million.

FINANCIAL CONDITION

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

	Balance sheet summary as at March 31				
(C$ thousands)	**2011**	2010	2009	2008	2007
Assets					
Cash and cash equivalents	**$ 954,068**	$ 731,852	$ 701,173	$ 435,649	$ 506,640
Securities owned, at market	**947,185**	362,755	133,691	92,796	348,764
Accounts receivable	**2,828,812**	1,972,924	1,061,161	1,422,917	1,672,035
Income taxes recoverable	**—**	—	23,771	11,083	—
Future income taxes	**15,309**	13,190	15,680	28,207	11,021
Investments	**5,000**	5,000	5,000	5,000	—
Investment in ABCP	**—**	—	35,312	29,860	—
Equipment and leasehold improvements	**40,818**	38,127	46,311	40,686	37,549
Goodwill and other intangibles	**319,180**	—	—	32,520	33,933
Total assets	**$ 5,110,372**	$ 3,123,848	$ 2,022,099	$ 2,098,718	$ 2,609,942
Liabilities and shareholders' equity					
Bank indebtedness	**$ 13,580**	$ 29,435	$ 75,600	$ 15,038	$ —
Securities sold short, at market	**722,613**	364,137	79,426	13,757	41,176
Accounts payable and accrued liabilities	**3,557,275**	2,308,146	1,469,369	1,687,479	2,156,540
Income taxes payable	**23,977**	5,385	—	—	15,035
Future income taxes	**21,404**	—	—	—	—
Subordinated debt	**15,000**	15,000	25,000	25,000	25,000
Shareholders' equity	**756,523**	401,745	372,704	357,444	372,191
Total liabilities and shareholders' equity	**$ 5,110,372**	$ 3,123,848	$ 2,022,099	$ 2,098,718	$ 2,609,942

Assets

Cash and cash equivalents were $954.1 million on March 31, 2011 compared to $731.9 million on March 31, 2010. Refer to the Liquidity and capital resources section for more details.

Securities owned were $947.2 million compared to $362.8 million on March 31, 2010, mainly attributable to growth in fixed income activity and increased holding in equities and convertible debentures and corporate finance bought deal positions. The increase in fixed income holdings was a result of a continuing corporate initiative to expand the Fixed Income group, which deals in the primary and secondary markets for various fixed income products.

Accounts receivable were $2.8 billion on March 31, 2011, compared to $2.0 billion on March 31, 2010, as a result of an increase in receivables from brokers and investment dealers resulting from the expansion of the Fixed Income group.

Goodwill was $245.3 million and intangible assets were $73.9 million, representing the goodwill and intangible assets acquired from the acquisitions of Genuity and TBG.

Other assets in aggregate were $61.1 million at March 31, 2011 compared to $56.3 million at March 31, 2010. The increase was due mainly to an increase in future income taxes and equipment and leasehold improvements.

Liabilities and shareholders' equity

Bank overdrafts and call loan facilities utilized by Canaccord may vary significantly on a day-to-day basis and depend on securities trading activity. On March 31, 2011 Canaccord had available credit facilities with banks in Canada and the UK in the aggregate amount of $434.6 million (March 31, 2010 – $411.4 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 March 31, 2011 there was bank indebtedness of $13.6 million, compared to $29.4 million on March 31, 2010.

Accounts payable were $3.6 billion, compared to $2.3 billion on March 31, 2010, an increase of $1.3 billion mainly related to an increase in payable balances to clients and brokers and investment dealers. As discussed above in "Assets", this increase was due to growth in the Fixed Income group.

Securities sold short were $722.6 million, an increase of $358.5 million compared to $364.1 million at March 31, 2010. This increase was a result of the Company's initiative to expand the Fixed Income group.

Non-current future income tax liability was $21.4 million, largely due to the recognition of a future income tax liability in connection with the intangible assets acquired through the purchase of Genuity.

Other liabilities were $39.0 million at March 31, 2011 and $20.4 million at March 31, 2010. The increase was due mainly to the increase in income taxes payable.

OFF-BALANCE SHEET ARRANGEMENTS

A subsidiary of the Company has entered into secured irrevocable standby letters of credit from a financial institution totalling $2.2 million (US$2.3 million) [March 31, 2010 – $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 common shares, contributed surplus, retained earnings and accumulated other comprehensive losses, which is further complemented by subordinated debt. On March 31, 2011 cash and cash equivalents were $954.1 million, an increase of $222.2 million from $731.9 million as of March 31, 2010. During the fiscal year ended March 31, 2011, financing activities used cash in the amount of $50.8 million, which was primarily due to acquisition of common shares for LTIP, change in bank indebtedness, and $17.9 million of dividends paid during the year. Investing activities used cash in the amount of $48.6 million primarily related to the acquisitions of Genuity and TBG. Operating activities provided cash in the amount of $323.7 million, which was due to higher net income earned and net changes in non-cash working capital items. A further decrease in cash of $2.1 million was attributed to the effect of foreign exchange on cash balances.

Canaccord's business requires capital for operating and regulatory purposes. The majority of current assets reflected on Canaccord's balance sheet are highly liquid. The majority of the positions held as securities owned are readily marketable and all are recorded at their fair value. The fair value of these securities fluctuates daily as factors such as changes in market conditions, economic conditions and investor outlook affect market prices. Client receivables are secured by readily marketable securities and are reviewed daily for impairment in value and collectibility. Receivables and payables from brokers and dealers represent the following: current open transactions that generally settle within the normal three-day settlement cycle; collateralized securities borrowed and/or loaned in transactions that can be closed within a few days on demand; and balances on behalf of introducing brokers representing net balances in connection with their client accounts.

The following table summarizes Canaccord's long-term contractual obligations on March 31, 2011:

Contractual obligations payments due by period (C$ thousands)	Total	Fiscal 2012	Fiscal 2013 – Fiscal 2014	Fiscal 2015 – Fiscal 2016	Thereafter
Premises and equipment operating leases	$ 151,738	$ 25,243	$ 44,362	$ 36,426	$ 45,707

OUTSTANDING SHARE DATA

Outstanding shares as of March 31	**2011**	2010
Issued shares outstanding excluding unvested shares(1)	**75,403,640**	48,867,709
Issued shares outstanding(2)	**82,809,623**	55,571,133
Issued shares outstanding – diluted(3)	**85,655,328**	57,766,970
Average shares outstanding – basic	**72,989,655**	48,698,163
Average shares outstanding – diluted(4)	**81,716,618**	55,662,420

(1) Excludes 4,501,992 unvested shares that are outstanding relating to share purchase loans for recruitment and 2,903,991 unvested shares purchased by the employee benefit trust for the long term incentive plan (LTIP).
(2) Includes 4,501,992 unvested shares relating to share purchase loans for recruitment and 2,903,991 unvested shares purchased by the employee benefit trust for the LTIP.
(3) Includes 2,845,705 of share issuance commitments.
(4) This is the diluted share number used to calculate diluted EPS.

At May 17, 2011 Canaccord had 82,868,282 common shares issued and outstanding, an increase of 27,297,149 common shares from March 31, 2010 due to shares issued in connection with the acquisition of Genuity and stock compensation plans. See Note 9 of the Audited Annual Consolidated Financial Statements for more information regarding the acquisition of Genuity.

Issuance of share capital

	Fiscal 2011
Total common shares issued and outstanding as of March 31, 2010	**55,571,133**
Shares issued in relation to the acquisition of Genuity	26,500,000
Shares issued in connection with stock compensation plans	823,144
Shares cancelled	(84,654)
Total common shares issued and outstanding as of March 31, 2011	**82,809,623**

STOCK-BASED COMPENSATION PLANS

Retention plan

In connection with the acquisition of TBG, the Company established a retention plan, with estimated retention payments of up to $13.6 million to be paid in the form of shares to key employees of Canaccord Genuity Asia. The plan provides for the issuance of up to 1,187,800 common shares of the Company over a five-year vesting period. The total number of shares that will vest is based on revenue earned related to Canaccord Genuity Asia during the vesting period. The aggregate number of common shares which vest will be the number which is equal to the revenue earned related to Canaccord Genuity Asia during the vesting period, divided by US$100.0 million, multiplied by the number of common shares subject to the retention plan. As such revenue levels are achieved during the vesting period, the associated proportion of the retention payment will be recorded as a development cost and the applicable number of retention shares will be included in diluted common shares outstanding.

Stock options

The Company grants stock options to purchase common shares of the Company to independent directors and senior managers. As of March 31, 2011, the independent directors and senior managers have 2,541,334 outstanding options to acquire 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 stock options is $9.82 per share.

In May 2010 the Company granted an aggregate of 150,000 stock options to six independent directors with an exercise price of $8.39 per share. The options vest over a four-year period and expire on March 31, 2017 or 30 days after the participant ceases to be a director.

Long term incentive plan

Under the long term incentive plan (LTIP), eligible participants are awarded restricted share units (RSUs), which 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 a trustee to purchase common shares of the Company on the open market that will be held in trust by the trustee until RSUs vest, or (b) the Company will issue common shares from treasury to participants following vesting of RSUs. For employees in the US and the UK, at the time of each RSU award, the Company will allot common shares and these shares will be issued from treasury at the time they vest for each participant.

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 March 31, 2011 forward contracts outstanding to sell US dollars had a notional amount of US$5.0 million, a decrease of $3.3 million from a year ago. Forward contracts outstanding to buy US dollars had a notional amount of US$25.1 million, an increase of US$8.1 million compared to a year ago. The fair value of these contracts was nominal. All 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 because pending settlements on both sides of the transaction are typically in the local currency.

RELATED PARTY TRANSACTIONS

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, as well as interest income earned and interest expense incurred on related party balances, in the aggregate is not material in relation to the overall operations of Canaccord.

CRITICAL ACCOUNTING ESTIMATES

The following is a summary of Canaccord's critical accounting estimates. Canaccord's accounting policies are in accordance with Canadian GAAP and are described in Note 1 to the audited consolidated financial statements for the year ended March 31, 2011. The accounting policies described below require estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses recorded in the financial statements. Because of their nature, estimates require judgment based on available information. Actual results or amounts could differ from estimates and the difference could have a material impact on the financial statements.

Revenue recognition and valuation of securities

Securities owned and sold short, including share purchase warrants and options, are classified as held for trading as per Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, "*Financial Instruments – Recognition and Measurement*", and are recorded at fair value with unrealized gains and losses recognized in net income. In the case of publicly traded securities, fair value is determined on the basis of market prices from independent sources, such as listed exchange prices or dealer price quotations. Adjustments to market prices are made for liquidity, relative to the size of the position, holding periods and other resale restrictions, if applicable. Investments in non-publicly traded securities classified as held for trading are measured at fair value as determined by a valuation model. There is inherent uncertainty and imprecision in estimating the factors that can affect value and in estimating values generally. The extent to which valuation estimates differ from actual results will affect the amount of revenue or loss recorded for a particular security position in any given period. With Canaccord's security holdings consisting primarily of publicly traded securities, our procedures for obtaining market prices from independent sources, the validation of estimates through actual settlement of transactions and the consistent application of our approach from period to period, we believe that the estimates of fair value recorded are reasonable.

Provisions

Canaccord records provisions related to pending or outstanding legal matters and doubtful accounts associated with clients' receivables, loans, advances and other receivables. 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 fault by an employee of Canaccord and precedents. Clients' receivable balances are generally collateralized by securities and, therefore, any impairment is generally measured after considering the market value of the collateral.

Provisions in connection with other doubtful accounts are generally based on management's assessment of the likelihood of collection and the recoverable amount. Provisions are also recorded utilizing discount factors in connection with syndicate participation.

Tax

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. Canaccord operates within different tax jurisdictions and is subject to their individual assessments. 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. Accounting standards require a valuation allowance when it is more likely than not that all or a portion of a future income tax asset will not be realized prior to its expiration. Although realization is not assured, Canaccord believes that, based on all evidence, it is more likely than not that all of the future income tax assets, net of the valuation allowance, will be realized. Canaccord believes that adequate provisions for income taxes have been made for all years.

Stock-based compensation

Stock-based compensation represents the cost related to stock-based awards granted to employees. The Company uses the fair value method to account for such awards. Under this method, the Company measures the fair value of stock-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. In the case where vesting is also dependent on performance criteria, the cost is recognized over the vesting period in accordance with the rate at which such performance criteria are achieved. When stock-based compensation awards vest, contributed surplus is reduced by the applicable amount and share capital is increased by the same amount.

Goodwill and other intangible assets

As a result of the acquisitions of Genuity and TBG, Canaccord acquired goodwill and other intangible assets. Goodwill is the cost of the acquired companies in excess of the fair value of their net assets, including intangible assets, at the acquisition date. The identification and valuation of intangible assets required management to use estimates and make assumptions. Goodwill is assessed for impairment at least annually or whenever a potential impairment may arise as a result of an event or change in circumstances to ensure that the fair value of the reporting unit to which goodwill has been allocated is greater than or at least equal to its carrying value. Fair value is determined using valuation models that take into account such factors as projected earnings, earnings multiples, discount rates, other available external information and market comparables. The determination of fair value requires management to apply judgment in selecting the valuation models and assumptions and estimates to be used in such models and value determinations. These judgments affect the determination of fair value and any resulting impairment charges.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset's carrying value may not be recoverable. The amortization periods for intangible assets are reviewed annually. Intangible assets with indefinite lives are not amortized, but are tested for impairment annually, or more frequently if there is an indication the asset may be impaired.

CHANGE IN ACCOUNTING POLICIES

Business Combinations and Consolidated Financial Statements

Effective April 1, 2010, the Company early adopted Canadian Institute of Chartered Accountants (CICA) Handbook Section 1582, "*Business Combinations*", Handbook Section 1601, "*Consolidated Financial Statements*", and Handbook Section 1602, "*Non-controlling Interests*", which replace CICA Handbook Section 1581, "*Business Combinations*", and Handbook Section 1600, "*Consolidated Financial Statements*". Handbook Section 1582 harmonizes Canadian guidance to International Financial Reporting Standards (IFRS) 3 "*Business Combinations*". CICA Handbook Section 1601 carries forward guidance from CICA Handbook Section 1600, except for the standards relating to the accounting for non-controlling interests, which are addressed separately in Section 1602. Section 1602 substantially harmonizes Canadian standards with amended International Accounting Standard (IAS) 27, "*Consolidated and Separate Financial Statements*". This Canadian standard provides guidance on accounting for non-controlling interests in a subsidiary in the consolidated financial statements subsequent to a business combination.

Earlier adoption of these sections was permitted and required that all three sections be adopted concurrently. Consequently, effective April 1, 2010, the Company applied these three standards concurrently to the acquisitions of Genuity and TBG.

Business combinations from April 1, 2010

As a result of adoption of Handbook Section 1582, business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. Acquisition costs are expensed as incurred.

Goodwill is 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 the statement of operations.

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 reporting units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Business combinations prior to April 1, 2010

In comparison to the above-mentioned requirements, the following differences continue to apply:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs and consideration transferred was measured at the announcement date. The accounting treatment for business combinations prior to April 1, 2010 has not been restated to comply with the new accounting policies.

RECENT ACCOUNTING PRONOUNCEMENTS

International Financial Reporting Standards

The Canadian Accounting Standards Board (AcSB) has confirmed that the use of IFRS will be required commencing in 2011 for publicly accountable, profit-oriented enterprises. The Company will issue its first annual and interim consolidated financial statements prepared under IFRS for the year ended March 31, 2012 and the three months ended June 30, 2011, respectively, with restatement of comparative information presented.

IFRS conversion plan

The three phases of the Company's conversion plan are as follows: Diagnostic; Design and Planning; and Implementation and Post-Implementation review.

The Company completed the Diagnostic phase during fiscal 2010. During the year ended March 31, 2011, the Company completed the Design and Planning phase of its changeover plan. The following was completed during the year ended March 31, 2011:

- Identified relevant significant differences between Canadian GAAP and IFRS
- Selected accounting policies under IFRS and discussed with auditors
- Prepared and presented mock IFRS financial statements to the Audit Committee which highlighted notes disclosure and presentation differences
- Determined the exceptions and exemptions that will be elected by the Company under IFRS 1, "*First-time Adoption of International Financial Reporting Standards*"
- Reviewed changes for regulatory capital reporting
- Evaluated the impact of conversion on information technology, internal control over financial reporting, training and communication to internal and external stakeholders; no significant impact is expected as of today

The Company is currently in the Implementation phase of the conversion plan. The preparation of the consolidated opening IFRS balance sheet as at April 1, 2010 has been completed. In addition, the Company has provided ongoing training for key personnel and implemented changes required to the Company's disclosure controls and reporting processes to support the preparation of consolidated IFRS financial statements. The Company is currently preparing the IFRS compliant fiscal 2011 financial statements which will be presented as comparatives in the fiscal 2012 interim and annual consolidated IFRS financial statements.

The Post-Implementation phase involves the maintenance of sustainable IFRS compliant financial data and processes for fiscal 2012 and beyond. In addition, the Company will monitor changes in IFRS that may impact any of the decisions made to date. It is noted that both the AcSB and IASB have significant workplans to amend certain accounting standards. For example, the IASB published discussion papers and exposure drafts proposing significantly different accounting models in the following areas that may materially impact the Company's consolidated financial statements: lease accounting, financial instruments and revenue recognition. The Company will continue to monitor the progress of these changes and assess the impact on the Company.

The Company has prepared a preliminary consolidated opening IFRS balance sheet as at April 1, 2010. The preliminary amounts determined are based on accounting policies the Company expects to apply in preparing its first consolidated IFRS financial statements. The Company's final consolidated opening IFRS balance sheet as at April 1, 2010 may change from the preliminary amounts as a result of ongoing changes to IFRS standards.

Summary of Key Differences

Relevant key differences identified to date between IFRS and Canadian GAAP are summarized below.

Accounting policy area	Key differences in accounting treatment	Potential key impacts
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. **Analysis** Amortization of our share-based payments must be recognized on a graded basis with a forfeiture rate estimated at grant date. The forfeiture rate will be reviewed on an annual basis.	**Impact to IFRS opening Consolidated Balance Sheet** The difference in incentive compensation expense as a result of using the graded amortization and estimating a forfeiture rate for any unvested share-based payments resulted in a decrease in the opening retained earnings of \$0.8 million and an increase in contributed surplus of the same amount.
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. **Analysis** 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.	**Impact to IFRS opening Consolidated Balance Sheet** As a result of recording the investment in Alternative Alpha Trading System at fair value, the investment balance increased by \$1.7 million, offset by an increase in other comprehensive income of \$1.3 million net of tax.

