

# Strategy at Work



# Financial Highlights

## Selected financial information<sup>(1)(2)</sup>

For the years ended March 31

(C\$ thousands, except per share and % amounts, and number of employees)	2017	2016	2017/2016 change	
<b>Canaccord Genuity Group Inc. (CGGI)</b>				
Revenue				
Commissions and fees	\$ 396,741	\$ 376,817	\$ 19,924	5.3%
Investment banking	196,129	132,029	64,100	48.5%
Advisory fees	130,749	160,180	(29,431)	(18.4)%
Principal trading	119,040	85,559	33,481	39.1%
Interest	16,847	16,830	17	0.1%
Other	20,040	16,390	3,650	22.3%
<b>Total revenue</b>	<b>879,546</b>	<b>787,805</b>	<b>91,741</b>	<b>11.6%</b>
Expenses				
Incentive compensation	454,998	417,876	37,122	8.9%
Salaries and benefits	85,698	92,981	(7,283)	(7.8)%
Other overhead expenses <sup>(3)</sup>	284,966	302,530	(17,564)	(5.8)%
Restructuring costs <sup>(4)</sup>	—	17,352	(17,352)	(100.0)%
Impairment of goodwill and other assets <sup>(5)</sup>	—	321,037	(321,037)	(100.0)%
<b>Total expenses</b>	<b>825,662</b>	<b>1,151,776</b>	<b>(326,114)</b>	<b>(28.3)%</b>
Income (loss) before income taxes	53,884	(363,971)	417,855	114.8%
<b>Net income (loss)</b>	<b>\$ 43,186</b>	<b>\$ (358,567)</b>	<b>\$ 401,753</b>	<b>112.0%</b>
<b>Net income (loss) attributable to CGGI shareholders</b>	<b>\$ 38,103</b>	<b>\$ (358,471)</b>	<b>\$ 396,574</b>	<b>110.4%</b>
Non-controlling interests	\$ 5,083	\$ (96)	\$ 5,179	n.m.
Earnings (loss) per common share (EPS) – basic	\$ 0.29	\$ (4.09)	\$ 4.38	107.1%
Earnings (loss) per common share – diluted	\$ 0.27	\$ (4.09)	\$ 4.36	106.6%
Return on common equity (ROE)	5.0%	(50.4)%	55.4 p.p.	
Dividends per common share	\$ 0.10	\$ 0.10	\$ —	—
Dividends per Series A Preferred Share	\$ 1.173	\$ 1.375	\$ (0.20)	(14.7)%
Dividends per Series C Preferred Share	\$ 1.4375	\$ 1.4375	\$ —	—
Book value per diluted common share <sup>(6)</sup>	\$ 5.08	\$ 4.99	\$ 0.09	1.8%
<b>Excluding significant items<sup>(7)</sup></b>				
Total revenue	\$ 878,353	\$ 787,805	\$ 90,548	11.5%
Total expenses	\$ 817,096	\$ 793,862	\$ 23,234	2.9%
Income (loss) before income taxes	\$ 61,257	\$ (6,057)	\$ 67,314	n.m.
Net income (loss)	\$ 49,196	\$ (5,995)	\$ 55,191	n.m.
Net income (loss) attributable to CGGI shareholders	\$ 43,903	\$ (6,620)	\$ 50,523	n.m.
Net income attributable to non-controlling interests	\$ 5,293	\$ 625	\$ 4,668	n.m.
Earnings (loss) per common share – diluted	\$ 0.32	\$ (0.21)	\$ 0.53	252.4%
<b>Balance sheet data</b>				
Total assets	\$ 5,203,516	\$ 3,424,546	\$ 1,778,970	51.9%
Total liabilities	4,426,873	2,665,895	1,760,978	66.1%
Non-controlling interests	11,858	8,722	3,136	36.0%
Total shareholders' equity	764,785	749,929	14,856	2.0%
Number of employees	1,700	1,795	(95)	(5.3)%

(1) Data is in accordance with IFRS except for ROE, book value per diluted common share, figures excluding significant items and number of employees. See Non-IFRS Measures on page 10 of our Management's Discussion and Analysis (MD&A).

(2) The operating results of the Australian operations have been fully consolidated and a 42% non-controlling interest has been recognized for fiscal 2017 [fiscal 2016 – 42%].

(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) Restructuring costs for the year ended March 31, 2016 were related to the staff reductions in our US, Canada and UK capital markets operations and the closure of our Barbados office in Other Foreign Locations, as well as charges related to staff reductions and certain executive changes in our Corporate and Other segment.

(5) Impairment of goodwill and other assets for the year ended March 31, 2016 was in connection with our capital markets operations in the UK, the US, Canada and Australia, and our Other Foreign Locations – Singapore operations.

(6) Book value per diluted common share is calculated as total common shareholders' equity adjusted for assumed proceeds from the exercise of options and warrants and the conversion of convertible debentures divided by the number of diluted common shares outstanding including estimated amounts in respect of share issuance commitments including options, warrants and convertible debentures, as applicable, and adjusted for shares purchased under the normal course issuer bid and not yet cancelled, and estimated forfeitures in respect of unvested share awards under share-based payment plans.

(7) Net income (loss) and earnings (loss) per common share excluding significant items reflect tax-effected adjustments related to such items. See the Selected Financial Information Excluding Significant Items table on page 20 of our MD&A.

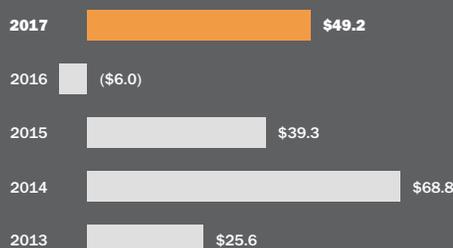
n.m.: not meaningful

p.p.: percentage points

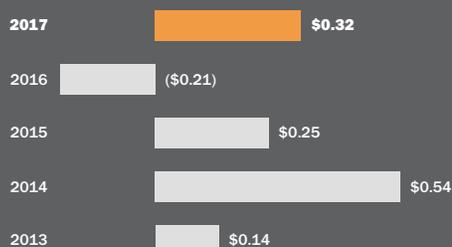
**Revenue**  
(C\$ millions, fiscal years)



**Net Income (Loss)**  
(C\$ millions, excluding significant items, fiscal years)



**Diluted Earnings (Loss) per Share**  
(C\$, excluding significant items, fiscal years)



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**Strategy at work: aligned, agile and focused on long term stability.** We

have maintained a strong commitment to positioning our business for performance in all market cycles as we continue to build a stable and scalable wealth management business and a focused and independent mid-market investment bank. With a lean and agile team and a disciplined commitment to driving efficiencies throughout our business, we are fortunate to have a culture of professionals who operate with high integrity, with a stronger net income focus and in complete alignment with our shareholders.

To us there are no foreign markets.™

**ABOUT CANACCORD GENUITY GROUP INC.**

Through its principal subsidiaries, Canaccord Genuity Group Inc. (the Company) is a leading independent, full-service financial services firm, with operations in two principal segments of the securities industry: wealth management and capital markets. Since its establishment in 1950, the Company 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. The Company has offices in 10 countries worldwide, including wealth management offices located in Canada, Australia, the UK, Guernsey, Jersey and the Isle of Man. Canaccord Genuity, the international capital markets division, operates in Canada, the US, the UK, France, Ireland, Hong Kong, China, Australia and Dubai. To us there are no foreign markets.™

Canaccord Genuity Group Inc. is publicly traded under the symbol CF on the TSX.

# Global Performance

Fiscal 2017 was a year during which activity levels improved across all of our businesses and geographies. Our global wealth management operations delivered record revenues and all of our capital markets businesses achieved profitability. Our results also reflect the improved earnings power of our global platform, in connection with our efforts to improve alignment across our operations and reduce our fixed costs. We also made meaningful progress in advancing our strategy of growing our global wealth management operations as we continued to adjust our business mix to deliver greater consistency of earnings.

**\$879.5 million in annual revenue**

**65.6% of fiscal 2017 revenue generated outside of Canada**

Global platform provides opportunities to benefit from activity in all our geographies

**39% of fiscal 2017 net income<sup>(1)</sup> generated by wealth management operations**

Important contributor of stable, recurring revenue growth

(1) After taxes and excluding significant items and corporate overhead charges.

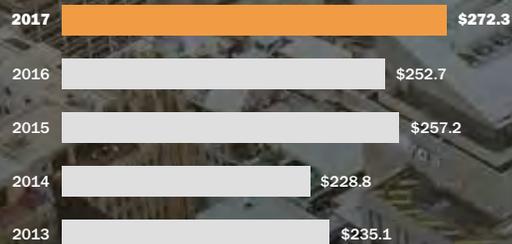
## Canaccord Genuity Wealth Management

Canaccord Genuity Wealth Management provides comprehensive wealth management solutions and brokerage services to individual investors, private clients, charities and intermediaries through a full suite of services tailored to the needs of our clients. Our advisors are entrusted with \$38.6 billion in client assets under administration and management and operate from 18 offices across Canada, Australia, the UK, Guernsey, Jersey and the Isle of Man. Our experts search the globe for investment opportunities and deliver a broad array of tailored investment solutions to help them reach their financial goals.

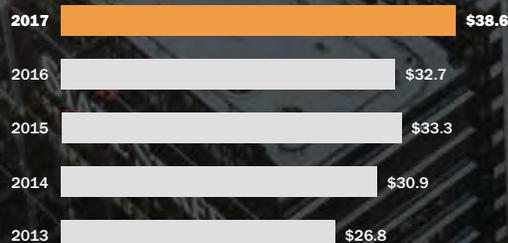
**\$272.3 million in global revenue**

**\$38.6 billion in total assets under administration and management**

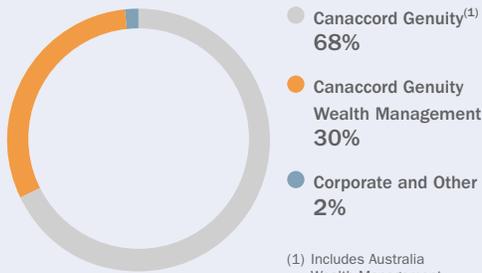
Global Wealth Management Revenue  
(C\$ millions, fiscal years)



Global Assets under Administration and Management  
(C\$ billions, fiscal years)

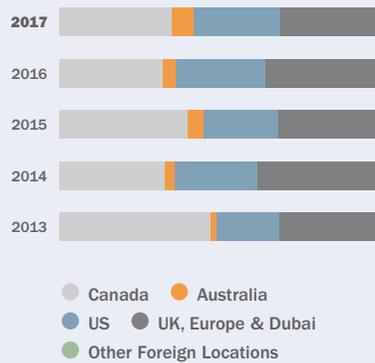


### Fiscal 2017 Revenue by Division



(1) Includes Australia Wealth Management.

### Geographic Distribution of Revenue<sup>(2)</sup> (Percent of total fiscal year revenue)



(2) Commencing in Q3/17, the operating results of our Australian operations are disclosed separately as Canaccord Genuity – Australia, and the operating results of Canaccord Genuity (Dubai) are included as Canaccord Genuity UK, Europe & Dubai. In previous quarters, the operating results have been reported as Other Foreign Locations. Comparatives for all prior periods have been reclassified.

**\$489 million in working capital**

**\$11.6 million of annual savings in G&A, communications and technology expenses**

Sustainably driving down expenses while activity levels improve

## Canaccord Genuity

With operations in 10 countries worldwide and the ability to list companies on 10 exchanges, Canaccord Genuity is a leading independent global investment bank focused on growth companies.

Our unique global perspective and cross-border capabilities are what differentiate us from our competitors. Our ability to leverage relationships and deep expertise across multiple regions allows us to provide a diverse range of growing companies with access to global capital markets, at all stages of the business cycle.

**\$598.4 million in global revenue**

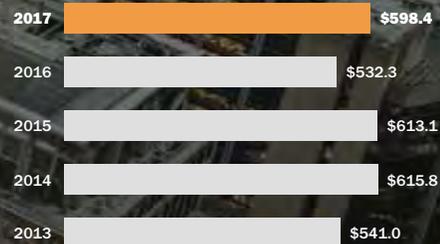
**C\$47.1 billion raised for global growth companies during fiscal 2017**

**Canaccord Genuity participated in 368 transactions<sup>(3)</sup> across the globe**

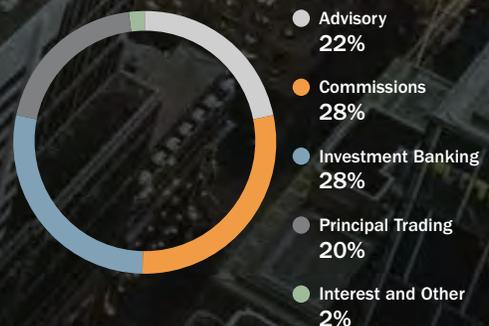
(3) Transactions valued above C\$1.5 million.

### Canaccord Genuity Revenue

(C\$ millions, fiscal years)



### Fiscal 2017 Revenue by Activity



# Fellow shareholders,



**I am pleased to report that we delivered a significantly stronger result for our 2017 fiscal year. Canaccord Genuity Group earned total revenue of \$879.5 million for the fiscal year. Excluding significant items, the Company recorded annual net income of \$49.2 million and diluted earnings per common share of \$0.32.**

Headwinds due to reduced global trade, subdued business investments and policy uncertainty hindered global economic performance early in the year, but activity levels in our core focus sectors began to improve as investors put more money to work in the growth sectors of the global economy. Our capital raising and advisory activities increased steadily over the course of the 12-month period and, while still below historic levels, the year-over-year rebound has been dramatic when compared to the trough in the market cycle one year ago.

Additionally, investments we have made to strengthen our global wealth management operations over the course of the fiscal year have enabled us to advance our strategy of growing revenue and net income contributions from this segment, an important driver of long term stability for our business. Approximately 40% of pre-tax income from our operating businesses was contributed by our wealth management operations, providing a stable earnings foundation which we will continue to strengthen as we move forward with our strategy of increasing scale in this segment.

## **Delivering on our commitment to lower fixed costs sustainably**

While our performance in the second half of the fiscal year – particularly in our fourth fiscal quarter – reflects accommodative market conditions, our result is also attributable to the steady progress we have made to better align our businesses and rationalize our global infrastructure over the last 18 months. I am pleased to report that we have exceeded many of our fixed cost reduction objectives, with an additional benefit from foreign exchange rates. Excluding significant items, total expenses as a percentage of revenue were 7.7 percentage points lower than last year. While certain expenses increased in connection with higher revenue generation, fiscal 2017 general and administrative expenses were 9.2% lower than in the previous year, a testament to our commitment to cost containment, an integral element of our partnership culture.

## **Positioned for increased profitability as we increase scale in our global wealth management operations**

In order to increase earnings stability and our overall profitability, we have continued to make disciplined investments in our global wealth management operations. Throughout the year, we took steps to grow our operations in Canada and the UK & Europe, both organically and through strategic acquisitions of Advisory Teams and books of business. Investments to improve our staffing and product mix across our operations have helped to attract new assets and increase share of wallet from existing clients.

At the end of fiscal 2017, total assets under administration and management reached \$38.6 billion, a year-over-year improvement of 18%. Globally, Canaccord Genuity Wealth Management generated \$272.3 million in revenue, a year-over-year increase of 7.8%.

Our wealth management operation in the UK & Europe is an excellent model for the growth and business mix that we strive to achieve in other geographies. With almost 70% of revenue from recurring, fee-based business, this segment is less susceptible to market fluctuations and capable of delivering steady net income growth and stable profit margins throughout the cycle. Despite a currency headwind resulting from declines in the pound sterling, this business produced a record net income result of \$27.6 million excluding significant items and before taxes for the fiscal year. When measured in local currency, assets under management

in this business increased by 19.9% compared to the same period last year.

Our modern and highly scalable platform has delivered additional advantages for this business by enabling our teams to successfully manage elevated trading volumes during periods of market volatility, while also supporting our growth initiatives through the seamless integration of new clients and portfolios acquired throughout the year.

We also continued to advance our strategy of adding new investment Advisory Teams in our Canadian wealth management operations. Our independent platform provides an important advantage in attracting seasoned professionals who want to continue delivering highly personalized advice for their clients. The teams that have joined since we announced our private placement in October have contributed new assets of \$1.7 billion. At the end of the fiscal year, total assets under administration and management in this business have grown to \$13.2 billion, an improvement of 43.9% from a year ago.

Importantly, the average book size per Advisory Team in this business increased to almost \$100 million at the end of fiscal 2017, a year-over-year improvement of 42%. While we have continued to increase revenue from fee-based activities, revenue generated from transactional activities has also strengthened, as clients more actively accessed the markets through our leadership in early-stage financing activities for key growth sectors of the economy.