Accounting policy area	Key differences in accounting treatment	Potential key impacts
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. Impairment loss is recognized when the carrying amount exceeds its fair value. Impairment losses may not be reversed. *Indefinite-lived 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-lived 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 and fair value less cost to sell. Impairment losses may not be reversed in future periods. *Indefinite-lived 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-lived 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. **Analysis** These differences may lead to additional impairment charges under IFRS.	**Impact to IFRS opening Consolidated Balance Sheet** The Company acquired goodwill and intangible assets as part of its acquisition of Genuity. Goodwill was also acquired through the acquisition of TBG. There is no effect on the opening IFRS Balance Sheet as the goodwill and intangible assets arose after April 1, 2010. 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 the goodwill acquired from Genuity. There was no impairment under Canadian GAAP or IFRS; therefore, no quantitative difference was noted. No impairment test was performed relating to the goodwill acquired in the TBG acquisition as the acquisition was made during the last quarter of fiscal 2011. No events and circumstances occurred during this period indicating that impairment testing is necessary.

Accounting policy area	Key differences in accounting treatment	Potential key impacts
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** Future income tax assets and liabilities must be classified as non-current on the balance sheet. **Analysis** Presentation of the balance sheet will be different as all future income tax assets or liabilities will be classified as non-current under IFRS. There may also be other income tax impacts on any transition adjustments resulting from the conversion to IFRS.	**Impact to IFRS opening Consolidated Balance Sheet** The Company recognized future income tax impacts on the transition adjustments. The Canadian GAAP future income tax balance of $13.2 million has been reclassified as a long-term deferred tax asset, netted against $0.3 million of tax impact resulting from the transition adjustments.

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 will elect not to apply IFRS 3, *"Business Combinations"*, to all business combinations that occurred before April 1, 2010. The Company has early adopted Handbook Section 1582, which is harmonized with IFRS 3, for all business combinations subsequent to April 1, 2010. The Company will elect this exemption option to not restate all business combinations that occurred prior to April 1, 2010.
Share-based payments	The Company will elect not to apply IFRS 2, *"Share-based Payments"*, retrospectively to its share-based payments that have vested as of the IFRS transition date.
Currency translation differences	The Company will elect to reclassify all cumulative translation differences for self-sustaining foreign subsidiaries in accumulated other comprehensive income to retained earnings on transition. The Company has estimated the reclassification of all cumulative translation differences for self-sustaining foreign subsidiaries to retained earnings as of April 1, 2010 to be $35.3 million.

In summary, the transition from Canadian GAAP to IFRS is expected to have the following impact on shareholders' equity on the IFRS transition date:

	April 1, 2010
Increase in contributed surplus – impact of share-based payments	$ 752
Decrease in retained earnings – impact of share-based payments and cumulative translation differences, gross of tax	(36,056)
Increase in retained earnings – tax impact on above adjustments	187
Decrease in accumulated other comprehensive loss – impact of cumulative translation differences	35,304
Increase in accumulated other comprehensive income – impact of financial instruments, net of taxes	1,301
Net impact on shareholders' equity	$ 1,488

Internal controls over financial reporting

The Company has designed internal controls over financial reporting that are operating effectively. We have determined that there will not be a significant impact on our internal controls over financial reporting or our disclosure controls and procedures resulting from transition to IFRS.

Business activities

The Company concluded there is no significant impact on its business activities as a result of the conversion to IFRS.

Financial process and information systems

The Company has made minor changes to the financial process used to calculate the amortization of share-based payments. We have also implemented a process to determine the fair value of our available-for-sale assets, as well as a process to determine any impairment of assets in accordance with IFRS. Besides these minor changes, there have been no significant changes to our financial process and information systems.

Financial reporting expertise

The IFRS implementation team includes senior management, finance personnel and external advisors. The IFRS implementation team routinely attends training conferences and seminars and continuously monitors any IFRS updates to assess any upcoming changes that will affect the Company.

The Audit Committee was provided IFRS updates each quarter during fiscal 2010 and fiscal 2011. The Audit Committee has been kept up-to-date on the progress of the conversion and any significant impacts. The Audit Committee is involved in the approval of accounting policy choices and IFRS 1 optional exemptions, opening balance sheet adjustments and changes to presentation and disclosures of financial statements during fiscal 2011.

BUSINESS COMBINATIONS

i) Genuity Capital Markets

On March 4, 2010 the Company announced that it had signed a definitive agreement to acquire 100% control of Genuity, a leading independent advisory and restructuring firm in Canada. The transaction was completed on April 23, 2010 for consideration consisting of 26.5 million Canaccord common shares valued at $271.9 million and cash of $30.0 million. The share price of $10.26 was based on the closing share price as of April 22, 2010, the date before the transaction closed. In addition, the vendors received $28.0 million as a working capital adjustment subsequent to closing. All of the Canaccord common shares issued as part of the purchase price were placed in escrow at closing and are being released ratably over five years.

This transaction has been accounted for in accordance with CICA Handbook 1582, "*Business Combinations*", using the acquisition method. The Company expensed $11.0 million of acquisition-related costs for the year ended March 31, 2011, which included costs incurred for severance, lease termination, and professional and consulting fees. The consolidated statement of operations includes the results of Genuity since the closing date of April 23, 2010. See Note 9 of the Audited Consolidated Financial Statements.

ii) The Balloch Group

On November 22, 2010, the Company announced its agreement to purchase 100% of the interest in TBG, a leading Chinese boutique investment bank, headquartered in Beijing. The purchase price was $3.0 million, with up to an additional $1.0 million as a working capital adjustment subsequent to closing. The acquisition closed on January 17, 2011.

Canaccord's operations in China have been branded Canaccord Genuity Asia and will focus on providing Asia-based clients with advisory services for M&A and strategic partnerships, international market offerings and Chinese debt financing.

In connection with the acquisition, retention payments up to an estimated $13.6 million will be paid to key employees of Canaccord Genuity Asia. The retention payments will involve the issuance of up to approximately 1,187,800 common shares of the Company over a five-year vesting period. The total number of common shares to be vested is also based on revenue earned by Canaccord Genuity Asia subsequent to the date of the acquisition.

This transaction has been accounted for in accordance with CICA Handbook 1582, "*Business Combinations*", using the acquisition method. The Company expensed $1.8 million of acquisition-related costs for the year ended March 31, 2011. These acquisition-related costs included professional and consulting fees incurred for this acquisition. These costs also included payments for staff restructuring that resulted from this acquisition.

The Company has determined the purchase price allocation for this acquisition and has disclosed the preliminary allocation in its audited consolidated financial statements for the year ended March 31, 2011. See Note 9 of the Audited Consolidated Financial Statements.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure controls and procedures

As of March 31, 2011 an evaluation was carried out, under the supervision of and with the participation of management, including the President & CEO and the Executive Vice President & CFO, of the effectiveness of our disclosure controls and procedures as defined under *National Instrument 52-109*. Based on that evaluation, the President & CEO and the Executive Vice President & CFO concluded that the design and operation of these disclosure controls and procedures were effective as of and during the fiscal year ended March 31, 2011.

Internal control over financial reporting

Management, including the President & CEO and the Executive Vice President & CFO, has designed internal control over financial reporting as defined under *National Instrument 52-109* to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. Based on that evaluation, the President & CEO and the Executive Vice President & CFO concluded that the Company's internal control over financial reporting was designed and operating effectively as of and during the year ended March 31, 2011 and that there were no material weaknesses in our internal control over financial reporting.

Changes in internal control over financial reporting

There were no changes in internal control over financial reporting that occurred during the year ended March 31, 2011 that have materially affected, or are reasonably likely to materially affect, Canaccord's internal control over financial reporting.

RISK MANAGEMENT

Overview

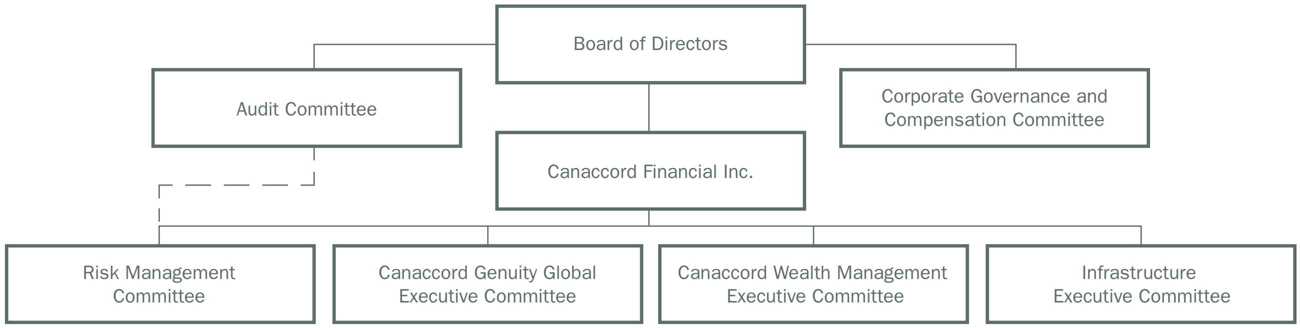
Uncertainty and risk are inherent in any financial markets activity. As an active participant in the Canadian and international capital markets, Canaccord is exposed to risks that could result in financial losses. Canaccord has identified its principal risks as: market risk, credit risk, operational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

Risk management structure and governance

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

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

Canaccord's governance structure includes the following elements:



The Board of Directors (the Board) has oversight of the company-wide risk management framework. These responsibilities are mandated to the Audit and Risk Management Committees.

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

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

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

Market risk

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

Canaccord is exposed to equity price risk, liquidity risk and volatility risk as a result of its principal trading activities in equity securities. Canaccord is also exposed to specific interest rate risk, credit spread risk and liquidity risk in respect of its principal trading in fixed income securities. In addition to active supervision and review of trading activities by senior management, Canaccord mitigates its risk exposure through a variety of limits to control concentration, capital allocation and usage, as well as through trading policies and guidelines. Canaccord manages and monitors its risks in this area using both qualitative and quantitative measures, on a company-wide basis, and also by trading desk and by individual trader. Canaccord operates a firm-wide VaR risk measurement system for its equity and fixed income inventories. Management also reviews and monitors inventory levels and positions, trading results, aging and concentration levels. Consequently, Canaccord can ensure that it is adequately diversified with respect to market risk factors and that trading activity is within the risk tolerance levels established by senior management. For a detailed description of Canaccord's VaR methodology, see "Market Risk" in Canaccord's fiscal 2011 Annual Information Form (AIF).

Credit risk

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

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

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

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

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

Operational risk

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

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

Risk and Control Self-Assessment (RCSA)

The purpose of RCSAs is to:

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

Canaccord has established a process to determine what the strategic objectives of each group/unit/department are and identify, assess, and quantify operational risks that hinder the Company's ability to achieve those objectives. The program began in October of 2009 and RCSAs have been performed in all geographies, except Asia, and across all major business lines. The RCSA results are specifically used to calculate the operational risk regulatory capital requirements for Canaccord in the UK and operational risk exposure in all geographies. The RCSAs are periodically updated and results are reported to the Risk Management and Audit Committees.

Other risks

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

Regulatory and legal risk

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

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

Losses or costs associated with routine regulatory and legal matters are included in general and administrative expenses in Canaccord's consolidated financial statements.

Reputational risk

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

RISK FACTORS

For a detailed list of the risk factors that are relevant to Canaccord's business and the industry in which it operates, see "Risk Factors" in Canaccord's fiscal 2011 AIF. Risks include, but are not necessarily limited to, those listed in the AIF. Investors should carefully consider the information about risks, together with the other information in this document, before making investment decisions. It should be noted that this list is not exhaustive, but contains risks that Canaccord considers to be of particular relevance. Other risk factors may apply.

Control risk

As of March 31, 2011 senior officers and directors of Canaccord collectively owned approximately 31.0% of the issued and outstanding common shares of Canaccord Financial Inc. If a sufficient number of these shareholders act or vote together, they will have the power to exercise significant influence over all matters requiring shareholder approval, including the election of the Company's directors, amendments to its articles, amalgamations and plans of arrangement under Canadian law and mergers or sales of substantially all of its assets. This could prevent Canaccord from entering into transactions that could be beneficial to the Company or its other shareholders. Also, third parties could be discouraged from making a tender offer or takeover bid to acquire any or all of the outstanding common shares of the Company. In addition, as at March 31, 2011 the single largest shareholder that management was aware of was Franklin Templeton Investments Corp. by one or more of its mutual funds or other managed accounts. As of March 31, 2011, it held 5,843,973 common shares of Canaccord Financial Inc., which represents 7.05% of common shares outstanding on March 31, 2011. Any significant change in these shareholdings through sale or other disposition, or significant acquisitions by others of the common shares in the public market or by way of private transactions could result in a change of control and changes in business focus or practices that could affect the profitability of Canaccord's business.

Restrictions on ownership and transfer of common shares

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

DIVIDEND POLICY

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

DIVIDEND DECLARATION

On May 17, 2011 the Board of Directors considered the dividend policy and approved a quarterly dividend of $0.10 per share payable on June 15, 2011, with a record date of June 3, 2011.

ADDITIONAL INFORMATION

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

Independent Auditors' Report

To the Shareholders of
Canaccord Financial Inc.

We have audited the accompanying consolidated financial statements of **Canaccord Financial Inc.**, which comprise the consolidated balance sheets as at March 31, 2011 and 2010, and the consolidated statements of operations, comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Canaccord Financial Inc.** as at March 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

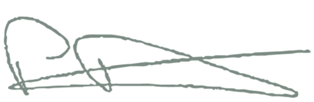
Vancouver, Canada
May 17, 2011
Chartered Accountants

Consolidated Balance Sheets

As at March 31 (in thousands of dollars)	**2011**	2010
ASSETS		
Current		
Cash and cash equivalents	**$ 954,068**	$ 731,852
Securities owned [note 3]	**947,185**	362,755
Accounts receivable [notes 5 and 14]	**2,828,812**	1,972,924
Future income taxes [note 8]	**15,309**	13,190
Total current assets	**4,745,374**	3,080,721
Investment [note 6]	**5,000**	5,000
Equipment and leasehold improvements [note 7]	**40,818**	38,127
Intangible assets [note 10]	**73,923**	—
Goodwill [note 10]	**245,257**	—
	$ 5,110,372	$ 3,123,848
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness [note 4]	**$ 13,580**	$ 29,435
Securities sold short [note 3]	**722,613**	364,137
Accounts payable and accrued liabilities [notes 5 and 14]	**3,557,275**	2,308,146
Income taxes payable	**23,977**	5,385
Subordinated debt [note 11]	**15,000**	15,000
Total current liabilities	**4,332,445**	2,722,103
Future income taxes [note 8]	**21,404**	—
	4,353,849	2,722,103
Commitments and contingencies [note 17]		
Shareholders' equity		
Common shares [note 12]	**467,050**	185,691
Contributed surplus	**53,441**	57,351
Retained earnings	**273,007**	194,007
Accumulated other comprehensive loss	**(36,975)**	(35,304)
Total shareholders' equity	**756,523**	401,745
	$ 5,110,372	$ 3,123,848

See accompanying notes

On behalf of the Board:



PAUL D. REYNOLDS
Director

TERRENCE A. LYONS
Director

Consolidated Statements of Operations

Years ended March 31 (in thousands of dollars, except per share amounts)	**2011**	2010
REVENUE		
Commission	**$ 294,650**	$ 235,606
Investment banking	**327,499**	215,237
Advisory fees	**84,914**	39,200
Principal trading	**43,644**	45,982
Interest	**24,040**	12,965
Other	**28,884**	28,547
	803,631	577,537
EXPENSES		
Incentive compensation	**391,050**	299,084
Salaries and benefits	**64,420**	59,415
Trading costs	**31,507**	28,884
Premises and equipment	**27,158**	24,402
Communication and technology	**25,466**	21,868
Interest	**7,811**	2,581
General and administrative	**67,882**	52,153
Amortization	**12,742**	7,609
Development costs	**22,409**	24,900
Acquisition-related costs [note 9]	**12,740**	5,000
	663,185	525,896
Income before income taxes	**140,446**	51,641
Income taxes expense [note 8]		
Current	**41,437**	10,533
Future	**775**	2,611
	42,212	13,144
Net income for the year	**$ 98,234**	$ 38,497
Basic earnings per share [note 12[v]]	**$ 1.35**	$ 0.79
Diluted earnings per share [note 12[v]]	**$ 1.20**	$ 0.69

See accompanying notes

Consolidated Statements of Comprehensive Income

Years ended March 31 (in thousands of dollars)	2011	2010
Net income for the year	$ 98,234	$ 38,497
Other comprehensive loss, net of taxes		
Net change in unrealized losses on translation of self-sustaining foreign operations	(1,671)	(19,138)
Comprehensive income for the year	$ 96,563	$ 19,359

Consolidated Statements of Changes In Shareholders' Equity

As at and for the years ended March 31 (in thousands of dollars)	2011	2010
Common shares, opening	$ 185,691	$ 183,619
Shares issued in connection with the acquisition of Genuity Capital Markets [note 9]	271,900	—
Shares issued in connection with stock compensation plans	7,969	5,306
Shares cancelled	(546)	(171)
Acquisition of common shares for long term incentive plan	(17,979)	(11,691)
Release of vested common shares from employee benefit trust	20,752	12,997
Net unvested share purchase loans	(737)	(4,369)
Common shares, closing	467,050	185,691
Contributed surplus, opening	57,351	44,383
Excess on repurchase of common shares	(638)	(240)
Stock-based compensation	(4,452)	8,958
Unvested share purchase loans	1,180	4,250
Contributed surplus, closing	53,441	57,351
Retained earnings, opening	194,007	160,868
Net income for the year	98,234	38,497
Dividends	(19,234)	(5,358)
Retained earnings, closing	273,007	194,007
Accumulated other comprehensive loss, opening	(35,304)	(16,166)
Other comprehensive loss	(1,671)	(19,138)
Accumulated other comprehensive loss, closing	(36,975)	(35,304)
Shareholders' equity	$ 756,523	$ 401,745

See accompanying notes

Consolidated Statements of Cash Flows

Years ended March 31 (in thousands of dollars)	**2011**	2010
OPERATING ACTIVITIES		
Net income for the year	**$ 98,234**	$ 38,497
Items not affecting cash		
Amortization	**12,742**	7,609
Future income tax expense	**775**	2,611
Stock-based compensation expense	**26,179**	23,986
Gain from disposal of ABCP and fair value adjustments	**—**	(5,481)
Changes in non-cash working capital		
Increase in securities owned	**(579,283)**	(230,407)
Increase in accounts receivable	**(844,557)**	(950,760)
Increase in income taxes payable	**17,263**	27,842
Increase in securities sold short	**358,425**	285,809
Increase in accounts payable and accrued liabilities	**1,233,944**	891,731
Intelli fair value of net assets	**—**	5,837
Cash provided by operating activities	**323,722**	97,274
FINANCING ACTIVITIES		
Change in bank indebtedness	**(15,855)**	(46,165)
Acquisition of common shares for long term incentive plan	**(17,979)**	(11,691)
Dividends paid	**(17,943)**	(5,358)
Issuance of shares in connection with stock-based compensation plans	**555**	—
Increase in net unvested share purchase loans	**443**	(119)
Repayment of subordinated debt	**—**	(10,000)
Cash used in financing activities	**(50,779)**	(73,333)
INVESTING ACTIVITIES		
Acquisition of Genuity Capital Markets [note 9]	**(37,997)**	—
Acquisition of the Balloch Group Limited [note 9]	**(2,472)**	—
Purchase of equipment and leasehold improvements	**(8,109)**	(1,737)
Purchase of Intelli	**—**	(7,036)
Proceeds on disposal of investment in ABCP	**—**	54,413
Purchase of investment in ABCP	**—**	(14,470)
Cash (used in) provided by investing activities	**(48,578)**	31,170
Effect of foreign exchange on cash balances	**(2,149)**	(24,432)
Increase in cash position	**222,216**	30,679
Cash position, beginning of year	**731,852**	701,173
Cash position, end of year	**$ 954,068**	$ 731,852
Supplemental cash flow information		
Interest paid	**$ 8,337**	$ 2,331
Income taxes paid	**$ 27,699**	$ 3,603

See accompanying notes

Notes to Consolidated Financial Statements

As at and for the years ended March 31, 2011 and 2010
(in thousands of dollars, except per share amounts)

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.