## Aligning our capital markets business for excellence in all market cycles

We have maintained a strong focus on positioning our business for long term success as global growth visibility improves. Last year, we made the decision to exit non-performing operations in our capital markets business and focus on serving key growth sectors of the economy. This disciplined approach allows us to provide globally integrated services which foster the development of long term client partnerships and provide superior revenue opportunities over an extended market cycle.

We have also made careful investments to recruit talented professionals to enhance our capabilities across our investment banking, advisory, and debt finance and restructuring businesses. Over the course of the year, we improved coordination across businesses and regions and added specialty sales and trading teams, initiatives which have helped us to expand client relationships and extract greater value from our existing operations. While we have reduced the size of our global capital markets workforce by 11% year over year, I am very pleased to report a 27.6% improvement in revenue per employee within this segment.

Our diversification efforts have also helped to insulate our business from the impact of a depressed commodity pricing environment. Over the course of the fiscal year, 74% of our total capital markets revenues were generated outside of Canada. While we are pleased to see increased activity in mining and energy and we have strong teams in place to service growing demand, our reliance on these sectors

has also been greatly reduced. In fiscal 2017, 74% of total investment banking and advisory revenues were generated from non-resource sectors. While the energy sector remains an important focus for our firm, when measured against total firm-wide revenue, our exposure to the energy sector was less than 5%.

## Achieving dominance as a focused and agile independent investment bank

Our global capital markets division generated revenue of \$598.4 million in fiscal 2017. Revenue increased across all our geographies and we were profitable in each jurisdiction. While the year started slowly, momentum in new issue and advisory activity gradually improved over the course of the 12-month period, with the most significant improvement taking place during our fourth fiscal quarter.

Our Australian capital markets team has firmly established Canaccord Genuity as the dominant mid-market competitor in the region and delivered a record performance in fiscal 2017, with a year-over-year revenue increase of 91.7%. Our US operation also delivered a record performance, led by our expanded trading operation which generated a revenue increase of 21.3% compared to the previous fiscal year, a new high for this business. Activity levels in our Canadian capital markets operations continued to be softer than historic levels, but this group achieved a year-over-year improvement in investment banking of 131.5%. The collaboration between our origination group and our wealth management teams has allowed us to complete a number of early-stage financings as we deliver results for entrepreneurial clients.

## LETTER TO SHAREHOLDERS

Performance in our UK, Europe & Dubai business was impacted by a scarcity of equity issuance in the UK – driven by uncertainty following the Brexit referendum outcome – which began to reverse during the second half of the year. A dramatic improvement in performance culminated in the fourth fiscal quarter, primarily attributable to several significant advisory mandates led by our teams in the UK and Dubai.

The improving economic backdrop, coupled with the advancements we have made in our business, gives us reason to be optimistic about our future performance. However, we also remain prepared for the potential of increased volatility or a market downturn. While we have enjoyed steady gains in our advisory business, we also recognize that results can be variable depending on the timing of transactions closing.

In the UK, the recent outcome of the general election will undoubtedly lead to some uncertainty with respect to capital raising and advisory activity, but in the event that we experience increased volatility, we expect that trading operations in our capital markets and wealth management businesses in the region will benefit from increased trading activity, just as they did in the months following the Brexit referendum result. We have also proactively positioned this business for MiFID II, by focusing our equity research investment in key areas where

we can lead by leveraging the benefits of our unique global perspective and improving our execution capabilities. Our proprietary stock screening and idea generation tool, Quest®, provides an additional competitive advantage in the UK and globally, both as a stand-alone offering and as a strong complement to our existing research offering.

Additionally, the reality of slower than anticipated change in Washington has brought a return of caution to equity capital markets in the US. However, we believe that the combination of higher earnings levels, an improving global economic backdrop and relatively available capital for growth sectors will support an operating environment that is constructive for our businesses.

### Strategy at work: aligned, agile and focused on long term stability

With a lean and agile team and a disciplined focus on driving efficiencies throughout our business, we are fortunate to have a culture of professionals who operate with high integrity and a stronger net income focus.

I have said before that the outcome of any event is manageable for our business. While we continue to anticipate periodic increases in volatility levels as the markets react

to the specifics of regulatory and policy changes, we continue to have a strong balance sheet to execute on our business plan, and our independence affords us the ability to harness opportunities and make adjustments as market conditions evolve.

Across our capital markets and wealth management operations, we will continue to compete on our ability to offer our clients highly relevant services and access to deep global expertise, which gives us a tremendous opportunity to lead the market in each of our businesses and geographies.

I would like to thank all of our employees, partners and directors for your ongoing efforts in delivering on our strategy through this transformational period for our business. While we still have some work to do, I am confident that our renewed partnership culture and our relentless commitment to improving stability across our operations will position us to deliver excellent results in the future.

Kind regards,

#### **DAN DAVIAU**

President & CEO  
Canaccord Genuity Group Inc.

## LETTER FROM THE EXECUTIVE CHAIRMAN



As a result of the combined efforts of our partners and employees, we have significantly improved alignment across our operations and strengthened our capability in the areas where we can lead, which has helped to strengthen our market share and better insulate our business from the impact of factors beyond our control. The benefits of these changes were evident in our performance during the second half of our fiscal year, and particularly in our fourth fiscal quarter.

In recent years, our business and our industry have been confronted with significant challenges that not only impacted our financial performance, but forced an important dialogue across our organization. While a number of these challenges were beyond our control, I believe that the response to an environment of profound change was managed admirably across our organization. Under the leadership of Dan Daviau and his Global Operating Committee, employees in all businesses were encouraged to work as partners, and to help identify and eliminate any barriers that were inhibiting us from leading the market in our key focus areas. In connection with this initiative, we also took steps to improve equity participation, to more closely align our employees with our shareholders. This improved partnership culture has underpinned our ability to deliver globally coordinated ideas and timely execution for entrepreneurs and investors around the world.

An explicit element of our longer term strategy to improve stability across our organization is to adjust our business mix toward activities that contribute to a more stable earnings foundation and ultimately attract higher multiples in the market. With this in mind, we are moving forward with our strategy to significantly grow our wealth management operations in Canada, the UK & Europe and Australia. Our goal is to significantly increase contributions from our global wealth management businesses over the next several years. This increased contribution will provide a more stable earnings threshold that will be further enhanced by our global capital markets operations when market conditions are favourable for mid-market growth sectors in our key markets.

Our wealth management businesses are uniquely well positioned to attract opportunities arising from the industry-wide migration towards standardized solutions for clients. By leveraging the strengths of our deep global expertise, along with our exceptional product offering, our Investment Advisory Teams are able to provide a highly competitive suite of bespoke services for high net worth and mass affluent investors in each of our markets.

We have also continued to place a strong emphasis on monitoring risk across our operations and ensuring that we are appropriately resourced to manage challenges in the market and regulatory environments where we operate. The Board remains committed to ensuring the firm has a strong capital position to execute on opportunities and continue to protect value for shareholders.

Subsequent to the end of the fiscal year, we announced a revised dividend policy that allows us to return a portion of net earnings to our common shareholders, while balancing the inherent variability of our operating environment. Looking ahead, we expect to be able to return 25% to 50% of

net earnings attributable to common shareholders on an annual basis.

Throughout the organization, we have a robust set of assets to draw upon, as we reshape our business for stronger performance in a continuously evolving market environment. We have a more integrated business model and an established track record of delivering world-class ideas and solutions for our clients, ample working capital and a leadership team that is closely aligned with our shareholders through direct investment and a stronger net income focus.

We enter fiscal 2018 with optimism about our market position and our long term strategy. As we continue to improve our business mix, I am confident that Canaccord Genuity Group is very well positioned to continually grow our revenues, achieve above-average market share and deliver growing long term returns for our fellow shareholders.

On behalf of the Board of Directors, I would like to thank the leadership team and all employees of Canaccord Genuity Group for their commitment to building a stronger and more productive organization. As we continue to execute on our strategy, we are fortunate to employ a diverse group of resilient and hard-working professionals who are committed to delivering success for their clients, their colleagues and their fellow shareholders.

And to my fellow shareholders, I thank you for your ongoing support as we continue to advance on our strategy. We remain committed to producing value for you in all of our endeavours.

**DAVID KASSIE**  
Executive Chairman  
Canaccord Genuity Group Inc.

# A Strong Culture to Drive Our Success

## We Are Partners

How we interact with each other is critical to our culture. As a global investment bank, we differentiate ourselves every day by providing a truly global perspective, which by its very nature is a product of extensive collaboration and co-operation across borders and business units. ***As partners, we share good ideas and best practices, provide introductions and assistance, and treat each other with dignity and respect.***

## We Are Entrepreneurial

We are not a large bank and must strive to be a flat organization, by eliminating bureaucratic thinking and fostering innovation. ***We are fortunate to be nimble in our ability to recognize new opportunities and to take calculated risks, as we aggressively pursue our clients' interests.***

## We Are Collegial

We want to be the company where people feel empowered to satisfy their clients' expectations with the help of all of their partners. ***We support our international colleagues in doing their best work, by encouraging an environment that is friendly, collaborative and open.***

## We Work Hard

As a mid-market investment bank, we do not have many of the advantages (or disadvantages) of our larger competition. ***We work harder and smarter, preparing more for every client meeting, harnessing opportunities to build our expertise and skills, and we always make the extra effort to create successful outcomes for our clients and our business.***

## We Operate with Integrity

From the types of clients we represent to the quality of our research and the people we hire, we must always operate with strength of character and integrity. ***We always strive to act ethically and honestly.***

## We Are Earnings Focused

Many of us are shareholders and we know that the end result of all our efforts must be in a sustainably stronger share price. Achieving this is a function of higher revenue and, importantly, lower costs. ***We all need to make smart decisions about how we use valuable resources and how we can improve efficiencies across our business.*** This will support stronger outcomes in challenging times like these, and help us outperform when markets return to normal.

CA AU US UAE UK FR IE

## Financial Review

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### CAUTION REGARDING FORWARD-LOOKING STATEMENTS:

This document may contain "forward-looking statements" (as defined under applicable securities laws). These statements relate to future events or future performance and reflect management's expectations, beliefs, plans, estimates, intentions and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts, including business and economic conditions and Canaccord Genuity Group's growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue", "target", "intend", "could" or the negative of these terms or other comparable terminology. Disclosure identified as an "Outlook" including the section entitled "Fiscal 2018 Outlook" contains forward looking information. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and a number of factors could cause actual events or results to differ materially from the results discussed in the forward-looking statements. In evaluating these statements, readers should specifically consider various factors that may cause actual results to differ materially from any forward-looking statement. These factors include, but are not limited to, market and general economic conditions, the nature of the financial services industry and the risks and uncertainties discussed from time to time in the Company's interim condensed and annual consolidated financial statements and its annual report and Annual Information Form (AIF) filed on [www.sedar.com](http://www.sedar.com) as well as the factors discussed in the sections entitled "Risk Management" in this MD&A and "Risk Factors" in the AIF, which include market, liquidity, credit, operational, legal, cyber and regulatory risks. Material factors or assumptions that were used by the Company to develop the forward-looking information contained in this document include, but are not limited to, those set out in the Fiscal 2018 Outlook section in the annual MD&A and those discussed from time to time in the Company's interim condensed and annual consolidated financial statements and its annual report and AIF filed on [www.sedar.com](http://www.sedar.com). The preceding list is not exhaustive of all possible risk factors that may influence actual results. Readers are also cautioned that the preceding list of material factors or assumptions is not exhaustive.

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

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## Management's Discussion and Analysis

Fiscal year 2017 ended March 31, 2017 – this document is dated June 1, 2017.

The following discussion of Canaccord Genuity Group Inc.'s financial condition, financial performance and cash flows is provided to enable a reader to assess material changes in the financial condition, financial performance and cash flows for the year ended March 31, 2017 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 Genuity Group Inc. and its direct and indirect subsidiaries. "Canaccord Genuity" refers to the investment banking and capital markets segment of the Company. The Management's Discussion and Analysis (MD&A) should be read in conjunction with the audited consolidated financial statements for the years ended March 31, 2017 and 2016, beginning on page 54 of this report. The Company's financial information is expressed in Canadian dollars unless otherwise specified. The Company's consolidated financial statements for the years ended March 31, 2017 and 2016 are prepared in accordance with International Financial Reporting Standards (IFRS).

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### Non-IFRS Measures

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

The Company's capital is represented by common and preferred shareholders' equity and, therefore, management uses return on common equity (ROE) as a performance measure. Also used by the Company as a performance measure is book value per diluted common share, which is calculated as total common shareholders' equity adjusted for assumed proceeds from exercise of options and warrants and conversion of convertible debentures divided by the number of diluted common shares outstanding including estimated amounts in respect of share issuance commitments including options, warrants, and convertible debentures, as applicable, and adjusted for shares purchased under the normal course issuer bid and not yet cancelled, and estimated forfeitures in respect of unvested share awards under share-based payment plans.

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

Financial statement items that exclude significant items are non-IFRS measures. Significant items for these purposes include restructuring costs, amortization of intangible assets acquired in connection with a business combination, impairment of goodwill and other assets, and acquisition-related expense items, which include costs recognized in relation to both prospective and completed acquisitions, gains or losses related to business disposals including recognition of realized translation gains on the disposal of foreign operations, as well as certain expense items, typically included in development costs, which are considered by management to reflect a singular charge of a non-operating nature. See the Selected Financial Information Excluding Significant Items table on page 20.

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

## Business Overview

Through its principal subsidiaries, Canaccord Genuity Group Inc. is a leading independent, full-service financial services firm, with operations in two principal segments of the securities industry: wealth management and capital markets. Since its establishment in 1950, the Company 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 Genuity Group has offices in 10 countries worldwide, including wealth management offices located in Canada, Australia, the UK, Guernsey, Jersey, and the Isle of Man. Canaccord Genuity, the Company's international capital markets division, has operations in Canada, the US, the UK, France, Ireland, Hong Kong, China, Australia and Dubai.

Canaccord Genuity Group Inc. is publicly traded under the symbol CF on the TSX. Canaccord Genuity Series A Preferred Shares are listed on the TSX under the symbol CF.PR.A. Canaccord Genuity Series C Preferred Shares are listed on the TSX under the symbol CF.PR.C.

### ABOUT CANACCORD GENUITY GROUP INC.'S OPERATIONS

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

#### Canaccord Genuity

Canaccord Genuity offers corporations and institutional investors around the world an integrated platform for equity research, sales and trading, and investment banking services that is built on extensive operations in Canada, the UK & Europe, the US, China, Hong Kong, Australia and Dubai.

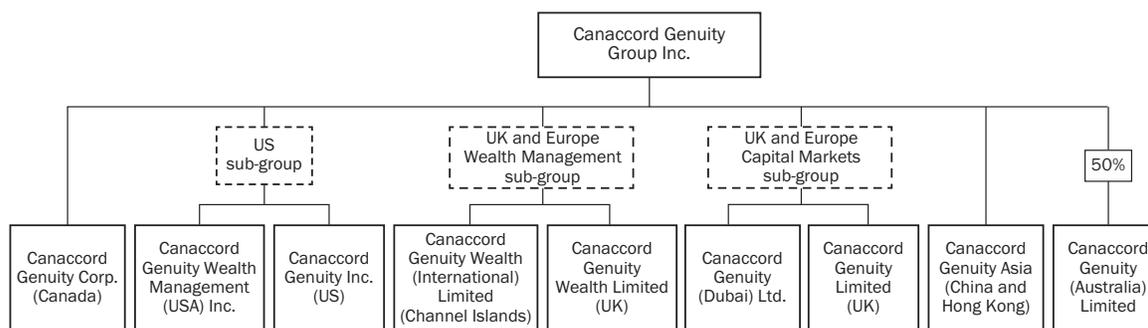
#### Canaccord Genuity Wealth Management

Canaccord Genuity Wealth Management operations provide comprehensive wealth management solutions and brokerage services to individual investors, private clients, charities and intermediaries through a full suite of services tailored to the needs of clients in each of its markets. The Company's wealth management division now has Investment Advisors (IAs) and professionals in Canada, Australia, the UK, the Channel Islands and the Isle of Man.

#### Corporate and Other

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

#### Corporate structure



The chart shows principal operating companies of the Canaccord Genuity Group.

The Company owns 50% of the issued shares of Canaccord Financial Group (Australia) Pty Ltd and Canaccord Genuity (Australia) Limited, but for accounting purposes, as of March 31, 2017, the Company is considered to have a 58% interest because of the shares held in a trust controlled by Canaccord Financial Group (Australia) Pty Ltd [March 31, 2016 – 58%].

## **BUSINESS ACTIVITY**

Our business is subject to the overall condition of the worldwide debt and equity markets.

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

The Company has taken steps 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. To improve recurring revenue streams and offset the inherent volatility of the capital markets business, the Company plans to increase the scale of its global wealth management operations. Historically, the Company's diversification across major financial centres has allowed it to benefit from strong equity markets in certain regions and improve its appetite for regional investments in core focus sectors.

## **IMPACT OF CHANGES IN CAPITAL MARKETS ACTIVITY**

As a brokerage firm, the Company derives its revenue primarily from sales commissions, underwriting and advisory fees, and trading activity. As a result, the Company's business is materially affected by conditions in the financial marketplace and the economic environment, primarily in North America and Europe, and to some degree Asia and Australia. Canaccord Genuity Group's long term international business development initiatives over the past several years have laid a solid foundation for revenue diversification. A conservative capital strategy allows the Company to remain competitive in today's changing financial landscape.

During fiscal 2017, the Company's capital markets activities were focused on the following sectors: Metals & Mining, Energy, Technology, Real Estate, Sustainability, Healthcare & Life Sciences, Consumer & Retail, Agriculture & Fertilizers, Infrastructure, Aerospace & Defense, Financials and Private Equity. Coverage of these sectors included investment banking, mergers and acquisitions (M&A) and advisory services, and institutional equity activities, such as sales, trading and research.

## Key Developments During Fiscal 2017

### CORPORATE

- On June 6, 2016, Canaccord Genuity Group Inc. announced a non-brokered private placement ("Private Placement") to employees of the Company at a purchase price of C\$4.17 per Unit, with each Unit consisting of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant will entitle the holder to acquire one common share of the Company at an exercise price of \$4.99 for a period of six months following the third anniversary of closing. Proceeds of the Private Placement were used to fund the Company's employee benefits trusts, established under its long term incentive plan, which purchased common shares in the market to cover grants of restricted share units to those employees who participated in the Private Placement. The Company issued an aggregate of 6,876,824 Units at a price of C\$4.17 per Unit in connection with the Private Placement.
- On June 30, 2016, the Company completed its sale of Canaccord Genuity Singapore Pte Ltd. to SAC Capital Private Limited.
- On August 11, 2016, Canaccord Genuity Group Inc. announced the filing of a normal course issuer bid (NCIB) to purchase up to a maximum of 5,587,378 of its common shares in accordance with the requirements of the TSX through the facilities of the TSX and on alternative trading systems during the period from August 15, 2016 to August 14, 2017. The purpose of any purchase under this program is to enable the Company to acquire shares for cancellation. The maximum number of shares that may be purchased represented 5.0% of the Company's outstanding common shares at the time of filing the NCIB. A total of 99,800 shares have been purchased and cancelled under the terms of the NCIB during the year ended March 31, 2017.
- On September 1, 2016, Canaccord Genuity Group Inc. announced that the dividend rate on its Cumulative 5-year Rate Reset First Preferred Shares, Series A (the "Series A Preferred Shares") for the period from October 1, 2016 to September 30, 2021 would be 3.885%
- On October 27, 2016, the Company closed a private placement of convertible unsecured senior subordinated debentures in the aggregate principal amount of \$60 million. The Company intends to use the net proceeds to finance growth in its wealth management business in Canada through the recruitment of Investment Advisors and for general corporate purposes. The debentures bear interest at a rate of 6.50% per annum, payable semi-annually on the last day of June and December each year commencing December 31, 2016. The debentures are convertible at the holders' option into the Company's common shares at a conversion price of \$6.50 per share. The debentures will mature on December 31, 2021 and may be redeemed by the Company, in certain circumstances, on or after December 31, 2019.
- On February 9, 2017, Canaccord Genuity Group Inc. announced the appointment of Don MacFayden to the position of Executive Vice President and Chief Financial Officer and the appointment of Adrian Pelosi to the position of Executive Vice President, Chief Risk Officer and Treasurer, with immediate effect
- On March 3, 2017, Canaccord Genuity Wealth Management in the UK & Europe acquired client portfolios from Duncan Lawrie Private Banking in the Isle of Man
- On March 24, 2017, Canaccord Genuity Wealth Management in the UK & Europe acquired the UK-based investment dealing and custody business from C. Hoare & Co.

### CANACCORD GENUITY

- Canaccord Genuity generated revenue of \$598.4 million in fiscal 2017
- Net income before taxes excluding significant items<sup>(1)</sup> was \$46.4 million, an increase of \$56.6 million compared to the prior year
- Canaccord Genuity led 134 transactions globally, each over C\$1.5 million, to raise total proceeds of C\$6.7 billion during fiscal 2017. Of this:
  - Canada led 53 transactions, which raised C\$1.7 billion
  - The UK led 24 transactions, which raised C\$2.8 billion
  - The US led 20 transactions, which raised C \$1.2 billion
  - Asia and Australia operations led 37 transactions, which raised C\$1.0 billion
- During fiscal 2017, Canaccord Genuity participated in a total of 368 transactions globally, each over C\$1.5 million, to raise gross proceeds of C\$47.1 billion. Of this:
  - Canada participated in 232 transactions, which raised C\$26.9 billion
  - The UK participated in 25 transactions, which raised C\$3.0 billion
  - The US participated in 69 transactions, which raised C\$15.7 billion
  - Asia and Australia operations participated in 42 transaction, which raised C\$1.5 billion

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 10.

- Significant investment banking transactions for Canaccord Genuity during fiscal 2017 include:
  - £113.4 million for HICL Infrastructure Company Limited on the LSE
  - £260.0 million for HICL Infrastructure Company Limited on the LSE
  - £329.0 million block trade for Playtech plc on the LSE
  - £40.0 million for Vernalis Plc on the LSE
  - £62.6 million for The Renewables Infrastructure Group on the LSE
  - AUD\$100.6 million for Metals X Limited on the ASX
  - AUD\$151.2 million for Cooper Energy Limited on the ASX
  - AUD\$50.0 million for NetComm Wireless Limited on the ASX
  - AUD\$60.5 million for TFS Corporation Limited on the ASX
  - AUD\$80.0 million for Sundance Energy Australia Limited on the ASX
  - C\$150.0 million for NYX Gaming Group on the TSXV
  - C\$160.0 million for Acasta Enterprises Inc. on the TSX
  - C\$186.0 million block trade for a holder of Great Canadian Gaming Corporation on the TSX
  - C\$400.00 million IPO for Aritzia Inc. on the TSX
  - C\$60.0 million IPO for CanniMed Therapeutics Inc. on the TSX
  - C\$65.0 million for DHX Media Ltd. on the TSX
  - C\$65.7 million for Belo Sun Mining Corp. on the TSX
  - C\$66.5 million for InPlayOil Corp on the TSX
  - C\$82.2 million for Osisko Mining Inc. on the TSX
  - US\$123.0 million IPO for iRhythm Technologies, Inc. on NASDAQ
  - US\$125.0 million for Synergy Pharmaceuticals, Inc. on NASDAQ
  - US\$126.5 million IPO for Xencor, Inc. on NASDAQ
  - US\$134.6 million IPO for AquaVenture Holdings Limited on the NYSE
  - US\$151.5 million for Exact Sciences Corporation on NASDAQ
  - US\$152.0 million for Renewable Energy Group, Inc. on NASDAQ
  - US\$172.5 million for Advanced Accelerator Applications S.A. on NASDAQ
  - US\$172.5 million Initial Public Offering for Twilio, Inc. on NYSE
  - US\$201 million Follow-on Offering for Sage Therapeutics on NASDAQ
  - US\$275 million for Kenmare Resources plc on the LSE and ISE
  - US\$322.0 million for Twilio Inc. on the NYSE
  - US\$329.9 million Follow-on Offering for Shopify, Inc. on NYSE & TSX
- In Canada, Canaccord Genuity participated in raising \$955.0 million for government and corporate bond issuances during fiscal 2017
- During fiscal 2017, significant M&A and advisory transactions included:
  - DP World on its US\$3.7 billion Investment Vehicle in partnership with Caisse de dépôt et placement du Québec
  - ThinkSmart Limited on its admission to AIM
  - Learning Technologies Group plc on its successful offer for AIM listed NetDimensions
  - Sirius Real Estate Limited on its move from AIM to the Main Market
  - Kier Group plc on the £75 million sale of its infrastructure engineering and environmental consultancy business to WSP Global Inc.
  - Catapult Environmental Inc. on its private equity sponsorship by ARC Financial Corp.
  - TransGlobe Energy Corporation on its C\$80 million Canadian Asset Acquisition
  - General Mining Corporation Limited on its merger with Galaxy Resources Limited
  - Stride Gaming on its £70.2 million acquisition of select Tarco assets, Netboost Media Limited, and 8Ball Games Limited
  - Areva SA on the sale of Canberra to Mirion Technologies
  - NYX in connection with its acquisition of OpenBet for £270 million
  - Tahoe Resources Inc. on its C\$945.0 million acquisition of Lake Shore Gold Corp.
  - Reservoir Minerals on its merger with Nevsun Resources for total consideration of US\$440.0 million, and exercise of its rights of first offer related to Reservoir's Timok Copper Project for total consideration of US\$262.5 million.

**WEALTH MANAGEMENT (GLOBAL)**

- Globally, Canaccord Genuity Wealth Management generated \$272.3 million in revenue during fiscal 2017
- Total assets under administration in Canada and assets under management in the UK & Europe and Australia were \$38.6 billion at March 31, 2017<sup>(2)</sup>, an increase of \$5.9 billion or 18.0% compared to at the end of fiscal 2016

**WEALTH MANAGEMENT (NORTH AMERICA)**

- Canaccord Genuity Wealth Management (North America) generated \$132.3 million in revenue during fiscal 2017 and, after intersegment allocations and before taxes, recorded a net income of \$2.0 million
- Assets under administration were \$13.2 billion as of March 31, 2017, an increase of 43.9% from \$9.2 billion at the end of fiscal 2016<sup>(2)</sup>
- Assets under management were \$2.6 billion as of March 31, 2017, an increase from \$1.4 billion at the end of fiscal 2016<sup>(2)</sup>
- At March 31, 2017, Canaccord Genuity Wealth Management had 141 Advisory Teams in Canada<sup>(3)</sup>, an increase of two Advisory Teams from March 31, 2016

**WEALTH MANAGEMENT (UK & EUROPE)**

- Canaccord Genuity Wealth Management (UK & Europe) generated \$134.8 million in revenue and, excluding significant items, recorded net income of \$27.6 million before taxes in fiscal 2017<sup>(1)</sup>
- Assets under management (discretionary and non-discretionary) were \$24.5 billion (£14.7 billion), an increase of 7.6% from \$22.8 billion (£12.2 billion) at the end of fiscal 2016<sup>(2)</sup>. Measured in local currency (GBP), assets under management at March 31, 2017 increased by 19.9% compared to fiscal 2016
- At March 31, 2017, Canaccord Genuity Wealth Management had 118 investment professionals and fund managers in the UK & Europe, unchanged from March 31, 2016

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 10.

(2) See Non-IFRS Measures on page 10.

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

## Market Environment During Fiscal 2017:

### ECONOMIC BACKDROP:

During the first half of fiscal 2017, the global economy showed positive signs of a reacceleration following the growth slowdown that took place at the end of our previous fiscal year. While stagnant global trade, subdued business investments and policy uncertainty hindered global economic performance during the first half of fiscal 2017, an improvement in personal consumption expenditures, strengthening labour markets and a pro-growth agenda by the incoming U.S. administration helped to lift global business and consumer confidence toward the end of our 2017 fiscal year.

Despite slower than expected global economic growth during fiscal 2017, the S&P 500 (+14.7%), the S&P/TSX (+15.2%), European equities (+12.9%) and Emerging Markets (EM) equities (+14.5%) all posted positive returns over the twelve month period.

### INVESTMENT BANKING AND ADVISORY

Our capital raising and advisory activities are primarily focused on small and mid-capitalization companies in specific growth sectors of the global economy, as outlined on page 14. These sectors may experience growth or downturns independent of broader economic and market conditions, and government regulation can also have a more profound impact on capital formation for smaller companies. Volatility in the business environment for these industries or in the market for securities of companies within these industries in the regions where we operate could adversely affect our financial results and ultimately, the market value of our shares. Advisory revenues are primarily dependent on the successful completion of merger, acquisition or restructuring mandates. Weak economic and global financial market conditions can result in a challenging business environment for small and mid-market M&A activity, but may provide opportunities for our restructuring business.

While activity began to improve in our fourth fiscal quarter, overall capital raising activities for fiscal 2017 remained below historical levels in most of our major markets.

### TOTAL FINANCING VALUE BY EXCHANGE

	Q1/17	Q2/17	Q3/17	Q4/17	Fiscal 2017	Fiscal 2016	Fiscal 2017/ 2016 change
TSX and TSX Venture (C\$ billions)	20.4	13.1	15.8	13.4	62.7	53.5	17.2%
AIM (£ billions)	1.2	1.3	1.5	0.9	4.9	5.4	-9.3%
NASDAQ (US\$ billions)	16.3	19.1	21.1	17.7	74.2	75.7	-2.0%
ASX (AUD\$ billions)	15.6	18.3	18.5	6.6	59.0	101.7	-42.0%
LSE (£ billions)	3.3	3	7	4.3	17.6	24.8	-29.0%

Source: TSX Statistics, LSE Statistics, LSE AIM Statistics, ASX Statistics, Dealogic and Placement Tracker

The recovery in natural resources helped to drive strong investment banking activity in our Australian operation. In the U.S., the results of the federal election in November sent a positive shockwave throughout financial markets, which helped to increase financing activities in the region.

Although signs of stability began to return to the UK market, following the Brexit-related disruption to equity and currency markets early in the fiscal year, an uncertain environment for capital raising activities prevailed in the region throughout the 12-month period. In anticipation of the changes related to MiFID II and volatile new issue activity, we moved forward with our strategy to strengthen this business for long-term performance.

Our global advisory businesses have benefitted from the increase in cross-border M&A, as growing numbers of businesses seek diversification.

### TRADING

At the start of fiscal 2017, trading volumes in our key markets were lower than the same period one year earlier. The recovery in the mining and energy sectors in combination with our efforts to enhance our trading-related businesses and capture a growing share of less-cyclical business helped us to increase regional and cross-border trading revenues during this period. A period of heightened volatility following the news of the Brexit referendum outcome in late June, 2016 led to increased trading volumes in the region. Outside of the UK & Europe, the year-over-year increase in trading activity for global small and mid-cap equities for the balance of the fiscal year reflects improved investor appetite for growth stocks, as global economic conditions became more supportive of higher equity and commodity prices. In addition, an increasing trend toward lower trading commissions and a continuation of electronic trading growth means that increased trading volumes do not directly correlate with increased trading commissions.

**GLOBAL SMALL AND MID-CAPITALIZATION TRADING VOLUMES (50-DAY MOVING AVERAGE)**

	Q1/17	Q1 change (y/y)	Q2/17	Q2 change (y/y)	Q3/17	Q3 change (y/y)	Q4/17	Q4 change (y/y)
Russell 2000	2,828.0	-9.3%	3,065.8	4.8%	3,227.7	11.6%	3,422.1	32.5%
S&P Midcap	1,342.5	-10.1%	1,474.0	-3.5%	1,553.3	7.8%	1,603.7	12.0%
FTSE 100	6,190.4	-10.3%	6,806.0	7.6%	6,901.6	10.3%	7,280.1	21.2%
MSCI EU MidCap								
ETF	139.5	-5.6%	155.7	12.6%	159.9	15.7%	171.5	27.8%
TSX Composite	13,934.8	-7.3%	14,644.1	5.9%	15,004.4	12.4%	15,565.4	20.6%

Source: FactSet

**GLOBAL WEALTH MANAGEMENT**

Over the fiscal year, market values have benefitted from broad equity performance inside and outside North America and market values of assets in our wealth management operations increased on stronger equity valuations of small and mid-cap global equities.

**GLOBAL ASSET CLASS PERFORMANCE**

	Q1 Change (Q/Q)	Q2 Change (Q/Q)	Q3 Change (Q/Q)	Q4 Change (Q/Q)	2017 Change (Y/Y)	2016 Change (Y/Y)
Total Return (excl. currencies)						
S&P 500	2.5%	3.9%	3.8%	6.1%	17.2%	1.8%
S&P/TSX	5.1%	5.5%	4.5%	2.4%	18.6%	-6.6%
MSCI EAFE	-1.2%	6.5%	-0.7%	7.4%	12.2%	-7.9%
MSCI EMERGING MARKETS	0.8%	7.7%	-1.4%	7.8%	15.5%	-7.4%
S&P GS COMMODITY INDEX	12.7%	-4.2%	5.8%	-5.1%	8.4%	-28.7%
US 10-YEAR T-BONDS	3.3%	-0.8%	-6.0%	0.8%	-3.0%	3.1%
CAD/USD	0.6%	-1.6%	-2.3%	0.9%	-2.3%	-2.4%
CAD/EUR	3.1%	-2.7%	4.5%	-0.4%	4.4%	-8.0%

Source: Thomson Reuters Datastream

Increasing regulatory burdens and rising costs have dramatically changed the competitive environment for the wealth management industry. Many smaller firms have been forced to consolidate or exit the business, which has helped to drive asset-gathering opportunities for our business, with the scale and resources available to meet these changes. As retail investors increasingly demand access to the same asset classes and investment strategies as institutional investors, Canaccord Genuity Wealth Management advisory teams have been able to deliver differentiated and highly personalized advice and services to the high net worth and mass affluent demographic in all geographies where we have wealth management operations.