The Company's business is cyclical and experiences considerable variations in revenue and income from 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, European, and Asian equity and debt markets, including the seasonal variances in these markets.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and principles of consolidation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). The consolidated financial statements include the accounts of the Company, its subsidiaries and variable interest entities (VIEs) where the Company or one of its subsidiaries is the primary beneficiary.

The Company consolidates VIEs in accordance with the guidance provided by the Canadian Institute of Chartered Accountants (CICA) Accounting Guideline 15 *"Consolidation of Variable Interest Entities"* (AcG-15). AcG-15 defines a VIE as an entity which either does not have sufficient equity at risk to finance its activities without additional subordinated financial support or where the holders of equity at risk lack the characteristics of a controlling financial interest. The enterprise that consolidates a VIE is called the primary beneficiary of the VIE. An enterprise should consolidate a VIE 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 13] to fulfill obligations to employees arising from the Company's stock-based compensation plan. The employee benefit trust has been consolidated in accordance with AcG-15 as it meets the definition of a VIE and a subsidiary of the Company is the primary beneficiary of the employee benefit trust.

All significant intercompany transactions and balances have been eliminated.

Use of estimates and assumptions

The preparation of financial statements in conformity with Canadian GAAP 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 statements and the reported amounts of revenues and expenses during the reporting period. Therefore, actual results may differ from those estimates and assumptions. The significant estimates include income taxes, tax losses available for carryforward, contingent liabilities, stock-based compensation, goodwill and intangible assets, allowance for doubtful accounts and fair value of financial instruments.

Financial instruments

The Company classifies financial instruments into one of the following categories according to CICA Handbook Section 3855 *"Financial Instruments – Recognition and Measurement"*: held for trading, held to maturity, loans and receivables, available for sale assets and other financial liabilities.

The financial assets and liabilities classified as held for trading are measured at fair value with unrealized gains and losses recognized in net income. Section 3855 permits an entity to designate any financial instrument as held for trading on initial recognition provided that the fair value can be reliably determined. The Company's financial instruments classified as held for trading include cash and cash equivalents, securities owned, securities sold short, broker warrants and foreign exchange forward contracts.

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. Investments in equity instruments classified as available for sale that do not have a quoted market price in an active market are measured at cost. Declines in the value of available for sale financial assets that are other than temporary are recognized in net income when incurred. The Company's investment described in Note 6 is classified as available for sale and is measured at cost.

The financial assets and liabilities classified as loans and receivables, held to maturity and other financial liabilities are measured at amortized cost net of valuation allowance. The Company classifies accounts receivable as loans and receivable, and classifies bank indebtedness, accounts payable and accrued liabilities, and subordinated debt as other financial liabilities. The carrying value of the loans and receivables and other financial liabilities approximates their fair value.

The Company's financial instruments are recognized on a trade date basis. Transaction costs relating to the Company's financial instruments are expensed as incurred.

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.

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 on 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 lending and borrowing

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 borrowed and loaned 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.

Revenue recognition

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.

Investment banking revenue consists of underwriting fees and commissions earned on corporate finance activities. Revenue from underwritings and other corporate finance activities are 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, and net interest earned on cash delivered in support of securities borrowing activity. Interest revenue is recognized on an accrual basis.

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

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

Goodwill

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

Intangible assets

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

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset's carrying value may not be recoverable. The amortization periods for intangible assets are reviewed annually. Intangible assets with indefinite lives are not amortized, but are tested for impairment annually, or more frequently if there is an indication the asset may be impaired.

Impairment testing of goodwill and intangible assets with indefinite lives

In accordance with CICA Handbook Section 3064 *"Goodwill and Intangible Assets"*, the Company is required to annually evaluate goodwill and intangible assets with indefinite lives to determine whether they are impaired. Goodwill and intangible assets with indefinite lives should also be tested for impairment whenever a potential impairment may arise as a result of an event or change in circumstances to ensure that the fair value of the reporting unit to which goodwill and intangible assets with indefinite lives have been allocated is greater than or at least equal to its carrying value. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and written down to its recoverable amount. Any impairment of goodwill or intangible assets with indefinite lives will be recognized as an expense in the period of impairment, and subsequent reversals of impairments are prohibited.

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 as incurred.

Translation of foreign currency transactions and foreign subsidiaries

The functional currency of the Company is the Canadian dollar. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at historical rates.

Assets and liabilities of the self-sustaining foreign subsidiaries with a functional currency other than the Canadian dollar are translated into Canadian dollars at rates prevailing at the balance sheet 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 loss.

Revenue and expenses are translated at the average exchange rate prevailing during the period. Foreign currency translation gains and losses are included in income in the period in which they occur.

Income taxes

Income taxes are accounted for using the asset and liability method. This method requires that income taxes reflect the expected future tax effect of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Future income tax assets and liabilities are determined for each temporary difference at rates expected to be in effect when the assets or liabilities are settled. A valuation allowance is established, if necessary, to reduce the future income tax asset to an amount that is more likely than not to be realized.

Earnings per share

Basic earnings per share is computed by dividing the net income for the year by the weighted average number of common shares outstanding. Diluted earnings per share reflects the dilutive effect of unvested share purchase loans, share issuance commitments in connection with stock-based compensation 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 have been issued.

Pension 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 salaries. Costs of the defined contribution plan, representing the Company's required contribution, are charged to income in the year. The amount of the charge for the year was $1.2 million [2010 – $0.4 million].

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.

Stock-based compensation plans

Stock-based compensation represents the cost related to stock-based awards granted to employees. The Company uses the fair value method to account for such awards. Under this method, the Company measures the fair value of stock-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. In the case where vesting is also dependent on performance criteria, the cost is recognized over the vesting period in accordance with the rate at which such performance criteria are achieved. When stock-based compensation awards vest, contributed surplus is reduced by the applicable amount and share capital is increased by the same amount.

Recent accounting pronouncements

International Financial Reporting Standards (IFRS)

The Canadian Accounting Standards Board (AcSB) has confirmed that the use of IFRS will be required for fiscal years beginning on or after January 1, 2011 for publicly accountable, profit-oriented enterprises. IFRS will replace Canadian GAAP currently followed by the Company. The purpose of this adoption is to increase the comparability of financial reporting among countries and to improve transparency. The Company will begin reporting under IFRS for its fiscal year ended March 31, 2012 and will be required to provide information that conforms to IFRS for the comparative periods presented. During the year ended March 31, 2012, the Company will issue interim consolidated IFRS financial statements prepared in accordance with IAS 34 *"Interim Financial Reporting"* for the periods ending June 30, 2011, September 30, 2011, and December 31, 2011, with restatement of comparative amounts for fiscal 2011.

NOTE 2. CHANGE IN ACCOUNTING POLICIES

Business Combinations and Consolidated Financial Statements

Effective April 1, 2010, the Company early adopted CICA Handbook Section 1582 *"Business Combinations"*, Handbook Section 1601 *"Consolidated Financial Statements"* and Handbook Section 1602 *"Non-controlling Interests"*, which replace CICA Handbook Section 1581 *"Business Combinations"* and Handbook Section 1600 *"Consolidated Financial Statements"*. Handbook Section 1582 harmonizes Canadian guidance to IFRS 3 *"Business Combinations"*. CICA Handbook Section 1601 carries forward guidance from CICA Handbook Section 1600 except for the standards relating to the accounting for non-controlling interests, which are addressed separately in Section 1602. Section 1602 substantially harmonizes Canadian standards with amended International Accounting Standard (IAS) 27 *"Consolidated and Separate Financial Statements"*. This Canadian standard provides guidance on accounting for non-controlling interest in a subsidiary in the consolidated financial statements subsequent to a business combination.

Earlier adoption of these sections was permitted and required that all three sections be adopted concurrently. Consequently, effective April 1, 2010, the Company applied these three standards concurrently to the acquisitions of Genuity Capital Markets (Genuity) [Note 9] and The Balloch Group Limited (TBG) [Note 9].

Business combinations from April 1, 2010

As a result of adoption of Handbook Section 1582, business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. Acquisition costs are expensed as incurred.

Goodwill is initially measured at cost, being the excess of the consideration transferred over the Company's net identifiable assets acquired and liabilities assumed. 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 reporting units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The adoption of these standards had a significant impact on how the Company accounted for the business combination with Genuity. The impact was as follows:

- Transaction costs were not capitalized as part of the purchase consideration and instead were expensed as incurred. As a result, the Company expensed approximately $5.0 million during the year ended March 31, 2010, and $11.0 million during the year ended March 31, 2011.
- The measurement date for equity instruments issued by the Company as consideration for the acquisition was the date of acquisition (April 22, 2010 closing price) and not the average of a few days before and after the terms were agreed to and announced (March 4, 2010). Therefore, the Company used a share price of $10.26 versus a share price of $9.49 to value the consideration, increasing the purchase consideration for the business combination by $20.3 million and increasing goodwill being recorded on the consolidated balance sheet by the same amount.

The adoption of these standards also resulted in an additional $1.8 million of acquisition-related costs recognized in connection with the acquisition of TBG, which closed as of January 17, 2011 [Note 9].

Business combinations prior to April 1, 2010

In comparison to the above-mentioned requirements, the following differences continue to apply:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs, and consideration transferred was measured at the announcement date. The accounting treatment for business combinations prior to April 1, 2010 has not been restated to comply with the accounting policies described above.

NOTE 3. SECURITIES OWNED AND SECURITIES SOLD SHORT

	2011		2010	
	Securities owned	**Securities sold short**	Securities owned	Securities sold short
Corporate and government debt	**$ 816,363**	**$ 689,509**	$ 282,686	$ 342,916
Equities and convertible debentures	**130,822**	**33,104**	80,069	21,221
	$ 947,185	**$ 722,613**	$ 362,755	$ 364,137

As at March 31, 2011 corporate and government debt maturities ranged from 2011 to 2060 [March 31, 2010 – 2010 to 2060] and bear interest ranging from 0.50% to 14.00% [March 31, 2010 – 0.50% to 14.00%].

NOTE 4. FINANCIAL INSTRUMENTS

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

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Credit risk arises from cash and cash equivalents, net receivables from clients and brokers and investment dealers, and other accounts receivable. The maximum exposure of the Company to credit risk before taking into account any collateral held or other credit enhancements is the carrying amount of these financial instruments as disclosed in the consolidated financial statements as at March 31, 2011 and 2010.

The primary source of credit risk to the Company is in connection with trading activity by private clients and private client margin accounts. To minimize its exposure, the Company applies certain credit standards, applies limits to transactions and requires settlement of securities transactions on a cash basis or delivery against payment. Margin transactions are collateralized by securities in the clients' accounts in accordance with limits established by the applicable regulatory authorities and are subject to the Company's credit review and daily monitoring procedures. Management monitors the collectibility of receivables and estimates an allowance for doubtful accounts. It is the Company's policy to provide an allowance against unsecured balances deemed to be uncollectible. As at March 31, 2011 the allowance for doubtful accounts was $12.0 million [March 31, 2010 – $11.6 million].

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

As at March 31, 2011 and 2010, the Company's most significant counterparty concentrations were with financial institutions and institutional clients. The underlying transactions are in the normal course of business and management does not anticipate any significant loss from non-performance.

Liquidity risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they become due. The Company's management is responsible for reviewing liquidity resources to ensure funds are readily available to meet its financial obligations as they become due, as well as ensuring adequate funds exist to support business strategies and operational growth. The Company's business requires capital for operating and regulatory purposes. The current assets reflected on the 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. Client receivables are generally 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. Additional information regarding the Company's capital structure and capital management objectives is discussed in Note 16.

The following table presents the contractual terms to maturity of the financial liabilities owed by the Company as at March 31, 2011:

Financial liability	Carrying amount	Contractual term to maturity
Bank indebtedness	$ 13,580	Due on demand
Accounts payable and accrued liabilities	3,557,275	Due within one year
Income taxes payable	23,977	Due within one year
Subordinated debt	15,000	Due on demand*

* Subject to Investment Industry Regulatory Organization of Canada's approval.

Market risk

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

Fair value risk

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

The following table summarizes the effect on net income as a result of a fair value change in financial instruments as at March 31, 2011. This analysis assumes all other variables remain constant. The methodology used to calculate the fair value sensitivity is consistent with the prior year.

	March 31, 2011			March 31, 2010		
Financial instrument	**Carrying value Asset (Liability)**	**Effect of a 10% increase in fair value on net income**	**Effect of a 10% decrease in fair value on net income**	Carrying value Asset (Liability)	Effect of a 10% increase in fair value on net income	Effect of a 10% decrease in fair value on net income
Equities and convertible debentures owned	**$ 130,822**	**$ 4,231**	**$ (4,231)**	$ 80,069	$ 2,100	$ (2,100)
Investment[1]	**5,000**	**n/a**	**(294)**	5,000	n/a	(262)
Equities and convertible debentures sold short	**(33,104)**	**(1,071)**	**1,071**	(21,221)	(557)	557

(1) Investment [Note 6] is classified as available for sale and carried at cost as the investment does not have a quoted market price and, therefore, there is no impact on other comprehensive income (loss) (OCI) resulting from any temporary fluctuation in the market price of the investment. An other than temporary decline in the value of the investment is recognized in net income (loss), and the table indicates the impact on net income (loss) as a result of a 10% impairment of the investment.

A fair value hierarchy is presented below that distinguishes the significance of the inputs used in determining the fair value measurements of various financial instruments. The hierarchy contains the following levels: Level 1 uses 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 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 March 31, 2010		
	March 31, 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.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the fair value or future cash flows of financial instruments held by the Company. The Company incurs interest rate risk on its own cash and cash equivalent balances and bank indebtedness, net clients' balances, and net brokers and investment dealers' balances, as well as its subordinated debt and fixed income securities. The Company attempts to minimize and monitor its exposure to interest rate risk through quantitative analysis of its net positions of fixed income securities, clients' balances, securities lending and borrowing activities, and short-term borrowings. The Company does not hedge its exposure to interest rate risk as it believes it is minimal.

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

The following table provides the effect on net income for the year ended March 31, 2011 if interest rates had increased or decreased by 100 basis points applied to balances as of March 31, 2011. Fluctuations in interest rates do not have an effect on OCI. This sensitivity analysis assumes all other variables are constant. The methodology used to calculate the interest rate sensitivity is consistent with the prior year.

	March 31, 2011			March 31, 2010		
	Carrying value Asset (Liability)	**Net income effect of a 100 bps increase in interest rates**	**Net income effect of a 100 bps decrease in interest rates**	Carrying value Asset (Liability)	Net income effect of a 100 bps increase in interest rates	Net income effect of a 100 bps decrease in interest rates
Cash and cash equivalents, net of bank indebtedness	**$ 940,488**	**$ 5,529**	**$ (5,538)**	$ 702,417	$ 3,686	$ (3,686)
Corporate and government debt owned	**816,363**	**4,799**	**(4,799)**	282,686	1,483	(1,483)
Corporate and government debt sold short	**(689,509)**	**(4,053)**	**4,053**	(342,916)	(1,799)	1,799
Clients' payable, net	**(852,636)**	**(5,012)**	**(4,161)**	(684,812)	(3,593)	(2,331)
RRSP cash balances held in trust	**553,802**	**3,256**	**(3,256)**	475,220	2,493	(2,493)
Brokers' and investment dealers' payable, net	**(223,596)**	**(1,293)**	**65**	(17,187)	(1,002)	50
Subordinated debt	**(15,000)**	**(88)**	**88**	(15,000)	(79)	79

Foreign exchange risk

Foreign exchange risk arises from the possibility that changes in the price of foreign currencies will result in losses. The Company's primary foreign exchange risk results from its investment in its US, UK, and China subsidiaries. These subsidiaries are considered self-sustaining and, therefore, are translated using the current rate method. Any fluctuation in the Canadian dollar against the US dollar, the pound sterling or the renminbi will result in a change in the unrealized gains (losses) on translation of self-sustaining foreign operations recognized in accumulated other comprehensive income (losses).

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

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

As at March 31, 2011:

Currency	Effect of a 10% appreciation in foreign exchange rate on net income	Effect of a 10% depreciation in foreign exchange rate on net income	Effect of a 10% appreciation in foreign exchange rate on OCI	Effect of a 10% depreciation in foreign exchange rate on OCI
US dollar	**$ (3,169)**	**$ 3,169**	**$ 8,499**	**$ (8,499)**
Pound sterling	**(260)**	**260**	**7,135**	**(7,135)**

As at March 31, 2010:

Currency	Effect of a 10% appreciation in foreign exchange rate on net income	Effect of a 10% depreciation in foreign exchange rate on net income	Effect of a 10% appreciation in foreign exchange rate on OCI	Effect of a 10% depreciation in foreign exchange rate on OCI
US dollar	$ (3,611)	$ 3,611	$ 8,737	$ (8,737)
Pound sterling	(275)	275	6,320	(6,320)

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.

Foreign exchange forward contracts

The Company uses derivative financial instruments to manage foreign exchange risk on pending security settlements in foreign currencies. The fair value of these contracts is nominal due to their short term to maturity. Realized and unrealized gains and losses related to these contracts are recognized in net income during the reporting period.

Forward contracts outstanding at March 31, 2011:

	Notional amounts (millions of USD)	Average price (CAD/USD)	Maturity	Fair value (millions of USD)
To sell US dollars	**$ 5.0**	**$ 0.98**	**April 5, 2011**	**$ nil**
To buy US dollars	**25.1**	**0.97**	**April 5, 2011**	**nil**

Forward contracts outstanding at March 31, 2010:

	Notional amounts (millions of USD)	Average price (CAD/USD)	Maturity	Fair value (millions of USD)
To sell US dollars	$ 8.3	$ 1.02	April 6, 2010	$ nil
To buy US dollars	17.0	1.02	April 6, 2010	nil

Bond futures

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. The notional amount of futures contracts outstanding at March 31, 2011 was $0.1 million (2010: $96.9 million). The fair value of these bond futures is nominal.

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

Securities lending and borrowing

The Company employs securities lending and borrowing primarily to facilitate the securities settlement process. These arrangements are typically short term in nature, with interest being received when cash is delivered and interest being paid when cash is received. These transactions are fully collateralized and are subject to daily margin calls for any deficiency between the market value of the security given and the amount of collateral received. These transactions are collateralized by either cash or securities, including government treasury bills and government bonds, and are reflected within accounts receivable and accounts payable. 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 March 31, 2011 the floating rates ranged from 0.00% to 0.67% [March 31, 2010 – 0.00% to 0.049%].

	Cash		Securities	
	Loaned or delivered as collateral	**Borrowed or received as collateral**	**Loaned or delivered as collateral**	**Borrowed or received as collateral**
2011	**$ 117,187**	**$ 51,364**	**$ 52,075**	**$ 119,295**
2010	135,690	45,575	50,703	140,124

Credit facilities

Subsidiaries of the Company have credit facilities with banks in Canada and the UK for an aggregate amount of $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. As of March 31, 2011 and 2010, there were no outstanding balances under these credit facilities.

A subsidiary of the Company has also entered into secured irrevocable standby letters of credit from a financial institution totalling $2.2 million (US$2.3 million) as rent guarantees for its leased premises in Boston, New York and San Francisco. As of March 31, 2011 and 2010 there were no outstanding balances under these standby letters of credit.

Bank indebtedness

The Company enters into call loans or overdraft positions primarily to facilitate the securities settlement process for both client and Company securities transactions. The bank indebtedness is collateralized by either unpaid client securities and/or securities owned by the Company. As at March 31, 2011 the Company had a balance of $13.6 million outstanding [March 31, 2010 – $29.4 million]. Interest on the bank indebtedness was at a floating rate of 0.88% as at March 31, 2011 [March 31, 2010 – 1.70%].

NOTE 5. ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts receivable

	2011	2010
Brokers and investment dealers	$ 1,426,005	$ 932,408
Clients	789,896	503,733
RRSP cash balances held in trust	553,802	475,220
Other	59,109	61,563
	$ 2,828,812	$ 1,972,924

Accounts payable and accrued liabilities

	2011	2010
Brokers and investment dealers	$ 1,649,601	$ 949,595
Clients	1,642,532	1,188,545
Other	265,142	170,006
	$ 3,557,275	$ 2,308,146

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.

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 borrowed and loaned 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.

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 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 [March 31, 2011 – 6.00% to 6.25% and 0.00% to 0.05%, respectively; March 31, 2010 – 5.25% to 6.25% and 0.00% to 0.05%, respectively].

NOTE 6. INVESTMENT

	2011	2010
Available for sale	$ 5,000	$ 5,000

The Company has invested $5.0 million in a limited partnership as part of its initiative to operate an Alternative Trading System. The investment is carried at cost as there is no available quoted market price in an active market.

NOTE 7. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

		Cost		Accumulated amortization		Net book value
2011						
Computer equipment	**$**	**6,536**	**$**	**5,335**	**$**	**1,201**
Furniture and equipment		**27,038**		**16,516**		**10,522**
Leasehold improvements		**61,684**		**32,589**		**29,095**
	$	**95,258**	**$**	**54,440**	**$**	**40,818**
2010						
Computer equipment	$	5,550	$	4,676	$	874
Furniture and equipment		26,490		16,014		10,476
Leasehold improvements		53,278		26,501		26,777
	$	85,318	$	47,191	$	38,127

NOTE 8. INCOME TAXES

Future income tax assets (liabilities) are comprised of the following:

		2011		2010
Assets				
Legal provisions	**$**	**1,488**	$	1,239
Deferred revenue		**437**		452
Unvested forgivable loans		**4,057**		4,907
Unamortized capital cost of equipment and leasehold improvements over their net book value		**1,969**		1,559
Loss carryforwards		**1,396**		5,204
Share issuance costs		**451**		563
Unvested long term incentive plan awards		**8,923**		8,336
Lease impairment and deferred rent		**1,945**		2,585
Other		**2,018**		460
		22,684		25,305
Valuation allowance		**(7,375)**		(10,489)
Future income tax assets		**15,309**		14,816
Liabilities				
Unrealized gain on marketable securities		**(2,711)**		(866)
Deferred charges		**(73)**		(171)
Intangible assets		**(18,176)**		(321)
Investment in Limited Partnership		**(444)**		(268)
Future income tax liabilities		**(21,404)**		(1,626)
Net future income tax assets (liabilities)	**$**	**(6,095)**	$	13,190

Future income tax assets are recognized only to the extent that, in the opinion of management, it is more likely than not that these future income tax assets will be realized.

Subsidiaries of the Company have accumulated non-capital losses for income tax purposes totalling $0.6 million [2010 – $12.6 million], which are available to reduce taxable income in future years. These losses begin expiring in 2029.

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:

	2011	2010
Income taxes at the statutory rate (2011: 27.9%; 2010: 29.4%)	**$ 39,123**	$ 15,159
Difference in tax rates in foreign jurisdictions	**1,763**	294
Non-deductible items affecting the determination of taxable income	**2,659**	2,674
Change in accounting and tax base estimate	**2,872**	(306)
Change in future income tax asset – reversal period of temporary difference	**1,143**	1,157
Change in valuation allowance	**(5,348)**	(5,834)
Income tax expense – current and future	**$ 42,212**	$ 13,144

NOTE 9. BUSINESS COMBINATIONS

[i] Genuity Capital Markets

On March 4, 2010 the Company announced that it had signed a definitive agreement to acquire 100% control of Genuity, a leading independent advisory and restructuring firm in Canada. The transaction was completed on April 23, 2010 for consideration consisting of 26.5 million Canaccord common shares valued at $271.9 million and cash of $30.0 million. The shares issued were valued at $10.26 per share based on the closing share price as of April 22, 2010, the date before the transaction closed. In addition, the vendors received $28.0 million as a working capital adjustment subsequent to closing. All of the Canaccord common shares issued as part of the purchase price were placed in escrow at closing and are being released ratably over five years.

This transaction has been accounted for in accordance with CICA Handbook 1582 *"Business Combinations"* [Note 2], using the acquisition method. The consolidated statement of operations includes the results of Genuity since the closing date of April 23, 2010. The Company has not disclosed the amounts of revenue and net income contributed by Genuity for the year ended March 31, 2011 as required by CICA Handbook Section 1582 as the Company has determined that it is impracticable to provide such disclosure. The Company has fully integrated Genuity's operations and accounting records into its existing Canaccord Genuity operating segment, and as such, the Company is not able to separately identify the revenue and net income from Genuity since the acquisition on April 23, 2010.

Total costs related to this transaction were $11.0 million for the year ended March 31, 2011. These costs include professional and consulting fees, lease termination costs and staff restructuring incurred for this acquisition.

Acquisition-related costs

	2011	2010
Severance	**$ 5,968**	$ 1,982
Lease termination costs	**2,800**	—
Professional and consulting fees	**869**	3,018
Other	**1,353**	—
Total	**$ 10,990**	$ 5,000

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

Consideration paid		
Cash	$	58,000
Common shares issued (26.5 million shares at $10.26 per share)		271,900
	$	329,900
Net assets acquired		
Net tangible assets	$	28,212
Identifiable intangible assets		79,050
Future income tax liability		(19,436)
Goodwill		242,074
	$	329,900

The net tangible assets acquired included accounts receivable of $8.8 million. The goodwill of $242.1 million represents the value of expected synergies arising from the acquisition. Goodwill is not deductible for tax purposes.

[ii] The Balloch Group Limited

On January 17, 2011 the Company acquired 100% interest in TBG, a leading Chinese boutique investment bank, headquartered in Beijing. The purchase price was $3.0 million, with up to an additional $1.0 million as a working capital adjustment subsequent to closing. The fair value of TBG's net tangible assets was $0.9 million, which included accounts receivable of $0.3 million. Goodwill of $3.2 million was recognized and represents the value of expected synergies arising from the acquisition. Goodwill is not deductible for tax purposes.

Canaccord's operations in China have been rebranded Canaccord Genuity Asia and will focus on providing Asia-based clients with advisory services for M&A and strategic partnerships, international market offerings and Chinese debt financing.

In connection with the acquisition, retention payments up to an estimated $13.6 million will be paid to key employees of Canaccord Genuity Asia. The retention payments will involve the issuance of up to approximately 1,187,800 common shares of the Company over a five-year vesting period. The total number of common shares to be vested is also based on revenue earned related to Canaccord Genuity Asia subsequent to the date of the acquisition [Note 13]. As such revenue levels are achieved during the vesting period, the associated proportion of the retention payment will be recorded as a development cost and the applicable number of retention shares will be included in diluted common shares outstanding.

This transaction has been accounted for in accordance with CICA Handbook 1582 *"Business Combinations"* [Note 2], using the acquisition method. The Company expensed $1.8 million of acquisition-related costs during the year ended March 31, 2011. These acquisition-related costs include professional and consulting fees incurred for this acquisition. These costs also include payments for staff restructuring that resulted from this acquisition. Contributions to revenue and net income by Canaccord Genuity Asia were not significant since the acquisition date of January 17, 2011.

The above amounts are estimates, which were made by management at the time of the preparation of these audited financial statements, based on information available at the time. Amendments may be made to these amounts as values subject to estimates are finalized.

NOTE 10. GOODWILL AND INTANGIBLE ASSETS

	Goodwill	Identifiable intangible assets: 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**	—	—	—	—	**—**
Balance, March 31, 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)**
Balance, March 31, 2011	**—**	—	(2,172)	(1,633)	(1,322)	**(5,127)**
Net book value						
March 31, 2011	**$ 245,257**	$ 44,930	$ 23,278	$ —	$ 5,715	**$ 73,923**

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 lives. The estimated amortization periods of these amortizable intangible assets are as follows:

Customer relationships	11 years
Sales backlogs	0.4 years
Non-competition agreements	5 years

The amortization of intangible assets is recognized in the statement of operations as part of amortization expense. Amortization of intangible assets was $5.1 million for the year ended March 31, 2011.

Brand names are considered to have an indefinite life as they are expected to provide benefit to the Company over a continuous period.

Impairment testing of goodwill and intangible assets

Goodwill and intangible assets acquired through the acquisition of Genuity have been allocated to the Canadian segment of the Canaccord Genuity reporting unit for impairment testing. The annual impairment testing for goodwill and intangible assets with indefinite lives was performed during the year and there was no impairment noted.

Goodwill acquired through the acquisition 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. The annual impairment testing for goodwill will be performed during the year ending March 31, 2012.

NOTE 11. SUBORDINATED DEBT

	2011	2010
Loan payable, interest payable monthly at prime + 4% per annum, due on demand	**$ 15,000**	$ 15,000

The loan payable is subject to a subordination agreement and may only be repaid with the prior approval of the IIROC. As at March 31, 2011, the interest rate for the subordinated debt was 7.00% (2010 – 6.25%).

NOTE 12. COMMON SHARES

		2011				2010
		Amount	**Number of shares**		Amount	Number of shares
Share capital						
Common shares	**$**	**533,876**	**82,809,623**	$	254,553	55,571,133
Unvested share purchase loans		**(36,018)**	**(4,501,992)**		(35,280)	(4,475,468)
Shares held by employee benefit trust		**(30,808)**	**(2,903,991)**		(33,582)	(3,201,274)
	$	**467,050**	**75,403,640**	$	185,691	47,894,391

Share capital of Canaccord Financial Inc. comprises the following:

[i] Authorized

Unlimited common shares without par value

Unlimited preferred shares without par value

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 [note 18].

[ii] Issued and fully paid

Common shares	Number of shares		Amount
Balance, March 31, 2009	55,092,844	$	249,418
Shares issued in connection with stock compensation plans [note 13]	519,725		5,306
Shares cancelled	(41,436)		(171)
Balance, March 31, 2010	55,571,133		254,553
Shares issued in relation to the acquisition of Genuity [note 9]	26,500,000		271,900
Shares issued in connection with stock compensation plans [note 13]	823,144		7,969
Shares cancelled	(84,654)		(546)
Balance, March 31, 2011	**82,809,623**	**$**	**533,876**

[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.

		2011		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 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 share

		2011		2010
Basic earnings per share				
Net income for the year	$	98,234	$	38,497
Weighted average number of common shares (number)		72,989,655		48,698,163
Basic earnings per share	$	1.35	$	0.79
Diluted earnings per share				
Net income for the year	$	98,234	$	38,497
Weighted average number of common shares (number)		72,989,655		48,698,163
Dilutive effect of unvested shares (number)		4,501,992		3,502,150
Dilutive effect of stock options (number)		481,855		29,855
Dilutive effect of unvested shares purchased by employee benefit trust (number) [note 13]		3,334,980		3,137,411
Dilutive effect of share issuance commitment in connection with long term incentive plan (number) [note 13]		408,136		294,841
Adjusted weighted average number of common shares (number)		81,716,618		55,662,420
Diluted earnings per share	$	1.20	$	0.69

NOTE 13. STOCK-BASED COMPENSATION PLANS

Retention plan

As described under Note 9 [ii], in connection with the acquisition of TBG, the Company established a retention plan, with payments of up to an estimated $13.6 million to be paid in the form of shares to key employees of Canaccord Genuity Asia. The plan provides for the issuance of up to 1,187,800 common shares of the Company over a five-year vesting period. The total number of shares which will vest is based on revenue earned related to Canaccord Genuity Asia during the vesting period. The aggregate number of common shares which vest will be the number that is equal to the revenue earned related to Canaccord Genuity Asia during the vesting period divided by $100.0 million multiplied by the number of common shares subject to the retention plan. As such revenue levels are achieved during the vesting period, the associated proportion of the retention payment will be recorded as a development cost and the applicable number of retention shares will be included in diluted common shares outstanding.

Stock options

The Company grants stock options to independent directors and senior managers to purchase common shares of the Company. Stock options to independent directors vest over a four-year period and expire on March 31 in the seventh year following the grant or 30 days after the participant ceases to be a director. Stock 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 stock options was $9.82 at March 31, 2011.

In May 2010 the Company granted an aggregate of 150,000 stock options to six independent directors with an exercise price of $8.39 per share.

The following is a summary of the Company's stock options as at March 31, 2011 and 2010 and changes during the periods then ended:

	Number of options	Weighted average exercise price
Balance, March 31, 2009	225,000	$ 15.37
Granted	2,224,993	9.34
Balance, March 31, 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**

The following table summarizes the share options outstanding as at March 31, 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	0 year*	$ 23.13	100,000	$ 23.13
7.21–9.48	2,441,334	2.85 years	9.27	193,750	8.38
$7.21–23.13	**2,541,334**	**2.73 years**	**$ 9.82**	**293,750**	**$ 13.40**

*all options are exercisable as of March 31, 2011

The fair value of each stock option granted in the current year was estimated on the grant date using the Black-Scholes option pricing model with the following assumptions:

	May 2010
Dividend yield	2.00%
Expected volatility	44.00%
Risk-free interest rate	1.94%
Expected life	4 years

Option pricing models require the input of highly subjective assumptions including the expected price volatility. 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 stock options.

Compensation expense of $2.1 million was recognized for the year ended March 31, 2011 ($1.1 million for the year ended March 31, 2010) in respect of the above stock options.

Long term incentive plan

Under the long term incentive plan (LTIP), eligible participants are awarded restricted share units (RSUs) which 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 a trustee to purchase common shares of the Company on the open market that will be held in trust by the trustee until RSUs vest or (b) the Company will issue common shares from treasury to participants following vesting of RSUs. For employees in the US and the UK, at the time of each RSU award, the Company will allot common shares and these shares will be issued from treasury at the time they vest for each participant.

There were 2,713,726 RSUs [March 31, 2010 – 2,649,832 RSUs] granted in lieu of cash compensation to employees during the year ended March 31, 2011. The Trust purchased $18.0 million [March 31, 2010 – $11.7 million] of common shares for the year ended March 31, 2011.

The cost of the RSUs is amortized on a graded basis over the vesting period of three years. Compensation expense of $24.1 million has been recognized for the year ended March 31, 2011 [March 31, 2010 – $22.7 million].

	2011	2010
Awards outstanding, beginning of year	**5,317,945**	4,602,385
Grants	**2,713,726**	2,649,832
Vested	**(2,680,631)**	(1,711,779)
Forfeited	**(95,212)**	(222,493)
Awards outstanding, end of year	**5,255,828**	5,317,945

	2011	2010
Common shares held by the Trust, beginning of year	**3,201,274**	3,075,300
Acquired	**1,695,553**	1,328,700
Released on vesting	**(1,992,836)**	(1,202,726)
Common shares held by the Trust, end of year	**2,903,991**	3,201,274

NOTE 14. RELATED PARTY TRANSACTIONS

Security trades executed by the Company for employees, officers and directors are transacted in accordance with the terms and conditions applicable to all clients. Commission income recognized on such transactions, as well as interest income earned and interest expense incurred on related party balances, in the aggregate is not material in relation to the overall operations of the Company.

Accounts receivable and accounts payable and accrued liabilities include the following balances with related parties:

	2011	2010
Accounts receivable	**$ 33,361**	$ 39,534
Accounts payable and accrued liabilities	**99,985**	82,299

NOTE 15. 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, the US and Other Foreign Locations.

Canaccord Wealth Management – provides brokerage services and investment advice to retail and 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 and 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 or equipment and leasehold improvements to the segments. Amortization of tangible assets is allocated to the segments based on square footage occupied. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. There are no significant intersegment revenues.