**Fiscal 2018 Outlook**

According to the IMF World Economic Outlook, global economic growth is expected to improve in calendar 2017 to 3.4% (up from 3.1% in calendar 2016). Given the inverse relationship between the US dollar and commodity prices, a flat or weak US dollar could reverberate globally, stimulating commodity CapEx. Combined with our view of global growth reacceleration, we expect that resource equities in the energy and material sectors will enjoy another phase of outperformance during fiscal 2018.

With regard to equity markets, elevated valuation multiples in Canada and in the US give us reason to expect that earnings growth — rather than expanding valuations — will drive equity market performance. We expect that the upturn in earnings growth should extend into fiscal 2018, but caution that history shows that equity market correction risks increase when markets become earnings driven rather than P/E driven. Overall, while we expect increased market volatility in fiscal 2018 compared to fiscal 2017, we expect that equity markets will deliver positive returns for investors.

With regards to capital market activities, we believe that global growth reacceleration has the potential to translate into stronger contributions from the various geographical platforms across our operations. We expect that abundant liquidity and favourable financing conditions should support mid-market M&A and advisory activities through the year ahead. Elevated market valuations are also supportive of an improving outlook for IPO activity in the global growth sectors where we are focused. In a commodity-friendly environment, equity issuance is expected to remain strong, as many resource companies have the potential to seek financing to resume capital expenditures and/or acquire inexpensive assets. We are optimistic that our agency trading activities will benefit from higher equity and commodity prices and increased market volatility. Lastly, we are optimistic that positive asset returns support continued growth for our global wealth management operations.

## Overview of Preceding Years – Fiscal 2016 vs. 2015

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Total revenue for the year ended March 31, 2016 (fiscal 2016) was \$787.8 million, a decrease of \$93.0 million or 10.6% compared to the year ended March 31, 2015 mainly as a result of weakened market conditions across all our operating regions.

Canaccord Genuity Group recorded a net loss of \$358.6 million during fiscal 2016, compared to net loss of \$11.3 million in fiscal 2015 primarily attributable to certain significant items which included goodwill and other assets impairment charges and restructuring costs. Excluding significant items<sup>(1)</sup>, net loss for fiscal 2016 was \$6.0 million compared to net income of \$53.3 million for fiscal 2015.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 10.

## Financial Overview

### SELECTED FINANCIAL INFORMATION<sup>(1)(2)</sup>

(C\$ thousands, except per share and % amounts, and number of employees)	For the years ended March 31				
	2017	2016	2015	2017/2016 change	
<b>Canaccord Genuity Group Inc. (CGGI)</b>					
Revenue					
Commissions and fees	\$ 396,741	\$ 376,817	\$ 374,058	\$ 19,924	5.3%
Investment banking	196,129	132,029	236,551	64,100	48.5%
Advisory fees	130,749	160,180	153,302	(29,431)	(18.4)%
Principal trading	119,040	85,559	75,217	33,481	39.1%
Interest	16,847	16,830	22,212	17	0.1%
Other	20,040	16,390	19,423	3,650	22.3%
<b>Total revenue</b>	<b>879,546</b>	<b>787,805</b>	<b>880,763</b>	<b>91,741</b>	<b>11.6%</b>
Expenses					
Incentive compensation	454,998	417,876	455,480	37,122	8.9%
Salaries and benefits	85,698	92,981	85,770	(7,283)	(7.8)%
Other overhead expenses <sup>(3)</sup>	284,966	302,530	305,822	(17,564)	(5.8)%
Restructuring costs <sup>(4)</sup>	—	17,352	24,813	(17,352)	(100.0)%
Impairment of goodwill and other assets <sup>(5)</sup>	—	321,037	14,535	(321,037)	(100.0)%
<b>Total expenses</b>	<b>825,662</b>	<b>1,151,776</b>	<b>886,420</b>	<b>(326,114)</b>	<b>(28.3)%</b>
Income (loss) before income taxes	53,884	(363,971)	(5,657)	417,855	114.8%
<b>Net income (loss)</b>	<b>\$ 43,186</b>	<b>\$ (358,567)</b>	<b>\$ (11,318)</b>	<b>\$ 401,753</b>	<b>112.0%</b>
<b>Net income (loss) attributable to CGGI shareholders</b>	<b>\$ 38,103</b>	<b>\$ (358,471)</b>	<b>\$ (13,184)</b>	<b>\$ 396,574</b>	<b>110.6%</b>
Non-controlling interests	\$ 5,083	\$ (96)	\$ 1,866	\$ 5,179	n.m.
Earnings (loss) per common share (EPS) – basic	\$ 0.29	\$ (4.09)	\$ (0.27)	\$ 4.38	107.1%
Earnings (loss) earnings per common share – diluted	\$ 0.27	\$ (4.09)	\$ (0.27)	\$ 4.36	106.6%
Return on common equity (ROE)	5.0%	(50.4)%	(2.9)%	55.4 p.p.	
Dividends per common share	\$ 0.10	\$ 0.10	\$ 0.25	\$ —	0.0%
Dividends per Series A Preferred Share	\$ 1.173	\$ 1.375	\$ 1.375	\$ (0.20)	(14.7)%
Dividends per Series B Preferred Share	\$ 1.4375	\$ 1.4375	\$ 1.4375	\$ —	—
Book value per diluted common share <sup>(6)</sup>	\$ 5.08	\$ 4.99	\$ 8.71	\$ 0.09	1.9%
<b>Excluding significant items<sup>(7)</sup></b>					
Total revenue	\$ 878,353	\$ 787,805	\$ 880,763	\$ 90,548	11.5%
Total expenses	\$ 817,096	\$ 793,862	\$ 827,458	\$ 23,234	2.9%
Income (loss) before income taxes	\$ 61,257	\$ (6,057)	\$ 53,305	\$ 67,314	n.m.
Net income (loss)	\$ 49,196	\$ (5,995)	\$ 39,330	\$ 55,191	n.m.
Net income (loss) attributable to CGGI shareholders	\$ 43,903	\$ (6,620)	\$ 36,448	\$ 50,523	n.m.
Net income attributable to non-controlling interests	\$ 5,293	\$ 625	\$ 2,882	\$ 4,668	n.m.
Earnings (loss) per common share – diluted	\$ 0.32	\$ (0.21)	\$ 0.25	\$ 0.53	252.4%
<b>Balance sheet data</b>					
Total assets	\$ 5,203,516	\$ 3,424,546	\$ 4,369,905	\$ 1,778,970	51.9%
Total liabilities	4,426,873	2,665,895	3,242,088	1,760,978	66.1%
Non-controlling interests	11,858	8,722	10,275	3,136	36.0%
Total shareholders' equity	764,785	749,929	1,117,542	14,856	2.0%
Number of employees	1,700	1,795	1,928	(95)	(5.3)%

(1) Data is in accordance with IFRS except for ROE, book value per diluted common share, figures excluding significant items and number of employees. See Non-IFRS Measures on page 10.

(2) The operating results of the Australian operations have been fully consolidated and a 42% non-controlling interest has been recognized for fiscal 2017 [fiscal 2016 – 42% and fiscal 2015 – 40%].

(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) Restructuring costs for the year ended March 31, 2016 were related to the staff reductions in our US, Canada and UK capital markets operations and the closure of our Barbados office in Other Foreign Locations, as well as charges related to staff reductions and certain executive changes in our Corporate and Other segment. Fiscal 2015 restructuring costs were in connection with certain executive changes in our Corporate and Other segment, the closure of the Geneva office in our UK & European wealth management operations, certain real estate and office closure costs, as well as the reorganization of our Canadian, UK & Europe and US capital markets operations.

(5) Impairment of goodwill and other assets for the year ended March 31, 2016 was in connection with our capital markets operations in the UK, US, Canada and Australia, and our Other Foreign Locations – Singapore operations. Impairment of goodwill for the year ended March 31, 2015 is in connection with our Singapore and China-based operations.

(6) Book value per diluted common share is calculated as total common shareholders' equity adjusted for assumed proceeds from the exercise of options and warrants and the conversion of convertible debentures divided by the number of diluted common shares outstanding including estimated amounts in respect of share issuance commitments including options, warrants, and convertible debentures, as applicable, and adjusted for shares purchased under the normal course issuer bid and not yet cancelled, and estimated forfeitures in respect of unvested share awards under share-based payment plans.

(7) Net income (loss) and earnings (loss) per common share excluding significant items reflect tax-effected adjustments related to such items. See the Selected Financial Information Excluding Significant Items table on the next page.

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

## SELECTED FINANCIAL INFORMATION EXCLUDING SIGNIFICANT ITEMS<sup>(1)</sup>

(C\$ thousands, except per share and % amounts)	For the years ended March 31				
	2017	2016	2015	2017/2016 change	
Total revenue per IFRS	\$ 879,546	\$ 787,805	\$ 880,763	\$ 91,741	11.6%
Total expenses per IFRS	825,662	1,151,776	886,420	(326,114)	(28.3)%
<b>Revenue</b>					
<i>Significant items recorded in Canaccord Genuity</i>					
Realized translation gains on disposal of Singapore	1,193	—	—	1,193	n.m.
Total revenue excluding significant items	878,353	787,805	880,763	90,548	11.5%
<b>Expenses</b>					
<i>Significant items recorded in Canaccord Genuity</i>					
Amortization of intangible assets	3,304	5,409	6,823	(2,105)	(38.9)%
Impairment of goodwill and other assets	—	321,037	14,535	(321,037)	(100.0)%
Restructuring costs	—	11,305	20,997	(11,305)	(100.0)%
Development costs	—	1,157	—	(1,157)	(100.0)%
<i>Significant items recorded in Canaccord Genuity Wealth Management</i>					
Amortization of intangible assets	5,262	6,055	7,591	(793)	(13.1)%
Restructuring costs	—	165	783	(165)	(100.0)%
<i>Significant items recorded in Corporate and Other</i>					
Restructuring costs	—	5,882	3,033	(5,882)	(100.0)%
Development costs	—	6,904	5,200	(6,904)	(100.0)%
Total significant items	8,566	357,914	58,962	(349,348)	(97.6)%
Total expenses excluding significant items	817,096	793,862	827,458	23,234	2.9%
Net income (loss) before income taxes – adjusted	\$ 61,257	\$ (6,057)	\$ 53,305	\$ 67,314	n.m.
Income tax expense (recovery) – adjusted	12,061	(62)	13,975	12,123	n.m.
Net income (loss) – adjusted	\$ 49,196	\$ (5,995)	\$ 39,330	\$ 55,191	n.m.
Earnings (loss) per common share – basic, adjusted	\$ 0.36	\$ (0.21)	\$ 0.27	0.57	271.4%
Earnings (loss) per common share – diluted, adjusted	\$ 0.32	\$ (0.21)	\$ 0.25	0.53	252.4%

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 10.  
n.m.: not meaningful

## FOREIGN EXCHANGE

Revenues and expenses from our foreign operations are initially recorded in their respective functional currencies and translated into Canadian dollars at exchange rates prevailing during the period. The pound sterling depreciated by 13.2% against the Canadian dollar, while the US dollar appreciated slightly by 0.04% against the Canadian dollar in fiscal 2017 when compared to fiscal 2016. This change in foreign exchange rates contributed to certain changes in revenue and expense items measured in Canadian dollars when compared to the applicable prior periods and should be considered when reviewing the following discussion in respect of our consolidated results as well as the discussion in respect of Canaccord Genuity and Canaccord Genuity Wealth Management UK & Europe.

## GEOGRAPHIES

Commencing in Q3/17, the operating results of our Australian operations are disclosed as a separate geography. Prior to Q3/17 Australia was included as part of Other Foreign Locations. Also, commencing in Q3/17, our Dubai operation, which was previously included in Other Foreign Locations, is now included as part of Canaccord Genuity UK & Europe. The Other Foreign Locations geographic segment is now comprised of our Asian based operations, including China and Hong Kong and prior to their sale or closure also included Singapore and Barbados. These reclassifications reflect the growing contribution from Australia and the working association between the UK and Dubai. For purposes of the discussion provided herein the Canaccord Genuity operations in the UK, Europe and Dubai are referred to as the "UK".

## GOODWILL

The Company has recorded on its balance sheet as at March 31, 2017 goodwill in the amount of \$192.3 million and included in intangible assets is an intangible asset with an indefinite life in the amount of \$44.9 million. In determining whether to perform an impairment test in respect of these assets, the Company considers factors such as its market capitalization, market conditions generally and overall economic conditions as well as market conditions in the key sectors in which the Company operates and the impact that such conditions are expected to have on the Company's operations.

Utilizing management's estimates for revenue and operating performance, growth rates and other assumptions typically required in connection with discounted cash flow models, the Company determined that there was no impairment in the goodwill associated with any of its wealth management business units in the UK & Europe, its remaining goodwill recorded in Canaccord Genuity Canada or in the value of the indefinite life intangible asset related to the Genuity brand name. Notwithstanding this determination as of March 31, 2017, the continuing uncertainty in the economic environment may cause this determination to change. If the business climate remains uncertain and the Company is unable to achieve its internal forecasts the Company may determine that there has been impairment and the Company may be required to record a goodwill impairment charge in future periods in respect of the Canaccord Genuity Wealth Management business units in the UK & Europe or in respect of the remaining goodwill recorded in Canaccord Genuity Canada. Adverse changes in the key assumptions utilized for purposes of impairment testing for goodwill and indefinite life intangible assets may result in the estimated recoverable amount of some or all of the applicable business units declining below the carrying value with the result that impairment charges may be required. The amount of any impairment charge would affect some or all of the amounts recorded for goodwill and indefinite life intangible assets. Any such impairment charges would be determined after incorporating the effect of any changes in key assumptions including any consequential effects of such changes on estimated operating income and on other factors. In addition, notwithstanding that there may be no change in the performance estimates used by the Company for purposes of determining whether there has been any impairment in its indefinite life intangible asset related to the Genuity brand name, in the event that the Company changes the way in which it uses that asset the Company may be required to record an impairment charge.

## 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 2017 was \$879.5 million, an increase of 11.6% or \$91.7 million from fiscal 2016 mainly driven by an increase in investment banking revenue in Canada and Australia, as well as an increase in our principal trading revenue in the US and the UK. Our capital markets operations experienced an increase of \$66.1 million or 12.4% compared to the prior year. Revenue in our wealth management operations in Canada increased by \$24.1 million or 22.3% in fiscal 2017 compared to fiscal 2016. Our Corporate and Other segment contributed \$5.1 million to the overall increase in total revenue. Revenue in our wealth management operations in the UK & Europe decreased by \$3.5 million or 2.6% compared to the year ended March 31, 2016 as a result of the depreciation of the pound sterling against the Canadian dollar. Measured in local currency (GBP), revenue increased by £8.7 million or 12.4%.

Commissions and fees revenue is primarily generated from private client trading activity and institutional sales and trading. Revenue generated from commissions and fees increased by \$19.9 million or 5.3% from fiscal 2016 to \$396.7 million in fiscal 2017. Commissions and fees revenue increased in all regions except for the UK & Europe wealth management operations, where it decreased as a result of depreciation of the pound sterling against the Canadian dollar.

As a result of improved market conditions, revenue generated from investment banking activities increased by \$64.1 million to \$196.1 million in fiscal 2017, compared to \$132.0 million in fiscal 2016, most notably in our Canadian and Australian capital markets operations. Offsetting these increases was a decrease of \$13.9 million in investment banking revenue in our UK capital markets operations year over year.

Advisory fees revenue of \$130.7 million represented a decrease of 18.4%, or \$29.4 million compared to the prior year. This was primarily due to reduced activity in our capital markets operations in Canada and the US. The largest decrease was in our Canadian capital markets operations, which experienced a decline of \$21.1 million, mostly as a result of reduced corporate activity. Inclusion of our operations in Dubai in the UK segment in fiscal 2017 with advisory revenue of \$12.9 million offset a decline in advisory revenue of approximately \$13.2 million in our local UK operations in fiscal 2017 compared to fiscal 2016.

Revenue derived from principal trading increased by \$33.5 million to \$119.0 million for the year ended March 31, 2017 due to higher revenue earned across all regions. Most notably, our US and UK capital markets operations saw increases of \$15.5 million and \$12.2 million, respectively, compared to last year. The increase in principal trading revenue resulted from our continued strategy of developing our specialty trading desks which operate in niche sectors in the market, principally international equities and investment companies.

Interest revenue remained the same in fiscal 2017 compared to last year. Other revenue of \$20.0 million was \$3.7 million or 22.3% higher than in the year ended March 31, 2016, mostly due to an increase in foreign exchange gains as well as the realized translation gain on the disposal of our Singapore operations.