	Canaccord Genuity	**Canaccord Wealth Management**	**Corporate and Other**	**Total**
2011				
Revenues	**$ 538,644**	**$ 233,049**	**$ 31,938**	**$ 803,631**
Expenses, excluding undernoted	**361,158**	**172,390**	**81,746**	**615,294**
Amortization	**8,738**	**2,422**	**1,582**	**12,742**
Development costs	**10,832**	**9,258**	**2,319**	**22,409**
Acquisition-related costs [note 9]	**12,740**	**—**	**—**	**12,740**
Income (loss) before income taxes	**$ 145,176**	**$ 48,979**	**$ (53,709)**	**$ 140,446**

	Canaccord Genuity	Canaccord Wealth Management	Corporate and Other	Total
2010				
Revenues	$ 363,558	$ 187,046	$ 26,933	$ 577,537
Expenses, excluding undernoted	278,663	146,449	68,275	493,387
Amortization	3,633	2,506	1,470	7,609
Development costs	10,300	10,308	4,292	24,900
Income (loss) before income taxes	$ 70,962	$ 27,783	$ (47,104)	$ 51,641

The Company's business operations are grouped into the following geographic segments (revenue is attributed to geographic areas on the basis of the underlying corporate operating results):

	2011	2010
Canada		
Revenue	**$ 598,556**	$ 388,772
Equipment and leasehold improvements	**30,843**	27,712
Intangible assets	**73,923**	—
Goodwill	**242,074**	—
United Kingdom		
Revenue	**92,678**	82,454
Equipment and leasehold improvements	**4,079**	4,936
United States		
Revenue	**111,170**	100,417
Equipment and leasehold improvements	**5,896**	5,479
Other Foreign Locations		
Revenue	**1,227**	5,894
Goodwill	**3,183**	—

NOTE 16. 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 common shares, contributed surplus, retained earnings and accumulated other comprehensive loss, and is further complemented by subordinated debt. The following tables summarize our capital as at March 31, 2011 and 2010:

Type of capital	Carrying amount	As a percentage of capital
2011		
Common shares	**$ 467,050**	**60.6%**
Contributed surplus	**53,441**	**6.9%**
Retained earnings	**273,007**	**35.4%**
Accumulated other comprehensive loss	**(36,975)**	**(4.8)%**
Shareholders' equity	**756,523**	**98.1%**
Subordinated debt	**15,000**	**1.9%**
	$ 771,523	**100.0%**
2010		
Common shares	$ 185,691	44.6%
Contributed surplus	57,351	13.8%
Retained earnings	194,007	46.6%
Accumulated other comprehensive loss	(35,304)	(8.5)%
Shareholders' equity	401,745	96.5%
Subordinated debt	15,000	3.5%
	$ 416,745	100.0%

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

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

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

- Canaccord Genuity Corp. is subject to regulation in Canada primarily by the IIROC.
- Canaccord Genuity Limited is regulated in the UK by the Financial Services Authority.
- Canaccord Genuity Inc. is registered as a broker dealer in the US and is subject to regulation primarily by the Financial Industry Regulatory Authority.
- Canaccord Wealth Management (USA) Inc. is registered as a broker dealer in the US and is subject to regulation primarily by the Financial Industry Regulatory Authority.
- Canaccord International Ltd. is regulated in Barbados by the Central Bank of Barbados.

Margin requirements in respect of outstanding trades, underwriting deal requirements and/or working capital requirements cause regulatory capital requirements to fluctuate on a daily basis. Compliance with these requirements may require the Company to keep sufficient cash and other liquid assets on hand to maintain regulatory capital requirements rather than using these liquid assets in connection with its business or paying them out in the form of cash disbursements. There were no significant changes in the Company's capital management policy during the current year. The Company's subsidiaries were in compliance with all of the minimum regulatory capital requirements during the year ended March 31, 2011.

NOTE 17. COMMITMENTS AND CONTINGENCIES

Commitments

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

2012	$ 25,243
2013	22,679
2014	21,683
2015	19,783
2016	16,643
Thereafter	45,707
	$ 151,738

Contingencies

The Company, in the normal course of business as an investment dealer, is involved in litigation and as of March 31, 2011, it was a defendant in various legal actions. The Company has established accruals for matters where payments are probable and can be reasonably estimated. While the outcome of these actions is subject to future resolution, management's evaluation and analysis of these actions indicates that, individually and in the aggregate, the probable ultimate resolution of these actions will not have a material effect on the financial position of the Company. The actions described below have been commenced against the Company and, although the Company has denied the allegations and intends to vigorously defend itself in each case, the outcome of each action cannot be predicted with certainty. The amounts claimed in respect of these actions, or which could potentially be claimed, are material and, accordingly, these actions are described in these consolidated financial statements.

[i] In 2002, two actions were commenced in the Superior Court of Quebec against Canaccord Genuity Corp. and other defendants including another investment dealer. Both are class action proceedings in which the plaintiffs make allegations of certain wrongful trading and disclosure practices by the Company and another defendant and that the Company was negligent in respect of a private placement in 2000. Discoveries are complete and the parties are in the process of exchanging experts reports. Canaccord intends to vigorously defend itself against these claims.

[ii] Canaccord Genuity Corp. was one of the underwriters of a public offering of 13% senior secured notes of Redcorp Ventures Ltd. under a prospectus dated July 5, 2007. The offering was for a total of $142.0 million and Canaccord participated for 12.5% of that amount ($17.8 million). A number of entities have given notice to the underwriters (including Canaccord) alleging that the statements in the prospectus describing the security for Redcorp's obligations under the notes were incorrect and constitute, among other things, negligent misstatements, which were reasonably relied upon by these entities to their detriment in deciding to purchase the notes and, as a result, the underwriters (including Canaccord) are liable to compensate these entities for all of their losses flowing from the misrepresentations. The defences to these claims, third party claims and the quantification of damages are yet to be determined. Canaccord intends to vigorously defend itself against these claims.

[iii] Canaccord Genuity Corp., among others, is a defendant named in a class action proceeding initiated in the Ontario Superior Court of Justice in 2010. The plaintiff in the action claims, among other things, damages under the *Securities Act* (Ontario) of $50 million and punitive damages of $5 million alleging certain misrepresentations in a prospectus filed by Allen-Vanguard Inc. for which Canaccord, among others, acted as underwriter. The defences to these claims, third party claims and the quantification of damages are yet to be determined. Canaccord intends to vigorously defend itself against these claims.

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

NOTE 18. SUBSEQUENT EVENTS

[i] Amendments to articles

On April 15, 2011, Canaccord Financial Inc. shareholders approved changes to the Company's articles to clarify the rights, privileges, restrictions and conditions attached to the shares of the Company and to alter the authorized capital of the Company by creating an additional class of preferred shares. The amendments provide the Company with a wider range of financing options.

[ii] Dividends

On May 17, 2011 the Board of Directors considered the dividend policy and approved a quarterly dividend of $0.10 per share payable on June 15, 2011 with a record date of June 3, 2011.

NOTE 19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the fiscal 2011 consolidated financial statement presentation.

Supplemental Information

Advisory note: This supplemental information is not audited and should be read in conjunction with the audited financial statements contained herein.

FINANCIAL HIGHLIGHTS[1]

(C$ thousands, except for assets under management, assets under administration, common share information and financial measures)

	For the years ended and as of March 31				
	2011	2010	2009	2008	2007
Financial results					
Revenue	**$ 803,631**	$ 577,537	$ 477,721	$ 731,539	$ 756,914
Expenses	**663,185**	525,896	524,920	680,008	618,717
Income taxes	**42,212**	13,144	452	20,197	44,741
Net income (loss)	**98,234**	38,497	(47,651)	31,334	93,456
Business segment					
Income (loss) before intersegment allocations and income taxes					
Canaccord Genuity[2]	**$ 145,176**	$ 70,962	$ (21,129)	$ 88,575	$ 111,270
Canaccord Wealth Management	**48,979**	27,783	22,707	1,205	70,529
Corporate and Other	**(53,709)**	(47,104)	(48,777)	(38,249)	(43,602)
Geographic segment					
Income (loss) before income taxes					
Canada[3]	**$ 110,796**	$ 30,036	$ (9,799)	$ 24,846	$ 99,218
UK and Other Foreign Locations[4]	**13,812**	12,974	4,600	34,044	42,609
US[5]	**15,838**	8,631	(42,000)	(7,359)	(3,630)
Client assets information ($ millions)					
Assets under management	**$ 546**	$ 445	$ 393	$ 730	$ 807
Assets under administration	**16,985**	12,922	9,184	14,295	15,014
Common share information					
Per share ($)					
Basic earnings (loss)	**$ 1.35**	$ 0.79	$ (0.97)	$ 0.70	$ 2.03
Diluted earnings (loss)	**1.20**	0.69	(0.97)	0.64	1.94
Book value per diluted share[6]	**8.79**	6.96	6.51	7.21	7.74
Share price ($)					
High	**$ 16.41**	$ 11.87	$ 11.75	$ 25.92	$ 27.50
Low	**7.95**	5.30	2.87	8.60	15.80
Close	**14.00**	11.10	5.40	9.80	22.12
Shares outstanding (thousands)					
Issued shares excluding unvested shares	**75,404**	48,868	49,343	43,873	45,973
Issued and outstanding	**82,810**	55,571	55,093	47,835	47,832
Diluted shares	**85,655**	57,767	57,251	49,556	48,084
Average basic	**72,990**	48,698	48,929	44,778	45,969
Average diluted	**81,717**	55,662	54,189	48,727	48,081
Market capitalization (thousands)	**1,199,170**	640,259	309,155	485,649	1,063,625
Financial measures					
Dividends per share	**$ 0.275**	$ 0.15	$ 0.125	$ 0.50	$ 0.36
Dividend yield (closing share price)	**2.0%**	0.3%	2.3%	5.1%	1.6%
Dividend payout ratio	**23.1%**	22.4%	(15.1)%	78.3%	18.5%
Total shareholder return[7]	**28.6%**	108.3%	(44.2)%	(55.5)%	8.3%
ROE[8]	**14.0%**	9.8%	(12.4)%	7.9%	28.4%
Price to earnings multiple[9]	**12.0**	16.1	5.7	15.8	11.4
Price to book ratio[10]	**1.6**	1.6	0.8	1.4	2.9

(1) Certain non-GAAP measures are utilized by the Company as measures of financial performance. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other companies. Non-GAAP measures included are: return on average common equity (ROE), book value per diluted share, dividend yield, dividend payout ratio, total shareholder return, price to earnings multiple (P/E), price to book ratio (P/B), assets under management (AUM) and assets under administration (AUA).

(2) Includes the global capital markets division of Canaccord Genuity Corp. in Canada; Canaccord Genuity Limited in the UK; Canaccord Genuity Inc. in the US; Canaccord Genuity Asia in China; and Canaccord International Ltd. in Barbados.

(3) Canada geographic segment includes operations for Canaccord Genuity (a division of Canaccord Genuity Corp.), Canaccord Wealth Management and Corporate and Other business segments.

(4) Canaccord's UK operations include activities related to Canaccord Genuity Limited, which engages in capital markets activities in the United Kingdom. Revenue derived from capital markets activity outside of Canada, the US and the UK is reported as Other Foreign Locations, which includes operations for Canaccord International Ltd. and Canaccord Genuity Asia.

(5) Canaccord's US operations include activities related to US capital markets operations, delivered through Canaccord Genuity Inc., US wealth management and other operations, delivered through Canaccord Wealth Management (USA), Inc.

(6) Book value per diluted share, a non-GAAP measure, is calculated as total shareholders' equity divided by the number of diluted shares outstanding at the end of the period.

(7) Total shareholder return is calculated as the change in share price including the effects of reinvestment of dividends and special distributions on their payment dates.

(8) ROE is calculated by dividing the annual net income over the average shareholders' equity.

(9) The price to earnings multiple is calculated based on the end of period share price and 12-month trailing diluted EPS.

(10) The price to book ratio is calculated based on the end of period share price and book value per diluted share.

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS[1]

(C$ thousands, except per share amounts and financial measures)	For the years ended March 31				
	2011	2010	2009	2008	2007
Revenue					
Commission	**$ 294,650**	$ 235,606	$ 233,104	$ 296,047	$ 303,672
Investment banking	**327,499**	215,237	117,916	295,787	319,240
Advisory fees	**84,914**	39,200	51,453	41,087	31,033
Principal trading	**43,644**	45,982	18,319	7,443	31,638
Interest	**24,040**	12,965	38,287	63,168	57,908
Other	**28,884**	28,547	18,642	28,007	13,423
	803,631	577,537	477,721	731,539	756,914
Expenses					
Incentive compensation[2]	**391,050**	299,084	222,006	347,079	382,897
Salaries and benefits	**64,420**	59,415	56,771	54,294	47,608
Trading costs	**31,507**	28,884	26,311	27,090	27,452
Premises and equipment	**27,158**	24,402	24,695	22,745	25,173
Communication and technology	**25,466**	21,868	25,228	23,228	21,472
Interest	**7,811**	2,581	11,220	24,527	20,538
General and administrative	**67,882**	52,153	69,689	69,463	64,182
Amortization	**12,742**	7,609	8,994	8,536	8,151
Development costs	**22,409**	24,900	28,773	32,049	21,244
Acquisition-related costs	**12,740**	5,000	—	—	—
ABCP fair value adjustment	**—**	—	6,700	12,797	—
Canaccord relief program	**—**	—	5,347	54,200	—
Impairment of goodwill and intangibles	**—**	—	31,524	—	—
Restructuring costs	**—**	—	7,662	4,000	—
	663,185	525,896	524,920	680,008	618,717
Income (loss) before income taxes	**140,446**	51,641	(47,199)	51,531	138,197
Income taxes	**42,212**	13,144	452	20,197	44,741
Net income (loss) for the year	**$ 98,234**	$ 38,497	$ (47,651)	$ 31,334	$ 93,456
Retained earnings, beginning of year	**194,007**	160,868	222,597	213,659	136,463
Dividends	**(19,234)**	(5,358)	(14,078)	(22,396)	(16,260)
Retained earnings, end of year	**$ 273,007**	$ 194,007	$ 160,868	$ 222,597	$ 213,659
Incentive compensation expenses as % of revenue	**48.7%**	51.8%	46.5%	47.4%	50.6%
Total compensation expenses as % of revenue[3]	**56.7%**	62.1%	58.4%	54.9%	56.9%
Non-compensation expenses as % of revenue	**25.8%**	29.0%	51.5%	38.1%	24.8%
Total expenses as % of revenue	**82.5%**	91.1%	109.9%	93.0%	81.7%
Pre-tax profit margin	**17.5%**	8.9%	(9.9)%	7.0%	18.3%
Effective tax rate	**30.1%**	25.5%	(1.0)%	39.2%	32.4%
Net profit margin	**12.2%**	6.7%	(10.0)%	4.3%	12.3%
Basic earnings (loss) per share	**$ 1.35**	$ 0.79	$ (0.97)	$ 0.70	$ 2.03
Diluted earnings (loss) per share	**$ 1.20**	$ 0.69	$ (0.97)	$ 0.64	$ 1.94
Book value per diluted share[4]	**$ 8.79**	$ 6.96	$ 6.51	$ 7.21	$ 7.74
Supplemental segmented revenue information					
Canaccord Genuity	**$ 538,644**	$ 363,558	$ 277,351	$ 431,642	$ 449,717
Canaccord Wealth Management	**233,049**	187,046	172,484	249,127	272,619
Corporate and Other	**31,938**	26,933	27,886	50,770	34,578
	$ 803,631	$ 577,537	$ 477,721	$ 731,539	$ 756,914

(1) Certain non-GAAP measures are utilized by the Company as measures of financial performance. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other companies. Non-GAAP measures included are: incentive compensation expense as a % of revenue, total compensation expenses as % of revenue, non-compensation expenses as % of revenue, total expenses as % of revenue, and book value per diluted share.

(2) Incentive compensation expenses include the National Health Insurance Tax applicable to the UK.

(3) Total compensation expenses include incentive compensation and salaries and benefits, but exclude hiring incentives which are included in development costs. Beginning in fiscal 2011, development group salary and benefits have been included as compensation expense, whereas they were classified as development costs prior to fiscal 2011.

(4) Book value per diluted share, a non-GAAP measure, is calculated as total shareholders' equity divided by the number of diluted shares outstanding at the end of the period.

CONDENSED CONSOLIDATED BALANCE SHEETS

As at March 31 (C$ thousands)	**2011**	2010	2009	2008	2007
Assets					
Cash and cash equivalents	**$ 954,068**	$ 731,852	$ 701,173	$ 435,649	$ 506,640
Securities owned, at market	**947,185**	362,755	133,691	92,796	348,764
Accounts receivable	**2,828,812**	1,972,924	1,061,161	1,422,917	1,672,035
Income taxes recoverable	**—**	—	23,771	11,083	—
Future income taxes	**15,309**	13,190	15,680	28,207	11,021
Investments	**5,000**	5,000	5,000	5,000	—
Investment in asset-backed commercial paper	**—**	—	35,312	29,860	—
Equipment and leasehold improvements	**40,818**	38,127	46,311	40,686	37,549
Goodwill and other intangibles	**319,180**	—	—	32,520	33,933
	$ 5,110,372	$ 3,123,848	$ 2,022,099	$ 2,098,718	$ 2,609,942
Liabilities and shareholders' equity					
Bank indebtedness	**$ 13,580**	$ 29,435	$ 75,600	$ 15,038	$ —
Securities sold short, at market	**722,613**	364,137	79,426	13,757	41,176
Accounts payable and accrued liabilities	**3,557,275**	2,308,146	1,469,369	1,687,479	2,156,540
Income taxes payable	**23,977**	5,385	—	—	15,035
Future income taxes	**21,404**	—	—	—	—
Subordinated debt	**15,000**	15,000	25,000	25,000	25,000
Shareholders' equity	**756,523**	401,745	372,704	357,444	372,191
	$ 5,110,372	$ 3,123,848	$ 2,022,099	$ 2,098,718	$ 2,609,942

MISCELLANEOUS OPERATIONAL STATISTICS(1)

As at March 31	**2011**	2010	2009	2008	2007
Number of employees in Canada					
Number in Canaccord Genuity	**268**	203	209	253	246
Number in Canaccord Wealth Management	**684**	680	700	762	728
Number in Corporate and Other	**373**	364	356	380	360
Total Canada	**1,325**	1,247	1,265	1,395	1,334
Number of employees in the UK					
Number in Canaccord Genuity	**144**	139	114	125	93
Number of employees in the US					
Number in Canaccord Genuity	**175**	163	151	163	163
Number of employees in China					
Number in Canaccord Genuity Asia	**40**	n/a	n/a	n/a	n/a
Number of employees company-wide	**1,684**	1,549	1,530	1,683	1,590
Number of Advisory Teams(2)	**271**	303	338	354	368
Number of licenced professionals	**645**	718	790	852	817
Assets under management ($ millions)	**$ 546**	$ 445	$ 393	$ 730	$ 807
Assets under administration (AUA) ($ millions)	**$ 16,985**	$ 12,922	$ 9,184	$ 14,295	$ 15,014
AUA per Advisory Team ($ millions)(2)	**$ 63**	$ 43	$ 27	$ 40	$ 41
Number of companies with Canaccord Genuity Limited as broker					
London Stock Exchange (LSE)	**26**	23	9	5	1
Alternative Investment Market (AIM)	**39**	43	51	60	58
Total broker	**65**	66	60	65	59
Number of companies with Canaccord Genuity Limited as Nomad(3)					
LSE	**1**	1	—	1	—
AIM	**30**	35	42	51	50
Total Nomad	**31**	36	42	52	50

(1) These miscellaneous operational statistics are non-GAAP measures.