## EXPENSES

### Expenses as a percentage of revenue

	For the years ended March 31		
	2017	2016	2017/2016 change
Incentive compensation	51.7%	53.0%	(1.3) p.p.
Salaries and benefits	9.8%	11.8%	(2.0) p.p.
Other overhead expenses <sup>(1)</sup>	32.4%	38.4%	(6.0) p.p.
Restructuring costs <sup>(2)(3)</sup>	—	2.2%	n.m.
Impairment of goodwill and other assets <sup>(4)</sup>	—	40.8%	n.m.
<b>Total</b>	<b>93.9%</b>	<b>146.2%</b>	<b>(52.3) p.p.</b>

(1) Consists of trading costs, premises and equipment, communication and technology, interest, general and administrative, amortization of tangible and intangible assets and development costs.

(2) Refer to the Selected Financial Information Excluding Significant Items table on page 20.

(3) Restructuring costs for the year ended March 31, 2016 were related to staff reductions in our US, Canada and UK capital markets operations and the closure of our Barbados office in Other Foreign Locations, as well as charges related to staff reductions and certain executive changes in our Corporate and Other segment.

(4) Impairment of goodwill and other assets for the year ended March 31, 2016 is in connection with our capital markets operations in the UK, US, Canada, Australia and Other Foreign Locations – Singapore.

p.p.: percentage points

n.m.: not meaningful

Expenses for fiscal 2017 were \$825.7 million, a decrease of 28.3% or \$326.1 million compared to the last fiscal year. Excluding significant items<sup>(1)</sup>, total expenses were \$817.1 million, up \$23.2 million or 2.9% from fiscal 2016. The decrease in expenses was mainly due to the impairment charges related to goodwill and other assets in certain of our capital markets operations recorded in fiscal 2016. No impairment charges were recorded in fiscal 2017. As a result of the increase in revenue during the year and the non-variable nature of certain infrastructure and overhead costs, total expenses excluding significant items<sup>(1)</sup> as a percentage of revenue decreased by 7.7 percentage points compared to the year ended March 31, 2016. Total overhead expenses excluding compensation expense were down 6.0% compared to fiscal 2016, largely due to our cost cutting efforts.

### Compensation expenses

Incentive compensation expense was \$455.0 million, an increase of \$37.1 million or 8.9% from the prior year, partially as a result of the increases in incentive-based revenue. Incentive compensation as a percentage of total revenue decreased by 1.3 percentage points to 51.7% in fiscal 2017 compared to fiscal 2016. With a reduced headcount the salaries and benefits expense of \$85.7 million for the year ended March 31, 2017 was \$7.3 million or 7.8% lower than in the prior fiscal year, because of reduced headcount. Total compensation (incentive compensation plus salaries and benefits) expense as a percentage of total revenue was 61.5%, down 3.3 percentage points compared to 64.8% in fiscal 2016.

### OTHER OVERHEAD EXPENSES

(C\$ thousands, except % amounts)	For the years ended March 31		
	2017	2016	2017/2016 change
Trading costs	\$ 65,211	\$ 56,998	14.4%
Premises and equipment	42,286	40,863	3.5%
Communication and technology	52,381	55,975	(6.4)%
Interest	12,744	10,222	24.7%
General and administrative	79,011	87,004	(9.2)%
Amortization <sup>(1)</sup>	21,124	25,339	(16.6)%
Development costs	12,209	26,129	(53.3)%
<b>Total other overhead expenses</b>	<b>\$ 284,966</b>	<b>\$ 302,530</b>	<b>(5.8)%</b>

(1) Includes amortization of intangible assets for the years ended March 31, 2017 and March 31, 2016, respectively. See the Selected Financial Information Excluding Significant Items table on page 20.

Other overhead expenses were \$17.6 million or 5.8% lower in fiscal 2017, which as a percentage of revenue represented a decrease of 6.0 percentage points compared to fiscal 2016. The overall decrease in other overhead expenses was driven by lower general and administrative expense, amortization, communication and technology expense and development costs, offset by increases in trading costs, premises and equipment and interest expense.

General and administrative expense, which includes reserves, promotion and travel expense, office expense, professional fees and donations, was down \$8.0 million, due to reduced expenditures across most operating segments in accordance with cost saving initiatives including initiatives implemented in connection with the restructuring that took place at the end of fiscal 2016.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 10.

Amortization expense decreased by \$4.2 million or 16.6% compared to the prior fiscal year, partially due to a decrease in amortization of intangible assets in our capital markets operations. Interest expense increased by \$2.5 million compared to the year ended March 31, 2016, primarily as a result of higher expenses in our US capital markets operations and Corporate and Other segment.

Development costs decreased by \$13.9 million compared to the year ended March 31, 2016 mainly due to a non-cash accounting charge which resulted from the surrender of a long-term incentive award granted to our CEO in conjunction with his appointment during fiscal 2016. Also contributing to this decrease was a charge of \$2.3 million recorded in fiscal 2016 in connection with costs associated with the termination of a software development project that were previously capitalized and expensed as development costs in the prior year.

Costs associated with rationalization of our office space in Toronto led to an increase of \$1.4 million in premises and equipment expense recorded in our Corporate and Other segment. Without this charge, premises and equipment expense would have declined by approximately \$1.4 million.

Higher trading activity in our US operation was the primary reason for the \$8.2 million increase in trading costs in fiscal 2017 compared to the year ended March 31, 2016. Communication and technology expense decreased by \$3.6 million, primarily as a result of decreases recorded in the UK capital markets and wealth management operations.

During fiscal 2016, the Canaccord Genuity segment recorded restructuring costs of \$17.4 million related to staff reductions in our US, UK and Canadian capital markets operations and the closure of our office in Barbados, as well as staff reductions and certain executive changes in our Corporate and Other operating segment. In addition, the Company recorded impairment charges related to goodwill and other assets in connection with our capital markets operations in Canada, the US, the UK, Australia and Other Foreign Locations – Singapore of \$321.0 million. There were no restructuring or impairment charges recorded during fiscal 2017.

#### **NET INCOME (LOSS)**

Net income for fiscal 2017 was \$43.2 million compared to a net loss of \$358.6 million in fiscal 2016, an increase of \$401.8 million, largely due to the non-recurring nature of the impairment charges and restructuring costs recorded in fiscal 2016. Diluted earnings per common share was \$0.27 in fiscal 2017 compared to a loss per common share of \$4.09 in the prior fiscal year. Excluding significant items<sup>(1)</sup>, net income for fiscal 2017 was \$49.2 million compared to net loss of \$6.0 million in fiscal 2016, and diluted earnings per share was \$0.32 compared to a loss per common share of \$0.21 in fiscal 2016.

Income tax expense was \$10.7 million for fiscal 2017, reflecting an effective tax rate of 19.9% compared to an effective tax rate of 1.5% in the prior year. The change in the effective tax rate was mainly due to lower non-deductible items affecting the determination of taxable income and higher deferred tax assets in our foreign operations which were not recognized in fiscal 2016. A further discussion of our taxes is provided in the Critical Accounting Policies and Estimates section of the MD&A on page 44.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 10.

## Quarterly Financial Information<sup>(1)(2)</sup>

The following table provides selected quarterly financial information for the eight most recently completed financial quarters ended March 31, 2017. 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 presented. Quarter-to-quarter comparisons of financial results are not necessarily meaningful and should not be relied upon as an indication of future performance.

(C\$ thousands, except per share amounts)	Fiscal 2017				Fiscal 2016			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue								
Commissions and fees	\$ 105,890	\$ 102,637	\$ 95,342	\$ 92,872	\$ 97,915	\$ 95,014	\$ 89,182	\$ 94,706
Investment banking	71,595	46,508	40,901	37,125	16,557	19,261	31,147	65,064
Advisory fees	52,474	17,127	21,554	39,594	54,957	38,954	44,255	22,014
Principal trading	31,066	33,569	26,859	27,546	25,199	20,202	17,592	22,566
Interest	5,217	4,017	4,005	3,608	3,441	3,981	4,334	5,074
Other	5,414	4,250	4,941	5,435	2,843	4,425	4,092	5,030
Total revenue	271,656	208,108	193,602	206,180	200,912	181,837	190,602	214,454
Total expenses	234,251	202,397	192,845	196,169	228,210	532,456	189,103	202,007
Net income (loss) before income taxes	37,405	5,711	757	10,011	(27,298)	(350,619)	1,499	12,447
Net income (loss)	\$ 30,987	\$ 4,544	\$ 200	\$ 7,455	\$ (22,709)	\$ (346,388)	\$ (431)	\$ 10,961
Earnings (loss) per share – basic	\$ 0.29	\$ 0.01	\$ (0.05)	\$ 0.04	\$ (0.29)	\$ (3.91)	\$ (0.03)	\$ 0.08
Earnings (loss) per share – diluted	\$ 0.26	\$ 0.01	\$ (0.05)	\$ 0.04	\$ (0.29)	\$ (3.91)	\$ (0.03)	\$ 0.08
<b>Excluding significant items<sup>(3)</sup></b>								
Net income (loss)	\$ 32,740	\$ 6,309	\$ 2,008	\$ 8,139	\$ (2,113)	\$ (19,144)	\$ 1,943	\$ 13,319
Earnings (loss) per share – basic	\$ 0.31	\$ 0.03	\$ (0.03)	\$ 0.05	\$ (0.06)	\$ (0.25)	\$ (0.01)	\$ 0.10
Earnings (loss) per share – diluted	\$ 0.27	\$ 0.03	\$ (0.03)	\$ 0.05	\$ (0.06)	\$ (0.25)	\$ (0.01)	\$ 0.10

(1) Data is in accordance with IFRS except for figures excluding significant items. See Non-IFRS Measures on page 10.

(2) The operating results of our Australian operations have been fully consolidated and a 42% non-controlling interest has been recognized during fiscal 2017 [fiscal 2016 – 42%].

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

**QUARTERLY FINANCIAL INFORMATION EXCLUDING SIGNIFICANT ITEMS<sup>(1)(2)</sup>**

(C\$ thousands, except per share amounts)	Fiscal 2017				Fiscal 2016			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total revenue per IFRS	\$ 271,656	\$ 208,108	\$ 193,602	\$ 206,180	\$ 200,912	\$ 181,837	\$ 190,602	\$ 214,454
Total expenses per IFRS	234,251	202,397	192,845	196,169	228,210	532,456	189,103	202,007
<b>Revenue</b>								
<i>Significant items recorded in Canaccord Genuity</i>								
Realized translation gains on disposal of Singapore	—	—	—	1,193	—	—	—	—
Total revenue excluding significant items	271,656	208,108	193,602	204,987	200,912	181,837	190,602	214,454
<b>Expenses</b>								
<i>Significant items recorded in Canaccord Genuity</i>								
Amortization of intangible assets	830	829	827	818	1,346	1,333	1,320	1,410
Impairment of goodwill and other assets	—	—	—	—	—	321,037	—	—
Restructuring costs	—	—	—	—	8,328	2,977	—	—
Development costs	—	—	—	—	1,157	—	—	—
<i>Significant items recorded in Canaccord Genuity Wealth Management</i>								
Amortization of intangible assets	1,260	1,274	1,323	1,405	1,471	1,560	1,557	1,467
Restructuring costs	—	—	—	—	165	—	—	—
<i>Significant items recorded in Corporate and Other</i>								
Restructuring costs	—	—	—	—	4,582	1,300	—	—
Development costs	—	—	—	—	6,904	—	—	—
Total significant items	2,090	2,103	2,150	2,223	23,953	328,207	2,877	2,877
Total expenses excluding significant items	232,161	200,294	190,695	193,946	204,257	204,249	186,226	199,130
Net income (loss) before income taxes – adjusted	39,495	7,814	2,907	11,041	(3,345)	(22,412)	4,376	15,324
Income tax expense (recovery) – adjusted	6,755	1,505	899	2,902	(1,232)	(3,268)	2,433	2,005
Net income (loss) – adjusted	\$ 32,740	\$ 6,309	\$ 2,008	\$ 8,139	\$ (2,113)	\$ (19,144)	\$ 1,943	\$ 13,319
Earnings (loss) per share – basic – adjusted	\$ 0.31	\$ 0.03	\$ (0.03)	\$ 0.05	\$ (0.06)	\$ (0.25)	\$ (0.01)	\$ 0.10
Earnings (loss) per share – diluted – adjusted	\$ 0.27	\$ 0.03	\$ (0.03)	\$ 0.05	\$ (0.06)	\$ (0.25)	\$ (0.01)	\$ 0.10

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 10.

(2) The operating results of our Australian operations have been fully consolidated and a 42% non-controlling interest has been recognized during fiscal 2017 [fiscal 2016 – 42%].

**Quarterly trends and risks**

Our quarterly results are generally not significantly affected by seasonal factors. However, the Company's revenue and income can experience considerable variations from quarter to quarter and year to year due to factors beyond the Company's control. The business is affected by the overall condition of the global capital markets and activity in our core focus sectors as well as growth company activity. The Company's revenue from an underwriting transaction is recorded only when a transaction has been substantially completed or closed. Consequently, the timing of revenue recognition can materially affect Canaccord Genuity Group Inc.'s quarterly results.

Overall, consolidated revenue has generally increased over recent quarters, leading to higher pre-tax operating profits. Compared to Q3/17, consolidated revenue increased by 30.5% in Q4/17, and by 35.2% compared to the same quarter last year. The Canaccord Genuity division, which had been negatively affected by the general decline in market conditions throughout fiscal 2016 and the first half of fiscal 2017, generated \$330.8 million of revenue in the second half of fiscal 2017, an increase of 23.6% compared to the first half of the fiscal year. Revenue in our Canadian capital markets operations increased by 44.5% in Q4/17 compared to the previous quarter and by 18.3% compared to Q4/16, mostly driven by higher investment banking revenue. The UK capital markets revenue in Q4/17 increased by 94.3% compared to Q3/17 and by 91.0% compared to the same quarter in the last fiscal year, due to higher advisory fee revenue generated in the UK as well as contributions from our Dubai operations. Income before income taxes were \$17.1 million in Q4/17, making it the second consecutive and most profitable quarter for this operating segment since Q4/15.

Revenue in our US capital markets operations increased by 17.1% compared to Q4/16, the highest revenue in this operating segment over the past eight quarters. As a result of higher revenue and cost reduction efforts, income before income taxes for Q4/17 was \$2.8 million, the highest achieved in this operating segment since Q2/16.

Our Australian operations have continued to perform well in recent quarters, with revenue reaching \$20.3 million at the end of Q4/17, an increase of 63.9% over Q3/17 and of 109.2% over Q4/16.

Our Canaccord Genuity Wealth Management North America operations have been positively impacted by stabilizing market conditions and improved transaction activity, with an increase of 57.8% in revenue during Q4/17 compared to the same period a year ago and an increase of 22.7% compared to Q3/17. Revenue attributable to investment banking activity in this segment increased by \$2.6 million in Q4/17 compared to Q3/17 and revenue from commissions and fees increased by \$4.3 million. Assets under management also grew in Q4/17, increasing by 109.8% compared to Q4/16 to \$2.6 billion as a result of new assets from the hiring of new investment advisors as well as higher market values. Our fee related revenue continued to grow, but fee related revenue as a percentage of total revenue decreased primarily as a result of an increase in transactional activity through the year.

The Canaccord Genuity Wealth Management UK & Europe operations continued to generate steady operating profits during fiscal 2017. At the end of Q4/17, fee-related revenue was at 70.5%, a 0.3 percentage point decrease from Q4/16. Assets under management for this group increased by \$1.7 billion reaching \$24.5 billion as of the end of Q4/17, compared to \$22.8 billion at the end of Q4/16 despite the weakening of the pound sterling. The movement in revenue in the Corporate and Other segment was mainly due to foreign exchange gains or losses resulting from fluctuations in the Canadian dollar.

#### Fourth quarter 2017 performance

Revenue for the fourth quarter was \$271.7 million, an increase of \$70.7 million or 35.2% compared to the same period in the previous year, mainly due to an increase in investment banking revenue. The increase in investment banking revenue of \$55.0 million compared to Q4/16 was attributable to higher activity across all of our operations. Advisory fees revenue decreased by \$2.5 million from Q4/16 due to the \$16.7 million and \$2.6 million decreases, in our Canadian and US capital markets operations, respectively. These decreases were offset by our UK capital markets operations, which saw an increase of \$17.9 million compared to Q4/16. Of this increase, \$12.6 million was attributable to our Dubai operation which is now included in our UK capital markets segment.

Commissions and fees revenue increased by \$8.0 million, predominantly attributable to our Canadian wealth management operations. Principal trading revenue increased by \$5.9 million during the three months ended March 31, 2017 compared to the same period last year, mostly due to higher trading revenue generated in our US and UK operations.

Interest revenue for Q4/17 was \$5.2 million, an increase of \$1.8 million over Q4/16, mainly attributable to our Canadian capital markets operations. Other revenue increased by \$2.6 million compared to the same period in the prior year, partially due to higher foreign exchange gains recorded in our Corporate and Other segment.