(2) 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 licenced 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.

(3) A company listed on AIM is required to retain a Nominated Adviser (commonly referred to as a Nomad) during the company's life on the market. Nominated Advisers are responsible, amongst other duties, for warranting that a company is appropriate for joining AIM. The Nomad is similar to a Financial Advisor on the LSE, but is specific to AIM.

QUARTERLY FINANCIAL HIGHLIGHTS[1]

(C$ thousands, except for assets under management, assets under administration, common share information and financial ratios)	Fiscal 2011 Q4	Fiscal 2011 Q3	Fiscal 2011 Q2	Fiscal 2011 Q1	Fiscal 2010 Q4	Fiscal 2010 Q3	Fiscal 2010 Q2	Fiscal 2010 Q1
Financial results								
Revenue	**$ 247,595**	**$ 254,834**	**$ 149,285**	**$ 151,917**	$ 143,133	$ 173,197	$ 123,744	$ 137,463
Expenses	**189,817**	**193,338**	**135,346**	**144,684**	137,658	150,887	115,883	121,468
Income taxes (recovery)	**16,834**	**18,792**	**4,228**	**2,358**	(2,051)	7,197	1,115	6,883
Net income	**40,944**	**42,704**	**9,711**	**4,875**	7,526	15,113	6,746	9,112
Business segment								
Income (loss) before intersegment allocations and income taxes								
Canaccord Genuity[2]	**$ 53,766**	**$ 58,635**	**$ 19,401**	**$ 13,374**	$ 12,160	$ 27,980	$ 14,457	$ 16,365
Canaccord Wealth Management	**18,564**	**17,491**	**5,420**	**7,504**	8,155	9,686	4,925	5,017
Other	**(14,552)**	**(14,630)**	**(10,882)**	**(13,645)**	(14,840)	(15,356)	(11,521)	(5,387)
Geographic segment								
Income (loss) before income taxes								
Canada[3]	**$ 44,437**	**$ 51,997**	**$ 11,295**	**$ 3,067**	$ 245	$ 17,106	$ 3,518	$ 9,167
UK and Other Foreign Locations[4]	**8,626**	**3,220**	**1,770**	**196**	3,882	4,612	(107)	4,587
US[5]	**4,715**	**6,279**	**874**	**3,970**	1,348	592	4,450	2,241
Client assets ($ millions)								
Assets under management	**$ 546**	**$ 514**	**$ 473**	**$ 431**	$ 445	$ 423	$ 453	$ 443
Assets under administration	**16,985**	**16,006**	**13,895**	**12,571**	12,922	12,210	11,386	10,341
Common share information								
Per share ($)								
Basic earnings	**$ 0.54**	**$ 0.57**	**$ 0.13**	**$ 0.07**	$ 0.15	$ 0.31	$ 0.14	$ 0.19
Diluted earnings	**0.48**	**0.51**	**0.12**	**0.06**	0.14	0.27	0.12	0.16
Book value per diluted share[6]	**8.79**	**8.42**	**8.03**	**7.84**	6.96	7.00	6.78	6.73
Share price ($)								
High	**$ 16.41**	**$ 14.42**	**$ 10.89**	**$ 11.48**	$ 11.34	$ 11.87	$ 10.71	$ 8.41
Low	**13.03**	**10.09**	**8.77**	**7.95**	8.27	9.50	6.70	5.30
Close	**14.00**	**14.16**	**10.37**	**9.39**	11.10	10.37	10.20	6.95
Shares outstanding (thousands)								
Issued shares excluding unvested shares	**75,404**	**75,055**	**74,552**	**74,961**	48,868	48,106	48,681	49,118
Issued and outstanding	**82,810**	**82,626**	**82,553**	**82,308**	55,571	55,405	55,359	55,234
Diluted shares	**86,080**	**85,938**	**84,565**	**85,357**	57,814	57,267	57,226	57,245
Average basic	**75,194**	**74,947**	**74,235**	**67,931**	48,697	48,147	48,536	48,165
Average diluted	**84,571**	**83,643**	**82,976**	**76,217**	56,052	56,274	55,590	55,331
Market capitalization (thousands)	**1,205,121**	**1,216,882**	**876,939**	**801,503**	641,735	593,859	583,705	397,853
Financial measures								
Dividends per share	**$ 0.10**	**$ 0.075**	**$ 0.05**	**$ 0.05**	$ 0.05	$ 0.05	$ 0.05	$ —
Dividend yield (closing share price)	**2.9%**	**2.1%**	**1.9%**	**2.1%**	1.8%	1.9%	2.0%	—
Dividend payout ratio	**20.2%**	**14.5%**	**42.5%**	**84.4%**	38.4%	18.9%	42.4%	—
Total shareholder return[7]	**(0.4)%**	**37.3%**	**11.0%**	**(15.0)%**	7.5%	1.7%	46.8%	28.7%
Annualized ROE[8]	**22.4%**	**24.2%**	**5.7%**	**3.7%**	7.6%	15.2%	6.9%	9.7%
Price to earnings multiple[9]	**12.0**	**17.1**	**17.6**	**15.9**	16.1	16.7	(11.1)	(6.0)
Price to book ratio[10]	**1.6**	**1.7**	**1.3**	**1.2**	1.6	1.5	1.5	1.0

(1) Certain non-GAAP measures are utilized by the Company as measures of financial performance. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other companies. Non-GAAP measures included are: return on average common equity (ROE), assets under administration (AUA), assets under management (AUM), book value per diluted share, dividend yield, dividend payout ratio, total shareholder return, price to earnings multiple (P/E) and price to book ratio (P/B).

(2) Includes the global capital markets division of Canaccord Genuity Corp. in Canada; Canaccord Genuity Limited in the UK; Canaccord Genuity Inc. in the US; Canaccord Genuity Asia in China; and Canaccord International Ltd. in Barbados.

(3) Canada geographic segment includes operations for Canaccord Genuity (a division of Canaccord Genuity Corp.), Canaccord Wealth Management and Corporate and Other business segments.

(4) Canaccord's UK operations include activities related to Canaccord Genuity Limited, which engages in capital markets activities in the United Kingdom. Revenue derived from capital markets activity outside of Canada, the US, the UK, and China is reported as Other Foreign Locations, which includes operations for Canaccord International Ltd. and Canaccord Genuity Asia.

(5) Canaccord's US operations include activities related to US capital markets operations, delivered through Canaccord Genuity Inc., US wealth management and other operations, delivered through Canaccord Wealth Management (USA) Inc.

(6) Book value per diluted share, a non-GAAP measure, is calculated as total shareholders' equity divided by the number of diluted shares outstanding at the end of the period.

(7) Total shareholder return is calculated as the change in share price including the effects of reinvestment of dividends and special distributions on their payment dates.

(8) ROE is presented on an annualized basis. Quarterly annualized ROE is calculated by dividing the annualized net income for the three-month period over the average shareholders' equity.

(9) The price to earnings multiple is calculated based on the end of period share price and 12-month trailing diluted EPS.

(10) The price to book ratio is calculated based on the end of period share price and book value per diluted share.

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS[1]

(C$ thousands, except per share amounts and financial measures)	Fiscal 2011 Q4	Fiscal 2011 Q3	Fiscal 2011 Q2	Fiscal 2011 Q1	Fiscal 2010 Q4	Fiscal 2010 Q3	Fiscal 2010 Q2	Fiscal 2010 Q1
Revenue								
Commission	**$ 81,959**	**$ 87,433**	**$ 63,002**	**$ 62,256**	$ 62,826	$ 60,696	$ 56,628	$ 55,456
Investment banking	**103,646**	**116,716**	**51,236**	**55,901**	54,191	82,089	32,366	46,590
Advisory fees	**25,702**	**25,276**	**13,215**	**20,721**	8,323	6,328	15,254	9,296
Principal trading	**17,431**	**10,658**	**9,597**	**5,958**	7,278	15,645	11,589	11,470
Interest	**7,707**	**7,753**	**5,436**	**3,144**	3,269	3,099	3,121	3,476
Other	**11,150**	**6,998**	**6,799**	**3,937**	7,246	5,340	4,786	11,175
	247,595	**254,834**	**149,285**	**151,917**	143,133	173,197	123,744	137,463
Expenses								
Incentive compensation[2]	**119,103**	**127,033**	**71,823**	**73,091**	72,783	93,872	63,966	68,463
Salaries and benefits	**17,543**	**14,739**	**16,322**	**15,816**	16,685	14,945	13,983	13,802
Trading costs	**8,624**	**7,937**	**7,241**	**7,705**	7,418	7,140	7,002	7,324
Premises and equipment	**7,403**	**7,077**	**6,640**	**6,038**	6,188	6,228	6,104	5,882
Communication and technology	**6,307**	**6,111**	**6,779**	**6,269**	5,296	5,838	5,245	5,489
Interest	**2,485**	**3,037**	**1,673**	**616**	613	631	492	845
General and administrative	**19,052**	**17,049**	**15,990**	**15,791**	14,958	13,609	11,698	11,888
Amortization	**2,966**	**2,786**	**3,706**	**3,284**	1,878	1,904	1,906	1,921
Development costs	**6,334**	**5,819**	**5,172**	**5,084**	6,839	6,720	5,487	5,854
Acquisition-related costs	**—**	**1,750**	**—**	**10,990**	5,000	—	—	—
	189,817	**193,338**	**135,346**	**144,684**	137,658	150,887	115,883	121,468
Income before income taxes	**57,778**	**61,496**	**13,939**	**7,233**	5,475	22,310	7,861	15,995
Income taxes (recovery)	**16,834**	**18,792**	**4,228**	**2,358**	(2,051)	7,197	1,115	6,883
Net income for the period	**$ 40,944**	**$ 42,704**	**$ 9,711**	**$ 4,875**	$ 7,526	$ 15,113	$ 6,746	$ 9,112
Incentive compensation expenses as % of revenue	**48.1%**	**49.8%**	**48.1%**	**48.1%**	50.8%	54.2%	51.7%	49.8%
Total compensation expenses as % of revenue[3]	**55.2%**	**55.6%**	**59.0%**	**58.5%**	62.5%	62.8%	63.0%	59.8%
Non-compensation expenses as % of revenue	**21.5%**	**20.2%**	**31.6%**	**36.7%**	33.7%	24.3%	30.7%	28.5%
Total expenses as % of revenue	**76.7%**	**75.9%**	**90.7%**	**95.2%**	96.2%	87.1%	93.7%	88.3%
Pre-tax profit margin	**23.3%**	**24.1%**	**9.3%**	**4.8%**	3.8%	12.9%	6.4%	11.6%
Effective tax rate	**29.1%**	**30.6%**	**30.3%**	**32.6%**	(37.5)%	32.3%	14.2%	43.0%
Net profit margin	**16.5%**	**16.8%**	**6.5%**	**3.2%**	5.3%	8.7%	5.5%	6.6%
Basic earnings per share	**$ 0.54**	**$ 0.57**	**$ 0.13**	**$ 0.07**	$ 0.15	$ 0.31	$ 0.14	$ 0.19
Diluted earnings per share	**$ 0.48**	**$ 0.51**	**$ 0.12**	**$ 0.06**	$ 0.14	$ 0.27	$ 0.12	$ 0.16
Book value per diluted share[4]	**$ 8.79**	**$ 8.42**	**$ 8.03**	**$ 7.84**	$ 6.96	$ 7.00	$ 6.78	$ 6.73
Supplemental segmented revenue information								
Canaccord Genuity	**$ 163,771**	**$ 177,758**	**$ 96,963**	**$ 100,152**	$ 83,496	$ 116,090	$ 78,475	$ 85,497
Canaccord Wealth Management	**72,704**	**68,599**	**44,539**	**47,207**	54,990	51,733	40,138	40,185
Corporate and Other	**11,120**	**8,477**	**7,783**	**4,558**	4,647	5,374	5,131	11,781
	$ 247,595	**$ 254,834**	**$ 149,285**	**$ 151,917**	$ 143,133	$ 173,197	$ 123,744	$ 137,463

(1) Certain non-GAAP measures are utilized by the Company as measures of financial performance. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other companies. Non-GAAP measures included are: incentive compensation expenses as % of revenue, total compensation expenses as % of revenue, non-compensation expenses as % of revenue, total expenses as % of revenue, and book value per diluted share.

(2) Incentive compensation expenses include the National Health Insurance Tax applicable to the UK.

(3) Total compensation expenses include incentive compensation and salaries and benefits, but exclude hiring incentives which are included in development costs. Beginning in Q1/11, development group salary and benefits have been included as compensation expense, whereas they were classified as development costs prior to Q1/11.

(4) Book value per diluted share, a non-GAAP measure, is calculated as total shareholders' equity divided by the number of diluted shares outstanding at the end of the period.

CONDENSED CONSOLIDATED BALANCE SHEETS

	Fiscal 2011				Fiscal 2010			
(C$ thousands)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Assets								
Cash and cash equivalents	**$ 954,068**	**$ 713,117**	**$ 636,908**	**$ 569,953**	$ 731,852	$ 782,576	$ 709,455	$ 734,268
Securities owned, at market	**947,185**	**1,098,154**	**1,268,897**	**835,261**	362,755	404,537	517,070	169,030
Accounts receivable	**2,828,812**	**2,383,057**	**2,987,415**	**2,185,305**	1,972,924	1,311,144	2,085,356	1,166,610
Income taxes recoverable	**—**	**—**	**5,567**	**5,287**	—	—	2,107	17,740
Future income taxes	**15,309**	**16,473**	**15,136**	**13,418**	13,190	11,890	12,019	13,358
Investments	**5,000**	**5,000**	**5,000**	**5,000**	5,000	5,000	5,000	5,000
Investment in asset-backed commercial paper	**—**	**—**	**—**	**—**	—	28,239	34,280	34,418
Equipment and leasehold improvements	**40,818**	**36,860**	**37,463**	**39,001**	38,127	40,471	41,718	44,366
Goodwill and other intangibles	**319,180**	**316,928**	**317,858**	**319,685**	—	—	—	—
	$5,110,372	**$4,569,589**	**$5,274,244**	**$3,972,910**	$3,123,848	$2,583,857	$3,407,005	$2,184,790
Liabilities and shareholders' equity								
Bank indebtedness	**$ 13,580**	**$ 34,914**	**$ 64,733**	**$ 82,992**	$ 29,435	$ 44,600	$ 85,600	$ 105,788
Securities sold short, at market	**722,613**	**853,869**	**1,236,229**	**702,976**	364,137	324,877	382,209	56,318
Accounts payable and accrued liabilities	**3,557,275**	**2,910,424**	**3,257,737**	**2,483,250**	2,308,146	1,794,123	2,535,971	1,622,288
Income taxes payable	**23,977**	**8,668**	**—**	**—**	5,385	4,590	—	—
Future income taxes	**21,404**	**23,120**	**21,273**	**19,083**	—	—	—	—
Subordinated debt	**15,000**	**15,000**	**15,000**	**15,000**	15,000	15,000	15,000	15,000
Shareholders' equity	**756,523**	**723,594**	**679,272**	**669,609**	401,745	400,667	388,225	385,396
	$5,110,372	**$4,569,589**	**$5,274,244**	**$3,972,910**	$3,123,848	$2,583,857	$3,407,005	$2,184,790

MISCELLANEOUS OPERATIONAL STATISTICS(1)

	Fiscal 2011				Fiscal 2010			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Number of employees in Canada								
Number in Canaccord Genuity	**268**	**276**	**276**	**273**	203	204	200	204
Number in Canaccord Wealth Management	**684**	**671**	**665**	**689**	680	707	698	688
Number in Corporate and Other	**373**	**365**	**369**	**371**	364	360	359	352
Total Canada	**1,325**	**1,312**	**1,310**	**1,333**	1,247	1,271	1,257	1,244
Number of employees in the UK								
Number in Canaccord Genuity	**144**	**141**	**143**	**138**	139	137	125	118
Number of employees in the US								
Number in Canaccord Genuity	**175**	**175**	**178**	**169**	163	162	157	152
Number of employees in China								
Number in Canaccord Genuity Asia	**40**	**n/a**	**n/a**	**n/a**	n/a	n/a	n/a	n/a
Number of employees company-wide	**1,684**	**1,628**	**1,631**	**1,640**	1,549	1,570	1,539	1,514
Number of Advisory Teams(2)	**271**	**272**	**280**	**290**	303	327	334	335
Number of licenced professionals	**645**	**653**	**712**	**684**	718	753	763	773
Assets under management ($ millions)	**$ 546**	**$ 514**	**$ 473**	**$ 431**	$ 445	$ 423	$ 453	$ 443
Assets under administration ($ millions)	**$ 16,985**	**$ 16,006**	**$ 13,895**	**$ 12,571**	$ 12,992	$ 12,210	$ 11,386	$ 10,341
AUA per Advisory Team ($ millions)(2)	**$ 63**	**$ 59**	**$ 50**	**$ 43**	$ 43	$ 37	$ 34	$ 31
Number of companies with Canaccord Genuity Limited as broker								
London Stock Exchange (LSE)	**26**	**24**	**20**	**23**	23	23	9	9
Alternative Investment Market (AIM)	**39**	**35**	**37**	**39**	43	45	44	49
Total broker	**65**	**59**	**57**	**62**	66	68	53	58
Number of companies with Canaccord Genuity Limited as Nomad(3)								
LSE	**1**	**1**	**1**	**1**	1	—	—	—
AIM	**30**	**29**	**30**	**32**	35	37	36	41
Total Nomad	**31**	**30**	**31**	**33**	36	37	36	41

(1) These miscellaneous operational statistics are non-GAAP measures.