Expenses were \$234.3 million, up \$6.0 million or 2.6% from Q4/16. Total expenses excluding significant items<sup>(1)</sup> were \$232.2 million, an increase of \$27.9 million or 13.7% from the same period last year.

Incentive compensation expense increased by \$23.5 million compared to the same period last year, in line with the increase in incentive-based revenue. Salaries and benefits expense was \$2.3 million lower compared to the same period in the prior year due to reduced headcount. Total compensation expense as a percentage of revenue decreased by 9.9% in Q4/17 compared to Q4/16.

All of the non-compensation expenses decreased compared to Q4/16 except for trading costs, interest and general and administrative expense, which increased as a result of the increased activity of the operations. The largest decrease in non-compensation expenses was development costs, which decreased by \$7.0 million, primarily as a result of a non-cash accounting charge related to the surrender of a long-term incentive award granted to the President & CEO that was recorded in Q4/16.

During the fourth quarter of fiscal 2016, the Company recognized \$13.1 million of restructuring costs related to staff reductions in our capital markets and Corporate and Other segments. There were no restructuring costs incurred during Q4/17.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 10.

Net income for the fourth quarter of fiscal 2017 was \$31.0 million, compared to a net loss of \$22.7 million in Q4/16. Diluted earnings per share in the current quarter was \$0.26, compared to a loss per common share of \$0.29 in Q4/16.

Excluding significant items<sup>(1)</sup>, net income for Q4/17 was \$32.7 million, compared to a net loss of \$2.1 million in Q4/16, and diluted earnings per common share was \$0.27 in Q4/17, compared to a loss per common share of \$0.06 in Q4/16.

## Business Segment Results<sup>(1)(2)</sup>

(C\$ thousands, except number of employees)	For the years ended March 31							
	2017				2016			
	Canaccord Genuity	Canaccord Genuity Wealth Management	Corporate and Other	Total	Canaccord Genuity	Canaccord Genuity Wealth Management	Corporate and Other	Total
Revenue								
Canada	\$ 155,411	\$ 129,361	\$ 14,044	\$ 298,816	\$ 131,399	\$ 106,654	\$ 8,968	\$ 247,021
UK & Europe	146,812	134,819	—	281,631	145,478	138,359	—	283,837
US	234,211	2,931	—	237,142	217,411	1,554	—	218,965
Australia	59,693	—	—	59,693	31,138	—	—	31,138
Other Foreign Locations	2,264	—	—	2,264	6,844	—	—	6,844
Total revenue	598,391	267,111	14,044	879,546	532,270	246,567	8,968	787,805
Expenses	535,913	226,048	63,701	825,662	864,293	214,542	72,941	1,151,776
Intersegment allocations	18,210	16,796	(35,006)	—	17,087	21,854	(38,941)	—
Income (loss) before income taxes (recovery)	\$ 44,268	\$ 24,267	\$ (14,651)	\$ 53,884	\$(349,110)	\$ 10,171	\$ (25,032)	\$ (363,971)
<b>Excluding significant items<sup>(3)</sup></b>								
Revenue	597,198	267,111	14,044	878,353	532,270	246,567	8,968	787,805
Expenses	532,609	220,786	63,701	817,096	525,385	208,322	60,155	793,862
Intersegment allocations	18,210	16,796	(35,006)	—	17,087	21,854	(38,941)	—
Income (loss) before income taxes (recovery)	\$ 46,379	\$ 29,529	\$ (14,651)	\$ 61,257	\$(10,202)	\$ 16,391	\$ (12,246)	\$ (6,057)
Number of employees	749	672	279	1,700	841	666	288	1,795

(1) Data is in accordance with IFRS except for figures excluding significant items and number of employees. See Non-IFRS Measures on page 10. Detailed financial results for the business segments are shown in Note 22 of the Audited Consolidated Financial Statements on page 92.

(2) The operating results of Canaccord Genuity (Australia) Limited have been consolidated and a 42% non-controlling interest has been recognized and included in the Canaccord Genuity business segment in fiscal 2017 (fiscal 2016 – 42%).

(3) See the Selected Financial Information Excluding Significant Items table on page 20.

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

### CANACCORD GENUITY

#### Overview

Canaccord Genuity provides investment banking, advisory, equity research, and sales and trading services to corporate, institutional and government clients as well as conducting principal trading activities in Canada, the US, the UK & Europe and the Asia-Pacific region. Canaccord Genuity has offices in 19 cities in 9 countries worldwide.

Our operating results demonstrate the strength of our global business and the success of our efforts to diversify our revenue streams and improve alignment across our businesses and regions. For fiscal 2017, 74.0% of total Canaccord Genuity revenue was earned outside of Canada.

Canaccord Genuity's global alignment efforts are helping to firmly position the Company as a leading global independent investment bank focused on the mid-market.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 10.

During fiscal 2017, Canaccord Genuity participated in 368 transactions to raise gross proceeds of \$47.1 billion<sup>(1)</sup>. Of these, Canaccord Genuity led 134 transactions globally, raising total proceeds of \$6.7 billion. Sector diversification remains a core component of the Company's strategy. Resource-related revenue accounted for 30.5% of Canaccord Genuity's total investment banking revenue in fiscal 2017, versus 10% in fiscal 2016, largely due to increased contributions from our Australian operations. Resource-related transactions comprised 29.3% of the total number of Canaccord Genuity's investment banking transactions in fiscal 2017, up from 15.0% in fiscal 2016.

While overall reliance on activity in the natural resource sector has decreased, our business has benefitted from improving activity levels in this sector, where we have traditionally been a leader.

### Outlook

Canaccord Genuity continues to be very well positioned in many of the Company's key markets. In the fiscal year ahead, management intends to focus on capturing operating efficiencies and improving profitability through further integration of its global capital markets platform and encouraging further cross-border coordination among our global offices.

We believe Canaccord Genuity's integrated global platform provides a competitive advantage for our business compared to many of the domestically focused firms we compete with. Smaller regional or local investment dealers are increasingly under pressure to diversify, and larger international competitors dedicate limited resources to servicing growth companies. We believe this competitive landscape provides a significant opportunity for Canaccord Genuity in the global mid-market, as this space is currently relatively underserved by other global investment banks. Canaccord Genuity's mid-market strategy and focus on key growth sectors differentiate the firm from its competition.

The continued shift towards electronic trading, and trading on alternative platforms, is expected to move some trading market share away from the main stock exchanges. In response to this, Canaccord Genuity is active in offering trading services on many of the alternative exchanges (Chi-X, CX2, Alpha, Aequitas, Pure, CSE (Canadian Stock Exchange), Omega, Lynx, Triact). The Company has also developed a strong presence in the US with its American Depositary Receipts (ADR) and foreign equity trading capabilities from its International Equities Group. The Company continues to actively monitor shifts and trends in the capital markets and regulatory environment.

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

While we are optimistic about our prospects for the future, the Company has made the prudent decision to balance investments in growth with our ability to generate profit in the current market environment. The dynamic nature of our operating environment requires us to maintain a level of agility in our business mix that allows us to stay competitive and meet the evolving needs of our clients. For this reason, the Company will continue to make disciplined investments with the addition of small teams in specific sector verticals or key service offerings to further strengthen our operations in areas where we believe we can capture additional market share.

The management team believes the investments that the Company has made to improve Canaccord Genuity's global presence and refine its service offering have positioned the business very well for the future.

(1) Transactions over C\$1.5 million

FINANCIAL PERFORMANCE<sup>(1)(2)</sup>

For the years ended March 31

(C\$ thousands, except number of employees)	2017						2016					
	Canada	UK <sup>(5)</sup>	US	Australia	Other Foreign Locations	Total	Canada	UK	US	Australia	Other Foreign Locations	Total
Revenue	\$155,411	\$146,812	\$234,211	\$59,693	\$ 2,264	\$598,391	\$ 131,399	\$ 145,478	\$217,411	\$ 31,138	\$ 6,844	\$ 532,270
Expenses												
Incentive compensation	80,029	90,538	126,968	31,685	1,092	330,312	68,316	93,617	121,448	19,578	4,529	307,488
Salaries and benefits	5,381	5,520	12,551	1,649	997	26,098	5,982	7,223	11,669	1,940	1,711	28,525
Other overhead expenses	35,721	43,165	89,811	9,232	1,574	179,503	38,313	54,935	88,089	11,167	3,434	195,938
Restructuring costs	—	—	—	—	—	—	3,427	3,344	2,039	—	2,495	11,305
Impairment of goodwill and other assets	—	—	—	—	—	—	150,000	106,858	15,957	22,342	25,880	321,037
Total expenses	121,131	139,223	229,330	42,566	3,663	535,913	266,038	265,977	239,202	55,027	38,049	864,293
Intersegment allocations <sup>(3)</sup>	12,271	2,946	2,993	—	—	18,210	12,074	2,012	3,001	—	—	17,087
Income (loss) before income taxes (recovery) <sup>(3)</sup>	\$ 22,009	\$ 4,643	\$ 1,888	\$17,127	\$ (1,399)	\$ 44,268	\$(146,713)	\$(122,511)	\$(24,792)	\$(23,889)	\$(31,205)	\$(349,110)
<b>Excluding significant items<sup>(4)</sup></b>												
Total revenue	155,411	146,812	234,211	59,693	1,071	597,198	131,399	145,478	217,411	31,138	6,844	532,270
Total expenses	118,818	139,223	229,328	41,577	3,663	532,609	109,052	155,775	221,204	29,887	9,467	525,385
Intersegment allocations <sup>(3)</sup>	12,271	2,946	2,993	—	—	18,210	12,074	2,012	3,001	—	—	17,087
Income (loss) before income taxes (recovery) <sup>(3)</sup>	\$ 24,322	\$ 4,643	\$ 1,890	\$18,116	\$ (2,592)	\$ 46,379	\$ 10,273	\$(12,309)	\$(6,794)	\$ 1,251	\$(2,623)	\$(10,202)
Number of employees	178	225	275	69	2	749	180	282	291	65	23	841

(1) Data is in accordance with IFRS except for figures excluding significant items and number of employees. See Non-IFRS Measures on page 10.

(2) The operating results of Canaccord Genuity (Australia) Limited have been consolidated and a 42% non-controlling interest has been recognized and included in the Canaccord Genuity segment during fiscal 2017 [fiscal 2016 – 42%].

(3) Income (loss) before income taxes includes intersegment allocations. See the Intersegment Allocated Costs section on page 37.

(4) Refer to the Selected Financial Information Excluding Significant Items table on page 20.

(5) Includes our Dubai based operations

## REVENUE

## REVENUE BY GEOGRAPHY AS A PERCENTAGE OF CANACCORD GENUITY REVENUE

Revenue generated in:	For the years ended March 31		
	2017	2016	2017/2016 change
Canada	26.0%	24.7%	1.3 p.p.
UK & Europe <sup>(1)</sup>	24.5%	27.3%	(2.8) p.p.
US	39.1%	40.8%	(1.7) p.p.
Australia	10.0%	5.9%	4.1 p.p.
Other Foreign Locations	0.4%	1.3%	(0.9) p.p.
	100.0%	100.0%	

p.p.: percentage points

(1) Includes our Dubai based operations

Canaccord Genuity generated revenue of \$598.4 million, an increase of 12.4% or \$66.1 million compared to fiscal 2016 as a result of improved market activity. Revenue increased across most of our geographies, most notably in Canada and Australia, where revenue increased by \$24.0 million or 18.3%, and by \$28.6 million or 91.7%, respectively, compared to the prior year. Revenue in our UK operations remained consistent with the prior fiscal year, with a slight increase of 0.9% or \$1.3 million. Our US operations generated revenue of \$234.2 million, which represents an increase of \$16.8 million or 7.7% from fiscal 2016. In our Other Foreign Locations, now comprised of only our Asian-based operations, revenue decreased by 66.9% or \$4.6 million compared to the year ended March 31, 2016. Operating results for fiscal 2016 included contributions from our Singapore operations which were disposed of during Q1/17.

#### Investment banking activity

The Company's focus sector mix in fiscal 2017 showed increasing diversity, with 70.7% of total transactions occurring in sectors outside of Metals & Mining and Energy, which have traditionally been a higher component of the Company's revenue.

Canaccord Genuity's transactions and revenue by focus sectors are detailed below.

#### CANACCORD GENUITY – OVERALL

##### Investment banking transactions and revenue by sector

Sectors	For the year ended March 31, 2017	
	as a % of investment banking transactions	as a % of investment banking revenue
Technology	6.7%	11.2%
Healthcare & Life Sciences	11.0%	25.6%
Metals & Mining	18.8%	21.1%
Real Estate & Hospitality	14.5%	8.4%
Sustainability	1.3%	4.1%
Energy	10.5%	9.4%
Financials	21.7%	6.0%
Consumer & Retail	4.3%	4.7%
Infrastructure	3.8%	4.7%
Media & Telecommunications	0.5%	1.2%
Support Services	0.5%	0.0%
Forestry	0.3%	0.0%
Aerospace & Defense	0.3%	2.7%
Ag & Fertilizers	2.1%	0.4%
Other	3.7%	0.5%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

**CANACCORD GENUITY – BY GEOGRAPHY****Investment banking transactions by sector (as a % of the number of investment banking transactions for each geographic region)**

Sectors	For the year ended March 31, 2017				
	Canada	UK	US	Australia	Other Foreign Locations
Technology	3.1%	6.7%	16.2%	17.2%	—
Healthcare & Life Sciences	3.8%	13.3%	39.7%	7.0%	—
Metals & Mining	22.2%	6.7%	0.0%	38.0%	—
Real Estate & Hospitality	15.3%	6.7%	17.6%	3.4%	—
Sustainability	0.0%	0.0%	5.9%	3.4%	—
Energy	8.8%	0.0%	17.6%	13.8%	—
Financials	29.5%	26.6%	0.0%	0.0%	—
Consumer & Retail	3.8%	20.0%	1.5%	7.0%	—
Infrastructure	3.8%	20.0%	0.0%	3.4%	—
Media & Telecommunications	0.4%	0.0%	0.0%	3.4%	—
Support Services	0.8%	0.0%	0.0%	0.0%	—
Forestry	0.0%	0.0%	0.0%	3.4%	—
Aerospace & Defense	0.0%	0.0%	1.5%	0.0%	—
Ag & Fertilizers	3.1%	0.0%	0.0%	0.0%	—
Other	5.4%	0.0%	0.0%	0.0%	—
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>—</b>

**Investment banking revenue by sector (as a % of investment banking revenue for each geographic region)**

Sectors	For the year ended March 31, 2017				
	Canada	UK	US	Australia	Other Foreign Locations
Technology	6.3%	23.5%	18.6%	4.1%	—
Healthcare & Life Sciences	27.1%	3.1%	47.9%	13.4%	—
Metals & Mining	14.4%	0.6%	0.7%	56.0%	—
Real Estate & Hospitality	17.4%	11.5%	5.7%	0.0%	—
Sustainability	0.0%	13.9%	5.2%	3.1%	—
Energy	11.5%	3.2%	9.5%	9.6%	—
Financials	14.6%	10.8%	0.3%	0.1%	—
Consumer & Retail	3.5%	0.0%	2.0%	10.6%	—
Infrastructure	0.9%	33.4%	0.0%	0.6%	—
Media & Telecommunications	2.4%	0.0%	0.2%	1.5%	—
Support Services	0.0%	0.0%	0.0%	0.0%	—
Forestry	0.0%	0.0%	0.0%	0.0%	—
Aerospace & Defense	0.0%	0.0%	9.9%	0.0%	—
Ag & Fertilizers	1.3%	0.0%	0.0%	0.0%	—
Other	0.6%	0.0%	0.0%	1.0%	—
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>—</b>

## EXPENSES

Expenses for fiscal 2017 were \$535.9 million, a decrease of 38.0% or \$328.4 million year over year. Excluding significant items<sup>(1)</sup>, total expenses for fiscal 2017 were \$532.6 million, an increase of 1.4% or \$7.2 million compared to fiscal 2016.

### Incentive compensation and salaries and benefits

Incentive compensation expense for fiscal 2017 increased by \$22.8 million or 7.4% compared to fiscal 2016. Incentive compensation expense as a percentage of revenue was 55.2%, a decrease of 2.6 percentage points from fiscal 2016. Salaries and benefits expense for fiscal 2017 decreased by \$2.4 million or 8.5% compared to fiscal 2016. Total compensation expense as a percentage of revenue was 3.5 percentage points lower, at 59.6% for the year ended March 31, 2017.