(2) 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 licenced 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.

(3) A company listed on AIM is required to retain a Nominated Adviser (commonly referred to as a Nomad) during the company's life on the market. Nominated Advisers are responsible, amongst other duties, for warranting that a company is appropriate for joining AIM. The Nomad is similar to a Financial Advisor on the LSE, but is specific to AIM.

Glossary

Acquisition-related items

Acquisition-related items include costs incurred to acquire Genuity Capital Markets and The Balloch Group Limited, as well as the amortization of intangible assets related to the Genuity acquisition. Figures that exclude acquisition-related items are considered non-GAAP measures.

Advisory fees

Revenue related to the fees Canaccord charges for corporate advisory, merger and acquisition or corporate restructuring services is recorded as Advisory fees.

Advisory Teams (IA Teams)

Advisory Teams are normally comprised of one or more IAs and their assistants and associates, who together manage a shared set of client accounts. Advisory Teams that are led by, or only include, an IA who has been licenced 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. As Independent Wealth Management branches are led by one advisor (with a team), each IWM branch is counted as a single Advisory Team.

Alternative Investment Market (AIM)

The junior arm of the London Stock Exchange (LSE), AIM provides a global market for smaller, growing companies.

Asset-backed commercial paper (ABCP)

A short-term investment vehicle with a maturity date that is typically between 90 and 180 days. The Company received restructured ABCP notes in January 2009 due to liquidity issues in the ABCP market. The restructured ABCP notes are valued at fair value. Refer to Fair value adjustment.

Assets under administration (AUA)

AUA is the market value of client assets administered by Canaccord, for 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. Management uses this measure to assess operational performance of the Canaccord Wealth Management business segment. This measure is non-GAAP.

Assets under management (AUM)

AUM consists of assets that are beneficially owned by clients and discretionarily managed by Canaccord as part of the *Complete Canaccord Investment Counselling Program* and *Complete Canaccord Managed Accounts*. Services provided include the selection of investments and the provision of investment advice. AUM is also administered by Canaccord and is therefore included in AUA. This measure is non-GAAP.

Book value per diluted common share

A measure of common equity per share calculated by subtracting liabilities from assets and dividing by the number of diluted shares outstanding. This measure is non-GAAP.

Canaccord Adams

Refer to Canaccord Genuity.

Canaccord Genuity

Canaccord's capital markets division was rebranded from Canaccord Adams to Canaccord Genuity in May 2010, following the acquisition of Genuity Capital Markets.

Canaccord Genuity Asia

Canaccord Genuity Asia is the brand used for Canaccord Genuity's operations in the Asia-Pacific region.

Common equity

Also referred to as common shares, which are, as the name implies, the most usual and commonly held form of stock in a corporation. Dividends paid to the stockholders must be paid to preferred shares before being paid to common stock shareholders.

Correspondent brokerage services

The provision of secure administrative, trade execution and research services to other brokerage firms through the Company's existing technology and operations infrastructure (Pinnacle Correspondent Services).

Dilution
The change in earnings and book value per share resulting from the exercise of all warrants and options and conversion of convertible securities.

Dividend yield
A financial ratio that shows how much a company pays out in dividends each year relative to its share price. It is calculated as total annual dividends per share divided by the company share price.

Earnings (loss) per share (EPS), diluted
Net income (loss) divided by the weighted average number of shares outstanding adjusted for the dilutive effects of stock options and other stock-based compensation.

Efficiency Ratio
A financial ratio to measure efficiency calculated by dividing total expense over total revenue.

Employee Stock Purchase Plan (ESPP)
Voluntary plan that provides eligible employees with the ability to purchase shares in the Company through payroll deductions, with an additional contribution by the Company.

Escrowed securities
Common shares in the Company which are subject to specific terms of release.

Fair value adjustment
An estimate of the fair value of an asset (or liability) for which a market price cannot be determined, usually because there is no established market for the asset. At Canaccord, adjustments were made to reflect our estimate of the value of the restructured ABCP notes based on discounting expected future cash flows on a probability-weighted basis, considering best available data at the time of valuation.

Fixed income trading
Trading in new issues, government and corporate bonds, treasury bills, commercial paper, strip bonds, high-yield debt and convertible debentures.

Genuity Capital Markets
Canaccord acquired Genuity Capital Markets and certain of its affiliates (also referred to as “Genuity”) on April 23, 2010. Genuity was an independent Canadian investment bank with strong merger and acquisition and advisory practices. Subsequent to the acquisition, Canaccord renamed its capital markets division Canaccord Genuity.

Incentive-based revenue
A percentage of incentive-based revenue earned is directly paid out as incentive compensation expense. At Canaccord, this includes commission, investment banking, advisory fees, and principal trading revenue.

Independent Wealth Management (IWM)
An independent operating platform of Canaccord Wealth Management, under which Investment Advisors operate as independent agents of the Company. Each IWM branch is classified as one Advisory Team, which is comprised of one or more Investment Advisors and their assistants and associates, who together manage a shared set of client accounts.

Institutional sales and trading
A capital markets business segment providing market information and research, advice and trade execution to institutional clients.

International Financial Centre British Columbia Society
Membership provides certain tax and financial benefits, reducing the overall corporate tax rate, pursuant to British Columbia legislation.

International Financial Centre Quebec
Membership provides certain tax and financial benefits, reducing the overall corporate tax rate, pursuant to Quebec legislation.

International trading
Executing trades in Canadian securities on behalf of US brokerage firms.

Investment banking
Assisting public and private businesses and governments to obtain financing in the capital markets through the issuance of debt, equity and derivative securities on either an underwritten or an agency basis.

Liquidity
The total of cash and cash equivalents available to the Company as capital for operating and regulatory purposes.

London Stock Exchange (LSE)
One of the world’s largest stock exchanges, the LSE has been in existence for more than 300 years and has over 3,000 listed companies. The exchange has four main sectors: the Main Market; the AIM Market; the Professional Securities Market; and the Specialist Fund Market.

Long term incentive plan (LTIP)
A reward system designed to align employee and external shareholder interests. Under Canaccord's LTIP, a portion of an eligible employee's annual compensation is held back to purchase Restricted Share Units (RSUs) of the Company. The RSUs are topped up by the firm and vest over three years.

National Health Insurance (NHI) tax
Payroll tax applicable to UK employees based on a percentage of incentive compensation payout.

Nominated Adviser (Nomad)
A company approved by the LSE to act as an adviser for companies who wish to be admitted to AIM. A Nomad warrants to the LSE that the company is appropriate for admission and assists the listed company on an ongoing basis with disclosure and other market related matters.

Non-cash charges
Charges booked by a company that do not impact its cash balance or working capital.

Preferred shares
A class of ownership in a corporation that has a higher claim on the assets and earnings than common stock. Preferred shares generally do not have voting rights; however, preferred shareholders receive a dividend that must be paid out before dividends are paid to common stockholders.

Principal trading
Trading in equity securities in principal and inventory accounts. Revenue is generated through inventory trading gains and losses.

Registered trading
Trading in equity securities in principal and inventory accounts by registered traders who operate by taking positions, trading and making markets in equity securities including securities of companies with small to medium sized market capitalizations. Revenue is generated through inventory trading gains and losses.

Return on average common equity (ROE)
Net income expressed as a percentage of average common equity. This measure is non-GAAP.

Risk
Financial institutions face a number of risks that may expose them to losses, including market, credit, operational, regulatory and legal risk.

Separately managed accounts (SMAs)
Investment portfolios available to clients that are managed by a senior portfolio manager. In SMAs, clients own the individual securities within the portfolio, rather than a portion of a pooled fund.

Significant items
Charges not considered to be recurring or indicative of operating earnings. For Canaccord this includes impairment of goodwill and intangibles, restructuring costs, ABCP fair value adjustments and accrual for the Company's client relief program. Figures excluding significant items are considered to be non-GAAP measures.

Syndicate participation
A group of investment banking firms coordinating the marketing, distribution, pricing and stabilization of equity financing transactions.

The Balloch Group
The Balloch Group was a leading boutique investment bank in China that Canaccord acquired in January 2011. Canaccord's operations in China were subsequently rebranded Canaccord Genuity Asia.

Trading services
Quotation services, trade reconciliation, execution management, order book management and trade reporting.

Underwriter – investment banking
Purchases securities or other instruments from a corporate issuer for resale to investors.

Value-at-Risk (VaR)
VaR is a generally accepted risk measurement concept that is defined as the predicted worst-case loss in market value of a portfolio at a specific confidence level (e.g., 95%) over a certain period of time (e.g., daily).

Wrap accounts
A type of brokerage account where a single or flat fee covers all administrative, research, advisory and management expenses.

Corporate Governance

The Board of Directors (Board) assumes responsibility for the stewardship of the Company, acting as a whole and through its committees, and has approved a formal Board Governance Manual (Mandate) including terms of reference for the Board and setting forth the Board's stewardship responsibilities and other specific duties and responsibilities. The Board's responsibilities are also governed by:

- The *Business Corporations Act* (British Columbia)
- The Company's articles
- The charters of its committees
- Other corporate policies and applicable laws

COMMUNICATION WITH INDEPENDENT MEMBERS OF THE BOARD

Terrence Lyons has been appointed by the Board of Directors of Canaccord Financial Inc. as its Lead Director. One of his responsibilities is to receive and determine appropriate action on any communications from interested parties that are addressed to the independent directors of the Board. Such communications can be sent to Mr. Lyons in writing by mail to 406 – 815 Hornby Street, Vancouver, BC V6Z 2E6.

STRATEGIC PLANNING PROCESS

The Board's Mandate provides that the Board is responsible for ensuring that the Company has an effective strategic planning process. As such, the Board reviews, approves, monitors and provides guidance on the Company's strategic plan.

IDENTIFICATION AND MANAGEMENT OF RISKS

The Board's Mandate includes:

- Assisting management to identify the principal business risks of the Company
- Taking reasonable steps to ensure the implementation of appropriate systems to manage and monitor those risks
- Reviewing plans for evaluating and testing the Company's internal financial controls
- Overseeing the external auditors, including the approval of the external auditors' terms of reference

SUCCESSION PLANNING AND EVALUATION

The Board's Mandate includes keeping in place adequate and effective succession plans for the Chief Executive Officer (CEO) and senior management.

- The Corporate Governance and Compensation Committee (CGCC) receives periodic updates on the Company's succession plan at the senior officer level and monitors the succession planning process
- The succession plan is reviewed, at least annually, by the CGCC
- On the recommendation of the President & CEO, the Board appoints the senior officers of the Company

COMMUNICATIONS AND PUBLIC DISCLOSURE

The Company's Disclosure Controls Policy (DCP) addresses the accurate and timely communication of all important information relating to the Company and its interaction with shareholders, investment analysts, other stakeholders and the public generally.

- The DCP is reviewed annually by the Board
- The DCP, public securities regulatory filings and press releases are posted on the Company's website
- The Board reviews all quarterly and annual consolidated financial statements and related management discussion and analysis, the Company's earnings releases, management information circulars, annual information forms (AIFs) and financing documents

INTERNAL CONTROLS

The Board requires management to maintain effective internal controls and information systems. The Board, with the assistance of the Audit Committee, oversees the integrity of the Company's internal control and information systems.

- The Audit Committee meets no less than four times a year with the Company's Chief Financial Officer (CFO) and senior finance staff to review internal controls over financial reporting and related information systems
- External auditors provide recommendations to the Audit Committee on an annual basis on the Company's internal controls and information systems

As of March 31, 2011 an evaluation was carried out, under the supervision of and with the participation of management, including the President & CEO and the Executive Vice President & CFO, of the effectiveness of our disclosure controls and procedures as defined under *Multilateral Instrument 52-109*. Based on that evaluation, the President & CEO and the Executive Vice President & CFO concluded that the design and operation of these disclosure controls and procedures were effective as of March 31, 2011.

GOVERNANCE

The Board recognizes the current trend towards having a majority of independent directors. As the Company continues to be largely employee owned, it is of the view that the number of its members that are independent directors adequately reflects the perspectives and interests of the minority shareholders.

- The Board is currently composed of 15 directors, 6 of whom are independent of management as determined under applicable securities legislation
- The CGCC is responsible for periodically reviewing the composition of the Board and its committees
- A formal annual assessment process has been established to include feedback by all the directors to the full Board, including the completion of a confidential survey with an outside consultant compiling the results
- New directors are provided with substantial reference material on the Company's strategic focus, financial and operating history, corporate governance practices and corporate vision

SUMMARY OF CHARTERS AND COMMITTEES

The Board has delegated certain of its responsibilities to two committees, each of which has specific roles and responsibilities as defined by the Board. All Board committees are made up solely of non-management directors, a majority of whom are independent directors.

Audit Committee

The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities by monitoring the Company's financial reporting practices and financial disclosure. It comprises three unrelated directors. All members of the Audit Committee are financially literate; that is, they are able to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements. The current members of the Audit Committee are Messrs. Lyons (Chair), Eeuwes and Carello.

The Audit Committee has adopted a charter which specifically defines the roles and responsibilities of the Audit Committee. The Audit Committee Charter can be found in the Company's AIF filed on SEDAR. The Audit Committee has direct communication channels with the external auditors and CFO and senior finance staff and discusses and reviews issues with each of them on a regular basis.

The Audit Committee is responsible for ensuring management has designed and implemented an effective system of internal control. The external auditors are hired by and report directly to the Audit Committee. After consultation with management, the Audit Committee is responsible for setting the external auditors' compensation. The external auditors attend each meeting of the Audit Committee, and a portion of each meeting is held without the presence of management. The Audit Committee annually reviews and approves the external auditors' audit plan and must approve any audit and non-audit work performed by the external auditors. The CFO and senior finance staff attend each meeting of the Audit Committee other than the portion of the meeting which is held without management present to allow more open discussion. The Audit Committee annually reviews and approves the internal audit plan.

Corporate Governance and Compensation Committee

The Corporate Governance and Compensation Committee is responsible for developing the Company's approach to governance issues, reviewing the Company's overall governance principles and recommending changes to those principles from time to time. It comprises three unrelated directors: Messrs. Harris (Chair), Eeuwes and Lyons. The committee has full access to staff and resources. At all regular committee meetings during the year, a portion of each meeting is held without management present to allow more open discussion.

Board of Directors

Howard Balloch (2011)
Howard Balloch is Chairman of Canaccord Genuity Asia, Canaccord's capital markets operations in China. Mr. Balloch is a distinguished industry executive who has built respected relationships with many key stakeholders throughout China. After serving almost six years as the Canadian Ambassador to China, he founded The Balloch Group in 2001 and grew it into China's leading boutique investment bank, which Canaccord acquired in January 2011. Prior to the past 15 years spent in China, Mr. Balloch held a number of senior positions in the Canadian government in Ottawa. He now serves as a director of several companies, including Methanex Corporation, Ivanhoe Mines Ltd. and Ivanhoe Energy Ltd.

Charles Bralver (2010)
Mr. Bralver is a partner at Massif Partners LLP, an integrated asset management firm in Greenwich, Connecticut. From May 2007 to September 2010, he was the Senior Associate Dean for International Business and Finance at the Fletcher School of Law and Diplomacy at Tufts University. Mr. Bralver was a founding partner of Oliver Wyman & Company where from 1984 through 2007 he held several positions, including Vice Chairman, Head of Europe, Head of North America and Head of the Global Capital Markets Practice. From 2007 to 2009 he served as a strategic advisor to the Financial Services Practice at Warburg Pincus LLC. He also serves on the Senior Advisory Board of Oliver Wyman and as a member of the Board of Visitors of the Fletcher School (where he chairs its Center for Emerging Market Enterprises) and of the John Sloan Dickey Center for International Affairs at Dartmouth College.

Mr. Bralver has an MA and a MALD (Master of Arts in Law and Diplomacy) with highest distinction in International Business and Energy Economics from the Fletcher School, Tufts University, and an AB in International Relations and History from Dartmouth College, Hanover, New Hampshire, where he was a Rufus Choate Scholar.

Peter M. Brown, O.B.C., LL.D. (1997)
Peter Brown is the Chairman of the Board and a director of Canaccord Financial Inc. and Canaccord Financial Ltd. In 1968 he joined Hemsworth, Turton & Co., Ltd., which subsequently became known as Canaccord Genuity Corp.

Since 1968, Mr. Brown has been involved in the Canadian capital markets. Mr. Brown is currently a member of the board of directors of the Investment Industry Regulatory Organization of Canada (IIROC), and is a past member of the board and the executive committee of the Investment Dealers Association. He is a past Chairman of the Board of the University of British Columbia, the Vancouver Stock Exchange, BC Place Corporation and BC Enterprise Corporation. He was also the Vice Chairman of Expo '86 Corporation.

He is currently on the board of trustees for The Fraser Institute, a Canadian research organization. He is a past member of the Chief Executives Organization and the Young Presidents Organization. He is a former member of the board of governors of the Atlantic Institute for International Affairs, the CICA Accounting Research Advisory Board and the Council for Business and the Arts in Canada.

Mr. Brown is a past recipient of the BC Chamber of Commerce Businessman of the Year award. He was awarded the BC & Yukon Chamber of Mines Financier Award for 2000, the Ernst & Young Pacific Entrepreneur of the Year Award for 2001 and in 2002, the Distinguished Service Award by the Prospectors and Developers Association of Canada.

In January 2003, Mr. Brown received a Commemorative Medal for the Golden Jubilee of Her Majesty Queen Elizabeth recognizing his community service. In June 2003, he was awarded the Order of British Columbia recognizing his fundraising efforts for various charities and organizations in British Columbia as well as the vital role he has played in financing hundreds of British Columbia businesses.

In February 2004, Mr. Brown was named "Person of the Year" by the Brotherhood Inter-Faith Society of British Columbia and in 2007, he was named Distinguished Graduate by St. George's Private School. In 2005 Mr. Brown received an honorary Doctor of Laws from the University of British Columbia. He was also nominated by the Government of Canada to the board of directors of the Vancouver Organizing Committee of the 2010 Olympic and Paralympic Winter Games (VANOC). In 2010, Mr. Brown was inducted into the Canadian Mining Hall of Fame, became the first civilian to receive the Chief Constable's Citation from the Vancouver City Police and received the Ernst & Young Entrepreneur of the Year 2010 Pacific Lifetime Achievement Award.