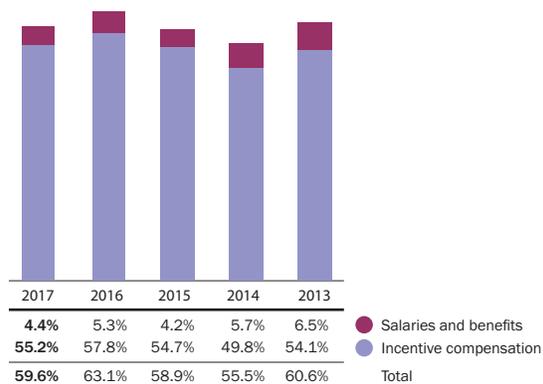
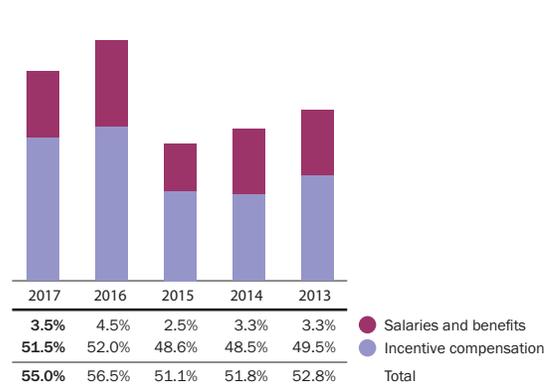
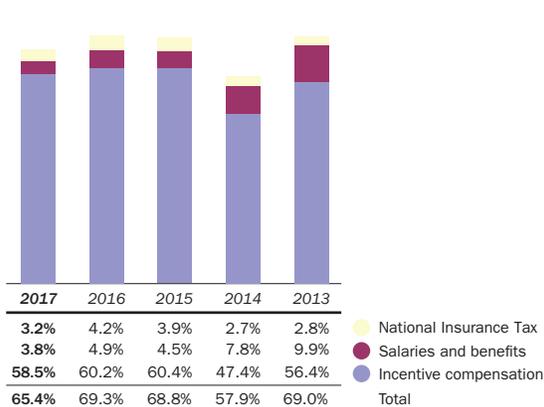
Overall total compensation as a percentage of revenue decreased in all geographies. In fiscal 2016, as a result of weaker market conditions, certain incentive compensation pools as recorded under our normal methodology were determined to be lower than would be required to provide for necessary compensation to selective key production staff and, as a result of adjustments to these pools our compensation expense as a percentage of revenue was substantially higher in fiscal 2016 compared to fiscal 2017. In Canada, total compensation as a percentage of revenue decreased by 1.5 percentage points compared to fiscal 2016, to 55.0% in fiscal 2017 as a result of increased revenue. Our US operations experienced a decrease of 1.6 percentage points in the total compensation ratio as a result of higher revenue as well as certain adjustments to the compensation pool as discussed above in the prior year. In our UK operations, total compensation as a percentage of revenue decreased by 3.9 percentage points as a result of the fiscal 2016 adjustments discussed above. In addition, fixed compensation for our UK operations decreased as a result of headcount reduction. Total compensation expense as a percentage of revenue in our Australian operations was 55.8% in fiscal 2017, a decrease of 13.3 percentage points due to the significant increase in revenue. There was also a reduction in fixed staff costs in our Asian-based operations now comprised solely of Beijing and Hong Kong due to the sale of our operations in Singapore in the first quarter of fiscal 2017.

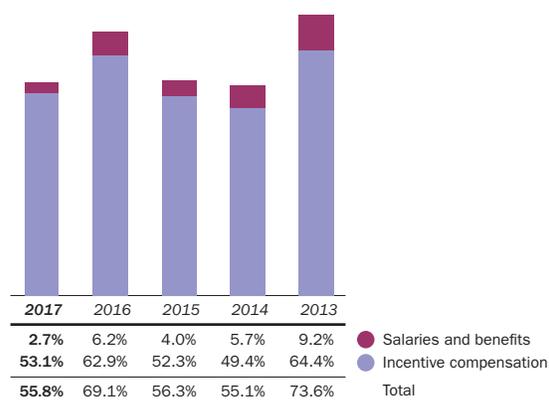
### Canaccord Genuity total compensation expense (incentive compensation plus salaries and benefits) expense as a percentage of revenue by geography

	For the years ended March 31		
	2017	2016	2017/2016 change
Canada	55.0%	56.5%	(1.5) p.p.
UK & Europe	65.4%	69.3%	(3.9) p.p.
US	59.6%	61.2%	(1.6) p.p.
Australia	55.8%	69.1%	(13.3) p.p.
Other Foreign Locations	92.3%	91.2%	1.1 p.p.
<b>Canaccord Genuity (total)</b>	<b>59.6%</b>	<b>63.1%</b>	<b>(3.5) p.p.</b>

p.p.: percentage points

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 10.

**TOTAL COMPENSATION AS A % OF  
CANACCORD GENUITY REVENUE – OVERALL**

**TOTAL COMPENSATION AS A % OF  
CANACCORD GENUITY REVENUE – CANADA**

**TOTAL COMPENSATION AS A % OF  
CANACCORD GENUITY REVENUE – UK**

**TOTAL COMPENSATION AS A % OF  
CANACCORD GENUITY REVENUE – US**

**TOTAL COMPENSATION AS A % OF  
CANACCORD GENUITY REVENUE – AUSTRALIA**

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

**Other overhead expenses**

Other overhead expenses excluding significant items<sup>(1)</sup> were \$176.2 million for fiscal 2017, a decrease of \$13.2 million or 7.0% from the prior year. As a percentage of revenue, other overhead expenses excluding significant items<sup>(1)</sup> was 6.1 percentage points lower compared to fiscal 2016. Overhead expenses decreased in all categories except for trading costs and interest expense. The largest decreases in other overhead expenses were general and administrative expense, premise and equipment expense, amortization expense, communication and technology expense, and development costs, partially offset by an increase in trading costs.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 10.

General and administrative expense decreased by \$9.6 million compared to fiscal 2017, mainly due to lower promotion and travel expenses in our US and UK operations.

Amortization expense decreased by \$3.3 million to \$10.7 million compared to the prior year due to a decrease in amortization of intangible assets in our Australian operations.

Communication and technology expense decreased by \$2.0 million to \$35.8 million for the year ended March 31, 2017, primarily attributable to our UK operations.

Development costs decreased by \$5.3 million from last year to \$2.6 million in fiscal 2017, partially due to lower hiring incentives in our US and UK operations.

The increase in trading costs is mainly due to higher execution and settlement charges in connection with increased international trading activity by our US operations.

### **INCOME (LOSS) BEFORE INCOME TAXES**

Net income before income taxes in fiscal 2017 was \$44.3 million compared to a loss before income taxes of \$349.1 million in fiscal 2016. Excluding significant items<sup>(1)</sup>, income before income taxes was \$46.4 million compared to a loss before incomes taxes of \$10.2 million in fiscal 2016. The increase in net income excluding significant items<sup>(1)</sup> was mainly attributable to higher revenue generated in our main operating segments combined with expense reductions.

### **CANACCORD GENUITY WEALTH MANAGEMENT**

#### **Overview**

Canaccord Genuity Group's wealth management division provides a range of comprehensive financial services and investment products to individual investors (private clients), institutions and intermediaries, and charities. Revenue from wealth management operations 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) from investment banking and venture capital transactions. The Company has wealth management operations in Canada, the UK & Europe, and Australia.

In the UK & Europe, Canaccord Genuity Wealth Management has four locations, with offices in the UK, Guernsey, Jersey and the Isle of Man. Revenue earned by this business is largely generated through fee-based accounts and portfolio management activities. With 69.2% of its fiscal 2017 revenue generated from recurring fee-based activity, this geography has a significantly higher proportion of fee-based revenue than the Company's Canadian wealth management businesses. The business caters to both onshore (UK) and offshore client accounts and provides clients with investing options from both third party and proprietary financial products, including 11 funds managed by Canaccord Genuity Wealth Management portfolio managers.

At March 31, 2017 Canaccord Genuity Wealth Management had 12 offices located across Canada, including four Independent Wealth Management (IWM) locations. During fiscal 2017, the Company secured a \$60 million private placement of senior unsecured subordinated debentures primarily to support its recruiting strategy. The Company is focused on actively recruiting established Advisory Teams to accelerate growth in this business.

#### **Outlook**

Management's priorities for Canaccord Genuity Wealth Management will be focused on growing assets under administration and management, and increasing the proportion of fee-based revenue as a percentage of total revenue. By increasing recurring revenue streams, we expect to meaningfully reduce our reliance on transaction-based revenue over the coming years, making our business less sensitive to changes in market conditions.

With 69.2% of the division's revenue derived from recurring, fee-based activities, the revenue stream generated through Canaccord Genuity Wealth Management's UK & European wealth management business helps to improve the stability of its overall performance. Client holdings in our in-house investment management products exceed \$1 billion and are attracting growing interest from domestic intermediaries and international fund companies. The Company will continue to pursue strategic opportunities to increase the scale of its UK wealth management business.

In Canada, the Company continues to focus on enhancing margins, managing costs, and growing the business through targeted recruitment and training. While the recruiting environment remains competitive, we expect the benefits of our independent global platform to help drive continued recruiting success in select markets. The Company also intends to invest further in training programs for new and existing Investment Advisors to continue developing the skills of our Advisory Teams and to support the growth of fee-based services offered through the Canadian business. We maintain a strong focus on attracting and retaining high quality advisors, investing in training programs and building a comprehensive suite of premium products targeted at attracting high net worth investors and helping advisors grow their businesses.

In Australia, the Company still has a relatively small wealth management operation; however, expansion is expected to occur through targeted recruiting, and through the build-out of wealth management services and products in this market.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 10.

**FINANCIAL PERFORMANCE – NORTH AMERICA<sup>(1)(2)</sup>**

(C\$ thousands, except AUM and AUA (in C\$ millions), number of employees, Advisory Teams and % amounts)	For the years ended March 31			
	2017	2016	2017/2016 change	
Revenue	\$ 132,292	\$ 108,208	\$ 24,084	22.3%
Expenses				
Incentive compensation	66,733	51,707	15,026	29.1%
Salaries and benefits	11,335	11,652	(317)	(2.7)%
Other overhead expenses	36,756	32,675	4,081	12.5%
Restructuring costs	—	165	(165)	n.m.
Total expenses	114,824	96,199	18,625	19.4%
Intersegment allocations <sup>(3)</sup>	15,504	19,664	(4,160)	(21.2)%
Income (loss) before income taxes (recovery) <sup>(3)</sup>	\$ 1,964	\$ (7,655)	\$ 9,619	125.7%
AUM – Canada (discretionary) <sup>(4)</sup>	2,637	1,257	1,380	109.8%
AUA – Canada <sup>(5)</sup>	13,228	9,192	4,036	43.9%
Number of Advisory Teams – Canada	141	139	2	1.4%
Number of employees	359	354	5	1.4%
<b>Excluding significant items<sup>(6)</sup></b>				
Total expenses	\$ 114,824	\$ 96,034	\$ 18,790	19.6%
Intersegment allocations <sup>(3)</sup>	15,504	19,664	(4,160)	(21.2)%
Income (loss) before income taxes (recovery) <sup>(3)</sup>	1,964	(7,490)	9,454	126.2%

(1) Data is in accordance with IFRS except for figures excluding significant items, AUA, AUM, number of Advisory Teams and number of employees. See Non-IFRS Measures on page 10.

(2) Includes Canaccord Genuity Wealth Management operations in Canada and the US.

(3) Income (loss) before income taxes includes intersegment allocations. See the Intersegment Allocated Costs section on page 37.

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

(5) AUA is the market value of client assets administered by the Company, for which the Company earns commissions or fees. AUA includes AUM.

(6) Refer to the Selected Financial Information Excluding Significant Items table on page 20.

n.m. not meaningful

Revenue from Canaccord Genuity Wealth Management North America was \$132.3 million, an increase of \$24.1 million from fiscal 2016, as a result of stabilizing market conditions and improved client and corporate finance activities. We continue to focus on growth in our fee-based and proprietary asset management offerings. As a key distribution channel for our capital markets business increased investment banking activity contributed to the overall increases in revenue in fiscal 2017 compared to fiscal 2016 in our Canadian wealth management business.

AUA in Canada increased by 43.9% to \$13.2 billion at March 31, 2017 from \$9.2 billion at March 31, 2016, reflecting higher market values over the year and an increased number of investment advisory teams. AUM in Canada also increased by 109.8% compared to fiscal 2016. There were 141 Advisory Teams in Canada, an increase of two from a year ago. The fee-based revenue in our North American operations was 9.2 percentage points lower than in the prior year and accounted for 34.7% of the wealth management revenue earned in Canada during the year ended March 31, 2017. The decrease in fee-based revenue as a percentage of revenue was primarily a result of the 22.3% increase in revenue from fiscal 2016 to fiscal 2017 which was led by a \$15.6 million increase in investment banking revenue.

Expenses for fiscal 2017 were \$114.8 million, an increase of \$18.6 million or 19.4% from fiscal 2016. As a result of the revenue increase in the current fiscal year compared to fiscal 2016 and the relatively fixed nature of expenses other than incentive compensation, total expenses as a percentage of revenue decreased by 2.1 percentage points compared to last year. Incentive compensation expense increased by \$15.0 million compared to fiscal 2016, consistent with the increase in incentive-based revenue. Total compensation expense as a percentage of revenue increased slightly by 0.5 percentage points compared to last year.

Non-compensation expenses for the year ended March 31, 2017 increased by \$4.2 million compared to fiscal 2016. Trading costs increased by \$2.3 million as a result of increased activity levels, and development costs increased by \$0.9 million compared to fiscal 2016 due to an increase in hiring incentives. The increases in trading costs, premises and equipment expense and development costs were offset by a decline in communication and technology expense as well as a decrease in intersegment allocated costs from our Corporate and Other segment.

Income before income taxes for fiscal 2017 was \$2.0 million compared to a loss before income taxes of \$7.7 million for fiscal 2016, an increase of \$9.6 million reflecting the revenue growth and continued expense containment efforts in this operating segment.

**FINANCIAL PERFORMANCE – UK & EUROPE<sup>(1)</sup>**

(C\$ thousands, except AUM (in C\$ millions), number of employees, investment professionals and fund managers, and % amounts)	For the years ended March 31			
	2017	2016	2017/2016 change	
Revenue	\$ 134,819	\$ 138,359	\$ (3,540)	(2.6)%
Expenses				
Incentive compensation	47,639	50,146	(2,507)	(5.0)%
Salaries and benefits	21,711	23,454	(1,743)	(7.4)%
Other overhead expenses	41,874	44,743	(2,869)	(6.4)%
Restructuring costs	—	—	—	—
Total expenses	111,224	118,343	(7,119)	(6.0)%
Intersegment allocations <sup>(2)</sup>	1,292	2,190	(898)	(41.0)%
Income before income taxes <sup>(2)</sup>	\$ 22,303	\$ 17,826	\$ 4,477	25.1%
AUM – UK & Europe <sup>(3)</sup>	24,526	22,791	1,735	7.6%
Number of investment professionals and fund managers – UK & Europe	118	118	—	—
Number of employees	313	312	1	0.3%
<b>Excluding significant items<sup>(4)</sup></b>				
Total expenses	\$ 105,962	\$ 112,288	\$ (6,326)	(5.6)%
Intersegment allocations <sup>(2)</sup>	1,292	2,190	(898)	(41.0)%
Income before income taxes <sup>(2)</sup>	27,565	23,881	3,684	15.4%

(1) Data is in accordance with IFRS except for figures excluding significant items, AUM, number of investment professionals and fund managers, and number of employees. See Non-IFRS Measures on page 10.

(2) Income before income taxes includes intersegment allocations. See the Intersegment Allocated Costs section on page 37.

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

(4) Refer to the Selected Financial Information Excluding Significant Items table on page 20.

Revenue generated by our UK & Europe operations is largely produced through fee-based accounts and portfolio management activities, and, as such, is less sensitive to changes in market conditions. Revenue for fiscal 2017 was \$134.8 million, a decrease of 2.6% compared to fiscal 2016 as a result of the depreciation of the pound sterling against the Canadian dollar. Measured in local currency (GBP), revenue was £79.1 million during fiscal 2017, an increase of £8.7 million or 12.4% compared to the previous year. The Company continues to focus on increasing scale in this business, a key strategic asset for our firm. While the environment for acquisitions in this segment is highly competitive, during fiscal 2017 the Company was able to add new assets through its recruiting efforts, including the acquisition of client portfolios from a private bank in its Isle of Man business and the acquisition of a UK-based investment dealing and custody business.

AUM in the UK & Europe as of March 31, 2017 was \$24.5 billion, a \$1.7 billion increase from \$22.8 billion at March 31, 2016. Measured in local currency (GBP), AUM increased by 19.9% when compared to March 31, 2016. Fee-based revenue in our UK & European operations accounted for 69.2% of total revenue in this geography, consistent with the prior year. This business has a higher proportion of fee-based revenue and managed accounts compared to our Canadian wealth management business.

Incentive compensation expense was \$47.6 million, a \$2.5 million or 5.0% decrease from fiscal 2016. Salaries and benefits decreased by \$1.7 million, to \$21.7 million as of March 31, 2017. Total compensation expense (incentive compensation plus salaries and benefits) as a percentage of revenue decreased by 1.8 percentage points to 51.4% for the year ended March 31, 2017.