Massimo Carello (2008)

Audit Committee

Mr. Carello is a corporate director and a private investor in public companies. Mr. Carello was the Chairman and Chief Executive Officer of Diners Club UK Ltd. from 2001 to 2004 and was the Chairman and Chief Executive Officer of Fiat UK Ltd. from 1990 to 2001. Mr. Carello served as a member of the Confederation of British Industry (CBI) President's Committee from 1998 to 2003 and was a member of the CBI European Committee. He was Vice President of the Italian Chamber of Commerce in the UK from 1998 to 2005. In addition to Canaccord Financial Inc., Mr. Carello is a director and a member of the Audit Committees of the following public companies: Canadian Overseas Petroleum Ltd. and Orsu Metals Corporation. Until December 2010, he was also a director and a member of the Audit Committee of Uranium One Inc.

William J. Eeuwes (2002)

Audit Committee

Corporate Governance and Compensation Committee

Mr. Eeuwes is Senior Vice President and Managing Director of Manulife Capital, a division of The Manufacturers Life Insurance Company. He has executive responsibility for four alternative assets teams in Canada: Manulife Capital (private equity and mezzanine), Project Finance (power and infrastructure), Regional Power Inc. and NAL Resource Management Limited (oil and gas). Before joining Manulife in 1999, Mr. Eeuwes was a career banker with 25 years of experience in underwriting and the management of a broad range of financing including LBOs, corporate lending and project finance. Mr. Eeuwes is a graduate of the Richard Ivey School of Business at the University of Western Ontario. In addition to Canaccord Financial Inc., Mr. Eeuwes is a director of the following public company: NAL Energy Corporation, which is listed on the Toronto Stock Exchange.

Philip Evershed (2010)

Mr. Evershed was a principal of Genuity Capital Markets, the Canadian investment bank acquired by Canaccord Financial in April 2010. Prior to co-founding Genuity, Mr. Evershed spent 14 years at CIBC World Markets, most recently as Co-Head of Investment Banking and Head of Mergers and Acquisitions. Prior to joining CIBC, Mr. Evershed was Chief of Staff to the Deputy Prime Minister of Canada. Mr. Evershed sits on the board of directors of Canadian Satellite Radio Holdings Inc. and Iogen Corporation. Mr. Evershed has an MA (Economics) from the University of Toronto and a BA (School of Business and Economics) from Wilfrid Laurier University.

Matthew Gaasenbeek (2010)

Matthew Gaasenbeek has over 18 years of experience in the securities and financial services business. He has been instrumental in building the North American Capital Markets team at Canaccord Genuity, where he has advised on over $15 billion and been involved in over 3,000 transactions.

Prior to joining the firm, Matt worked as a management consultant with Price Waterhouse. Matt holds an MBA from the Ivey School of Business.

Michael D. Harris, ICD.D. (2004)

Corporate Governance and Compensation Committee

Mr. Harris is an advisor with the law firm Cassels Brock & Blackwell LP and the President of his own consulting firm, Steane Consulting Ltd. Previously he was a senior business advisor with the law firm of Goodmans LLP. Between 1995 and 2002, Mr. Harris was the Premier of the Province of Ontario. Mr. Harris is also a director of a number of other public companies, and serves as a director of the Tim Horton Children's Foundation and the Mount Royal College Foundation. Mr. Harris received his ICD.D certification from the Institute of Corporate Directors.

Timothy J.D. Hoare (2005)

Mr. Hoare is the Chairman & Chief Executive Officer of Canaccord Genuity Limited. In 1990 Mr. Hoare became a director of Credit Lyonnais Laing International. In 1993 Mr. Hoare established T. Hoare & Co. Limited, an investment dealer based in London, England. Canaccord acquired a minority interest in T. Hoare & Co. Limited in 1996 and in 1999 it became a wholly owned subsidiary of Canaccord Genuity Limited.

David Kassie (2010)

David Kassie was the Principal, Chairman and CEO of Genuity Capital Markets, the Canadian investment bank acquired by Canaccord Financial in April 2010. Prior to 2004, he was Chairman and Chief Executive Officer of CIBC World Markets and the Vice Chairman of CIBC. Mr. Kassie has extensive experience as an advisor, underwriter and principal. Mr. Kassie sits on a number of corporate boards including ACE Aviation Holdings Inc. and AIM Health Group Inc., and he was a director of Alliance Atlantis Communications Inc. from 1992 to 2007. Mr. Kassie is actively involved in community and charitable organizations and is on the board of directors of the Hospital for Sick Children, the Ivey School of Business and the Toronto International Film Festival Group. Mr. Kassie holds a B.Comm. (Honours) in Economics from McGill University and an MBA from the University of Western Ontario.

Terrence A. Lyons (2004)

Audit Committee

Corporate Governance and Compensation Committee

Mr. Lyons is the Chairman of Northgate Minerals Corporation. Northgate is constructing the three million ounce Young Davidson project in Ontario, operates two gold mines in Australia and is in the process of expanding its Kemess Mine underground in Northern British Columbia.

Mr. Lyons is a Civil Engineer (UBC) with an MBA from the University of Western Ontario. He sits on the Advisory Board of the Richard Ivey School of Business and is active in sports and charitable activities, is a past Governor of the Olympic Foundation of Canada, past Chairman of the Mining Association of BC and in 2007 was awarded the INCO Medal by the Canadian Institute of Mining and Metallurgy for distinguished service to the mining industry.

In addition to Canaccord Financial Inc. and Northgate Minerals Corporation, Mr. Lyons is a director of the following public companies: Diamonds North Resources Ltd., Eacom Timber Corporation, Pacific Wildcat Resources Corporation, Polaris Minerals Corporation, Reliable Energy Ltd., Sprott Resource Corp. and TTM Resources Inc. He is also a director of the BC Pavilion Corporation (PavCo) as well as several private corporations.

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Mark G. Maybank (2006)

Mr. Maybank is the Chief Operating Officer of Canaccord Financial Inc. and the President & Chief Operating Officer of Canaccord Genuity Corp. He joined Canaccord in 2001 and was responsible for its research activity. Before joining Canaccord, Mr. Maybank was an executive vice-president at a technology services and software development firm. Before that, he was a technology analyst with Yorkton Securities and chief financial officer of a US-based cellular services company. Before that, he held various positions with a large multinational accounting and consulting firm. Mr. Maybank has earned both his Chartered Accountant and Chartered Business Valuator designations.

Paul D. Reynolds (2005)

Paul Reynolds was named President of Canaccord Financial Inc. in August 2006, and CEO in August 2007. Mr. Reynolds has also been Vice Chair, Global Head of Canaccord Genuity since April 2005. He is very active in investment banking operations and leads the firm from Canaccord's Toronto office.

Mr. Reynolds has over 25 years of experience in the securities industry beginning as a floor trader. He joined Canaccord Financial in 1985, working as an Investment Advisor in Vancouver. Mr. Reynolds specialized in financing emerging and developing companies in the resource, technology and biotechnology sectors.

Between 1999 and 2008, he managed Canaccord's London, England office as President and COO of European operations. Mr. Reynolds has been integral to the development of our business in Europe and a primary contributor to our successful position as an active participant in the European equity markets, specializing in small to medium sized emerging companies.

Michael A. Walker, LL.D., D.S.S. (2006)
Dr. Michael Angus Walker is a Senior Fellow at the Fraser Institute and President of The Fraser Institute Foundation. From its inception in 1974, until September 2005, Dr. Walker directed the activities of The Fraser Institute, an independent public policy organization. Prior to this, he taught at Carleton University and the University of Western Ontario. Previously, he has worked at the Bank of Canada and then subsequently joined the federal Department of Finance. He received his PhD at the University of Western Ontario and his BA at St. Francis Xavier University, Nova Scotia.

John B. Zaozirny, Q.C. (2004)
Mr. Zaozirny joined Canaccord Genuity Corp. in January 1996 as a director and Vice-Chairman of its Board and is a member of its Capital Markets group. Until his retirement in December 2008, he also served as counsel to McCarthy Tétrault LLP and is a member of the Law Societies of Alberta and British Columbia. Mr. Zaozirny served in the Alberta legislature as minister of energy from 1982 to 1986. He is also a director of a number of other public companies.

The date appearing after the name of each director indicates the year in which he became a director. The term of office is subject to voting at the Annual General Meeting in 2011.

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Simcoe
49 Robinson Street
Simcoe, ON
Canada N3Y 1W5
Telephone: (519) 428-7525
Toll free: 1-800-301-9379

British Columbia

Campbell River
1631 Island Hwy
Campbell River, BC
Canada V9W 2E6
Telephone: (250) 287-8807
Toll free: 1-800-347-0270

Nanaimo
75 Commercial Street
Nanaimo, BC
Canada V9R 5G3
Telephone: (250) 754-1111
Toll free: 1-800-754-1907

Prince George
Suite 101
1840 Third Avenue,
Prince George, BC
Canada V2M 1G4
Telephone: (250) 614-0888
Toll free: 1-866-614-0888

Prince George
1520-3rd Avenue
Prince George, BC
Canada V2L 3G4
Telephone: (250) 562-7255
Toll free: 1-800-667-3205

Vernon
3108 – 30th Avenue
Vernon, BC
Canada V1T 2C2
Telephone: (250) 558-5431
Toll free: 1-800-665-2505

Alberta
Calgary
Suite 207
322, 11th Avenue SW
Calgary, AB
Canada T2R 0C5
Telephone: (403) 531-2444
Toll free: 1-866-531-2444

Calgary
Suite 1409 2nd Street SW
Calgary, AB
Canada T2R 0W7
Telephone: (403) 263-7999
Toll free: 1-877-263-7999

Calgary (Sub branch)
1600
333 11th Avenue SW
Calgary, AB
Canada T2R 1L9
Telephone: (403) 444-1992

Quebec
Gatineau
Suite 501
160, boulevard de l'Hôpital
Gatineau, QC
Canada J8T 8J1
Telephone: (819) 568-5025
Toll free: 1-800-595-5025

Saskatchewan
Saskatoon
Suite 100
333 – 25th Street East
Saskatoon, SK
Canada S7K 0L4
Telephone: (306) 665-2133
Toll free: 1-866-665-2121

OTHER LOCATIONS

Pinnacle Correspondent Services
Vancouver
P.O. Box 10337
Pacific Centre
Suite 2200
609 Granville Street
Vancouver, BC
Canada V7Y 1H2
Telephone: (604) 643-7300

Toronto
P.O. Box 516
Brookfield Place
Suite 3000
161 Bay Street
Toronto, ON
Canada M5J 2S1
Telephone: (416) 869-7368

Registered Trading [1]
Ancaster
Suite 3
240 Wilson Street East
Ancaster, ON
Canada L9G 2B7
Telephone: (905) 648-7368

[1] Registered Trading is not exclusive to this location.

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

TSX: CF
AIM: CF.

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

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

COMMON SHARE TRADING INFORMATION (FISCAL 2011)

Stock exchange	Ticker	Diluted shares outstanding at March 31, 2011	Year-end price March 31, 2011	High	Low	Total volume of shares traded
Toronto TSX	CF	85,655,328	$ 14.00	$ 16.41	$ 7.95	28,445,319
London AIM	CF.	85,655,328	£ 8.98	£ 10.53	£ 5.10	19,017

FISCAL 2011 DIVIDEND DATES AND AMOUNTS

Quarter end date	Record date	Payment date	Dividend
June 30, 2010	August 27, 2010	September 10, 2010	$ 0.050
September 30, 2010	November 19, 2010	December 10, 2010	$ 0.050
December 31, 2010	March 4, 2011	March 15, 2011	$ 0.075
March 31, 2011	June 3, 2011	June 15, 2011	$ 0.100
		Total dividends	$ 0.275

FISCAL 2012 EXPECTED DIVIDEND[(1)] EARNINGS RELEASE DATES

	Expected earnings release date	Dividend record date	Dividend payment date
Q1/12	August 4, 2011	August 26, 2011	September 15, 2011
Q2/12	November 10, 2011	December 2, 2011	December 15, 2011
Q3/12	February 9, 2012	March 2, 2012	March 15, 2012
Q4/12	May 23, 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.

ELIGIBLE DIVIDEND DESIGNATION (*INCOME TAX ACT* (CANADA))

In Canada, the *Federal Income Tax Act*, and most provincial income tax legislation, provides lower levels of taxation for Canadian individuals who receive eligible dividends. All of the common share dividends paid by Canaccord Financial Inc. (or its predecessor Canaccord Capital Inc.) since 2006 are eligible, as are common share dividends paid hereafter unless otherwise indicated.

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.

ANNUAL GENERAL MEETING

The Annual General Meeting of shareholders will be held on
Friday, June 24, 2011
at 11:00 am (Eastern time)
at the Design Exchange (Trading Floor)
234 Bay Street
Toronto, ON, Canada

A live Internet webcast will also be available for shareholders to view. Please visit the webcast events page at www.canaccordfinancial.com for more information and a direct link.

To view Canaccord's regulatory filings on SEDAR, please visit www.sedar.com.

FINANCIAL INFORMATION

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

AUDITOR

Ernst & Young LLP
Chartered Accountants
Vancouver, BC

FEES PAID TO SHAREHOLDERS' AUDITORS

For fees paid to shareholders' auditors, see page 39 of the fiscal 2011 Annual Information Form.

QUALIFIED FOREIGN CORPORATION

CFI is a "qualified foreign corporation" for US tax purposes under the *Jobs & Growth Tax Reconciliation Act of 2003*.

EDITORIAL SERVICES

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

CANACCORD Financial

CANACCORD FINANCIAL INC. is the publicly traded parent company to Canaccord's group of companies. Canaccord Financial Inc. is listed on the TSX (as CF) and AIM (as CF.).

CANACCORD Genuity

CANACCORD GENUITY provides global investment banking, M&A, advisory, research, sales and trading services to Canaccord's institutional and corporate clients. Canaccord Genuity has 18 offices worldwide.

CANACCORD Wealth Management

CANACCORD WEALTH MANAGEMENT provides wealth management and brokerage services to individual investors. Canaccord Wealth Management has 32 offices, located across Canada.

PINNACLE CORRESPONDENT SERVICES

PINNACLE provides correspondent services (administrative and clearing solutions) to Canada's wealth management industry by leveraging Canaccord's investment in leading-edge back-office infrastructure and technology.

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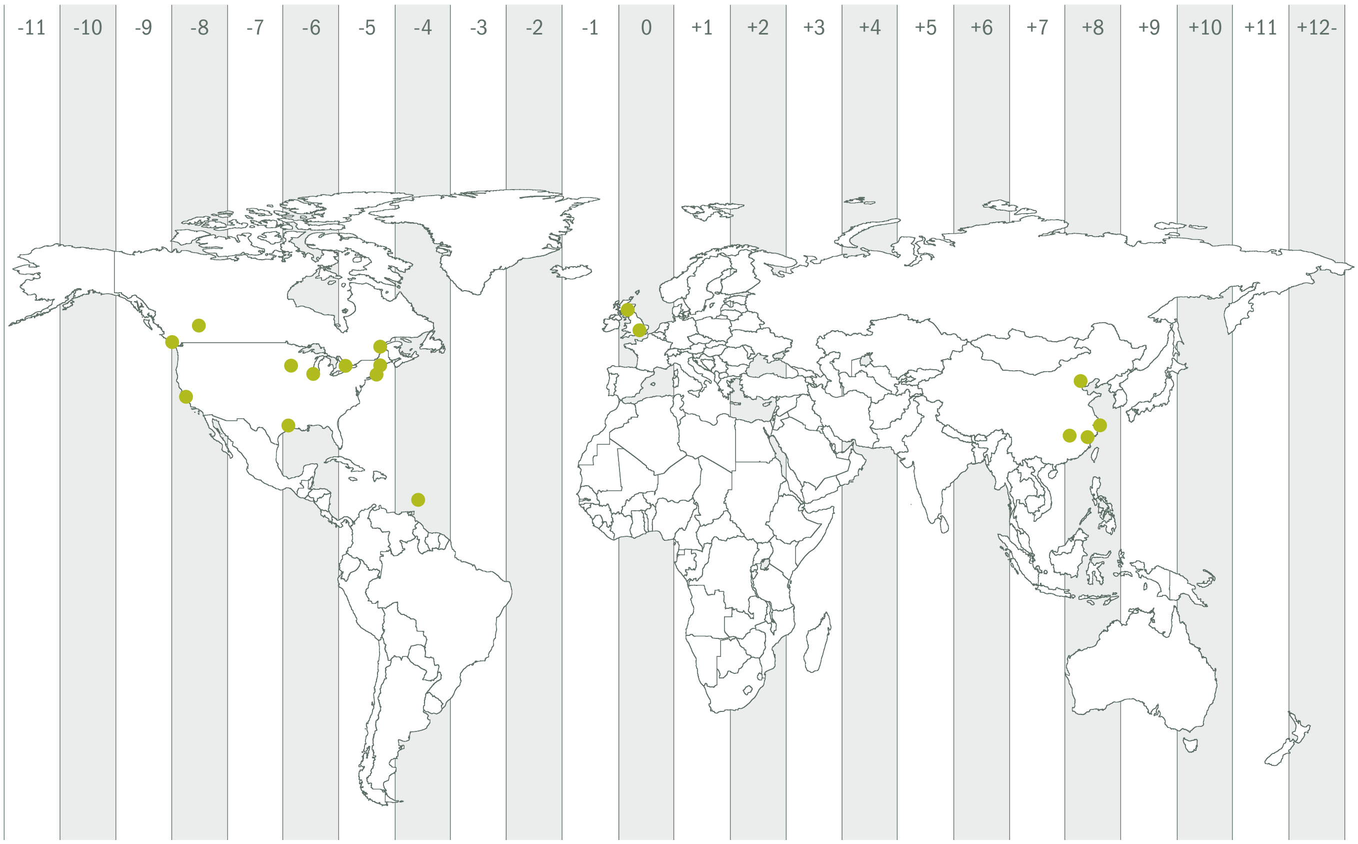

CANACCORD GENUITY

Toronto
Vancouver
London
Barbados
Boston
Calgary
Chicago
Edinburgh
Houston
Minneapolis
Montreal
New York
San Francisco
Beijing
Shanghai
Wuhan
Hangzhou

CANACCORD WEALTH MANAGEMENT

Corporate Branches

Vancouver
Toronto
Abbotsford
Calgary
Edmonton
Halifax
Kelowna
London
Montreal
Quebec City
Thunder Bay
Victoria
Waterloo
White Rock

Independent Wealth Management

Burlington
Calgary
Campbell River
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Gatineau
Kingston
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