Other overhead expenses decreased by \$2.9 million from the prior year. Communication and technology expense and development costs decreased compared to fiscal 2016 as a result of cost reduction efforts. Amortization expense decreased by \$1.1 million compared to the prior year as a result of lower intangible assets amortization expense. Offsetting the expense reductions is a \$1.4 million increase to trading costs resulting from higher trading activity. General and administrative expense remained consistent with the prior year.

Income before income taxes was \$22.3 million compared to \$17.8 million in the prior year, mainly as a result of reduced expenses. Excluding significant items<sup>(1)</sup>, income before income taxes was \$27.6 million, an increase of 15.4% from the prior year.

**CORPORATE AND OTHER SEGMENT****Overview**

The Corporate and Other segment includes Pinnacle Correspondent Services, interest, foreign exchange revenue, and expenses not specifically allocable to Canaccord Genuity or Canaccord Genuity Wealth Management.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 10.

Pinnacle Correspondent Services provides trade execution, clearing, settlement, custody, and other middle- and back-office services to other introducing brokerage firms, portfolio managers and other financial intermediaries. This business unit was developed as an extension and application of the Company's substantial investment in its information technology and operating infrastructure.

Also included in this segment are the Company's administrative, operational and support services departments, which are responsible for front- and back-office information technology systems, compliance and risk management, operations, legal, finance, and other administrative functions. The Company has 279 employees in the Corporate and Other segment. The majority of the Company's corporate support functions are based in Vancouver and Toronto, Canada.

Our operations group is responsible for processing securities transactions, including the clearing and settlement of securities transactions, account administration 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. The Company's risk management and compliance activities include procedures to identify, control, measure and monitor the Company's risk exposure at all times.

## FINANCIAL PERFORMANCE<sup>(1)</sup>

(C\$ thousands, except number of employees and % amounts)	For the years ended March 31			
	2017	2016	2017/2016 change	
Revenue	\$ 14,044	\$ 8,968	\$ 5,076	56.6%
Expenses				
Incentive compensation	10,314	8,535	1,779	20.8%
Salaries and benefits	26,554	29,350	(2,796)	(9.5)%
Other overhead expenses	26,833	29,174	(2,341)	(8.0)%
Restructuring costs	—	5,882	(5,882)	(100)%
Total expenses	63,701	72,941	(9,240)	(12.7)%
Intersegment allocations <sup>(2)</sup>	(35,006)	(38,941)	3,935	10.1%
Loss before income tax recovery <sup>(2)</sup>	\$ (14,651)	\$ (25,032)	10,381	41.5%
Number of employees	279	288	(9)	(3.1)%
<b>Excluding significant items<sup>(3)</sup></b>				
Total expenses	\$ 63,701	\$ 60,155	\$ 3,546	5.9%
Intersegment allocations <sup>(2)</sup>	(35,006)	(38,941)	3,935	10.1%
Loss before income taxes (recovery) <sup>(2)</sup>	(14,651)	(12,246)	(2,405)	(19.6)%

(1) Data is in accordance with IFRS except for figures excluding significant items and number of employees. See Non-IFRS Measures on page 10.

(2) Loss before income tax recovery includes intersegment allocations. See the Intersegment Allocated Costs section below.

(3) Refer to the Selected Financial Information Excluding Significant Items table on page 20.

Revenue for fiscal 2017 was \$14.0 million, an increase of \$5.1 million or 56.6% from fiscal 2016 primarily related to the \$4.0 million impairment charge in connection with our investment in a private company recorded in fiscal 2016, as well as an increase in foreign exchange gains.

Total expenses were \$63.7 million for the year ended March 31, 2017, a decrease of \$9.2 million or 12.7% compared to the prior year. Incentive compensation expense increased by \$1.8 million compared to fiscal 2016 as a result of charges in connection with the acceleration of certain stock-based awards and contractual compensation payments. Salaries and benefits expense decreased by \$2.8 million as a result of reduced headcount. Development costs decreased by \$8.3 million compared to the year ended March 31, 2016, mainly due to the non-recurring nature of fiscal 2016's software development charge of \$2.3 million related to the termination of a software development project, as well as a non-cash accounting charge related to the surrender of a long-term incentive award granted to our CEO in connection with his appointment in fiscal 2016. Premises and equipment expense increased by \$2.3 million compared to the year ended March 31, 2016 as a result of costs associated with the rationalization of our office space in Toronto. General and administrative expense increased by \$1.4 million as a result of costs incurred to support the growth of the business.

Loss before income taxes was \$14.7 million for fiscal 2017 compared to a loss before income taxes of \$25.0 million for the prior year. Excluding significant items<sup>(1)</sup>, loss before income taxes was \$14.7 million for the year ended March 31, 2017 compared to a loss before income taxes of \$12.2 million last year.

## INTERSEGMENT ALLOCATED COSTS

Included in the Corporate and Other segment are certain support services, research and other expenses that have been incurred to support the activities within the Canaccord Genuity and Canaccord Genuity Wealth Management segments in Canada. Certain

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 10.

trading, clearing and settlement charges are included as a trading cost in the applicable business units and as a trading cost recovery in Corporate and Other. In addition, certain overhead costs are charged by Canaccord Genuity UK & Europe to Canaccord Genuity Wealth Management UK & Europe and included in intersegment allocated costs for these business units.

## Financial Condition

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

(C\$ thousands)	Balance sheet summary as at March 31				
	2017	2016	2015	2014	2013
<b>Assets</b>					
Cash and cash equivalents	\$ 677,769	\$ 428,329	\$ 322,324	\$ 364,296	\$ 491,012
Securities owned	784,230	564,746	848,128	1,143,201	924,337
Accounts receivable	3,395,736	2,041,150	2,491,488	2,785,898	2,513,958
Income taxes recoverable	1,085	12,537	5,295	3,983	—
Deferred tax assets	15,323	11,221	10,148	9,735	12,552
Investments	2,829	5,578	8,693	9,977	3,695
Equipment and leasehold improvements	31,479	37,049	43,373	50,975	42,979
Goodwill and other intangible assets	295,065	323,936	640,456	646,557	614,969
<b>Total assets</b>	<b>\$ 5,203,516</b>	<b>\$ 3,424,546</b>	<b>\$ 4,369,905</b>	<b>\$ 5,014,622</b>	<b>\$ 4,603,502</b>
<b>Liabilities and shareholders' equity</b>					
Bank indebtedness	\$ 25,280	\$ 14,910	\$ 20,264	\$ —	\$ 66,138
Short term credit facility	—	—	—	—	—
Securities sold short	645,742	427,435	654,639	913,913	689,020
Accounts payable and accrued liabilities	3,669,883	2,185,047	2,527,636	2,877,933	2,726,735
Provisions	11,793	18,811	14,320	10,334	20,055
Income taxes payable	10,093	4,242	8,172	10,822	4,428
Contingent consideration	—	—	—	—	14,218
Deferred tax liabilities	140	450	2,057	3,028	2,576
Liability portion of Convertible Debenture	56,442	—	—	—	—
Subordinated debt	7,500	15,000	15,000	15,000	15,000
Shareholders' equity	764,785	749,929	1,117,542	1,168,680	1,049,163
Non-controlling interests	11,858	8,722	10,275	14,912	16,169
<b>Total liabilities and shareholders' equity</b>	<b>\$ 5,203,516</b>	<b>\$ 3,424,546</b>	<b>\$ 4,369,905</b>	<b>\$ 5,014,622</b>	<b>\$ 4,603,502</b>

### ASSETS

Cash and cash equivalents were \$677.8 million at March 31, 2017 compared to \$428.3 million at March 31, 2016. Refer to the Liquidity and Capital Resources section for more details.

Securities owned were \$784.2 million at March 31, 2017 compared to \$564.7 million at March 31, 2016 mainly due to an increase in corporate and government debt owned.

Accounts receivable were \$3.4 billion at March 31, 2017 compared to \$2.0 billion at March 31, 2016, mainly due to an increase in receivables from brokers and investment dealers.

Goodwill was \$192.3 million and intangible assets were \$103.0 million at March 31, 2017. At March 31, 2016, goodwill was \$203.7 million and intangible assets were \$120.2 million, representing goodwill and intangible assets acquired through the purchases of Genuity Capital Markets, Collins Stewart Hawkpoint plc (CSHP), and the wealth management business of Eden Financial Ltd.

Other assets, consisting of income taxes receivable, deferred tax assets, equipment and leasehold improvements, and investments, were \$50.7 million at March 31, 2017 compared to \$66.4 million at March 31, 2016, mainly due to a decrease in income taxes receivable.

### LIABILITIES AND SHAREHOLDERS' EQUITY

Bank overdrafts and call loan facilities utilized by the Company may vary significantly on a day-to-day basis and depend on securities trading activity. On March 31, 2017, Canaccord Genuity Group had available credit facilities with banks in Canada and the UK & Europe in the aggregate amount of \$602.6 million [March 31, 2016 – \$697.3 million]. These credit facilities, consisting

of call loans, letters of credit and daylight overdraft facilities, are collateralized by unpaid client securities and/or securities owned by the Company. On March 31, 2017, there was bank indebtedness of \$25.3 million, compared to \$14.9 million on March 31, 2016.

Accounts payable and accrued liabilities, including provisions, were \$3.7 billion, an increase from \$2.2 billion on March 31, 2016, mainly due to an increase in payables to clients and brokers and investment dealers.

Securities sold short were \$645.7 million at March 31, 2017 compared to \$427.4 million at March 31, 2016, mostly due to an increase in short positions in corporate and government debt.

Other liabilities, including subordinated debt, income taxes payable and deferred tax liabilities, were \$17.7 million at March 31, 2017, a decrease from \$19.7 million in the prior year. The decrease was mostly due to repayment of \$7.5 million of subordinated debt during the year.

Non-controlling interests were \$11.9 million at March 31, 2017 compared to \$8.7 million at March 31, 2016, which represents 42% of the net assets of our operations in Australia.

The Company issued convertible unsecured senior subordinated debentures ("Debentures") in the aggregate principal amount of \$60.0 million. The balance recorded as a liability, net of unamortized discount and issuance costs was \$56.4 million [March 31, 2016 – \$nil].

## Off-Balance Sheet Arrangements

A subsidiary of the Company has entered into secured irrevocable standby letters of credit from a financial institution totaling \$2.7 million (US\$2.0 million) [March 31, 2016 – \$2.6 million (US\$2.0 million)] as rent guarantees for its leased premises in New York.

## Bank Indebtedness and Other Credit Facilities

The Company enters into call loans or overdraft positions primarily to facilitate the securities settlement process for both client and Company securities transactions. The bank indebtedness is collateralized by unpaid client securities and/or securities owned by the Company. As of March 31, 2017, the Company had \$25.3 million of bank indebtedness outstanding [March 31, 2016 – \$14.9 million].

Subsidiaries of Canaccord Genuity Group Inc. have credit facilities with banks in Canada and the UK for an aggregate amount of \$602.6 million [March 31, 2016 – \$697.3 million]. These credit facilities, consisting of call loans, letters of credits and daylight overdraft facilities, are collateralized by unpaid client securities and/or securities owned by the Company. As of March 31, 2017 and 2016, there were no balances outstanding under these other credit facilities.

The following table summarizes Canaccord Genuity Group's long term contractual obligations on March 31, 2017:

(C\$ thousands)	Total	Contractual obligations payments due by period			
		Fiscal 2018	Fiscal 2019 – Fiscal 2020	Fiscal 2021 – Fiscal 2022	Thereafter
Premises and equipment operating leases	173,892	31,452	57,505	43,420	41,515
Other Obligations <sup>(1)</sup>	79,500	3,900	7,800	67,800	—
Total contractual obligations	253,392	35,352	65,305	111,220	41,515

(1) Other obligations consist of the unsecured senior subordinated convertible debentures (the "Debentures") issued in June 2016. The Debentures bear interest at a rate of 6.50% per annum and mature on December 31, 2021. The Company, under certain circumstances, may redeem the Debentures on or after December 31, 2019.

## Liquidity and Capital Resources

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The Company has a capital structure comprised of preferred shares, common shares, contributed surplus, convertible debentures, warrants, retained earnings and accumulated other comprehensive income. On March 31, 2017, cash and cash equivalents were \$677.8 million, an increase of \$249.4 million from \$428.3 million as of March 31, 2016. During the year ended March 31, 2017, financing activities generated cash in the amount of \$30.8 million, mainly due to the proceeds from the issuance of the Debentures and the sale of common shares and warrants pursuant to the Private Placement, offset by cash used in the acquisition of common shares for the Company's long-term incentive plan and payment of preferred share dividends. Investing activities used cash in the amount of \$5.6 million mainly for the purchase of equipment and leasehold improvements. Operating activities generated cash of \$236.9 million, which was largely due to changes in non-cash working capital. A decrease in cash of \$12.6 million was attributable to the effect of foreign exchange translation on cash balances.

Compared to the year ended March 31, 2016, cash generated by financing activities increased by \$116.9 million, primarily due to proceeds from the Private Placement in Q1/17 and the issuance of the Debentures in Q3/17. Cash used in investing activities decreased by \$9.1 million during the year ended March 31, 2017 compared to fiscal 2016, mainly due to lower additions of equipment and leasehold improvements and intangible assets. Changes in working capital led to an increase in cash generated by operating activities of \$31.3 million. Overall, cash and cash equivalents increased by \$249.4 million from \$428.3 million at March 31, 2016 to \$677.8 million at March 31, 2017.

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

## Preferred Shares

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### SERIES A PREFERRED SHARES

In fiscal 2012, the Company issued 4,540,000 Cumulative 5-Year Rate Reset First Preferred Shares, Series A (Series A Preferred Shares) at a purchase price of \$25.00 per share for gross proceeds of \$113.5 million. The aggregate net amount recognized after deducting issue costs, net of deferred taxes of \$1.0 million, was \$110.8 million.

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

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

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

### SERIES C PREFERRED SHARES

In fiscal 2013, the Company issued 4,000,000 Cumulative 5-Year Rate Reset First Preferred Shares, Series C (Series C Preferred Shares) at a purchase price of \$25.00 per share for gross proceeds of \$100.0 million. The aggregate net amount recognized after deducting issue costs, net of deferred taxes of \$1.0 million, was \$97.5 million.

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

Holders of Series C Preferred Shares have the right, at their option, to convert any or all of their shares into an equal number of Cumulative Floating Rate First Preferred Shares, Series D (Series D Preferred Shares), subject to certain conditions, on June 30,

2017 and on June 30 every five years thereafter. Holders of Series D Preferred Shares would be entitled to receive floating rate, cumulative, preferential dividends payable quarterly, if declared, at a rate equal to the three-month Government of Canada Treasury Bill yield plus 4.03%.

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

## CONVERTIBLE DEBENTURES

The Company issued convertible unsecured senior subordinated debentures ("Debentures") in the aggregate principal amount of \$60.0 million. The Debentures bear interest at a rate of 6.50% per annum. The Debentures are convertible at the holder's option into common shares of the Company at a conversion price of \$6.50 per share. The Debentures will mature on December 31, 2021 and may be redeemed by the Company, in certain circumstances, on or after December 31, 2019.

## Outstanding Share Data

	Outstanding shares as of March 31	
	2017	2016
<b>Preferred shares</b>		
Series A – issued shares outstanding	4,540,000	4,540,000
Series C – issued shares outstanding	4,000,000	4,000,000
<b>Common shares</b>		
Issued shares excluding unvested shares <sup>(1)</sup>	92,779,817	89,083,622
Issued shares outstanding <sup>(2)</sup>	113,511,468	103,812,814
Issued shares outstanding – diluted <sup>(3)</sup>	124,479,390	109,072,060
Average shares outstanding – basic	91,656,708	90,552,860
Average shares outstanding – diluted <sup>(4)</sup>	101,149,072	n/a

(1) Excludes 1,590,146 unvested shares related to share purchase loans and 19,141,505 unvested shares purchased by the employee benefit trusts for the LTIP.

(2) Includes 1,590,146 unvested shares related to share purchase loans and 19,141,505 unvested shares purchased by the employee benefit trusts for the LTIP.

(3) Includes 10,967,922 of share issuance commitments net of forfeitures.

(4) This is the diluted share number used to calculate diluted EPS. For years with net losses attributable to common shareholders, all instruments involving potential common shares were excluded from the calculation of diluted earnings per share as they were anti-dilutive.

Under the normal course issuer bid (NCIB), which commenced on August 13, 2015, and ended on August 12, 2016, a total of 482,367 common shares were purchased at a weighted average price per share of \$5.3523. All these shares have been cancelled. On August 11, 2016, the Company filed a notice to renew the NCIB to provide the Company with the choice to purchase up to a maximum of 5,587,378 of its common shares during the period from August 15, 2016 to August 14, 2017 through the facilities of the TSX and on alternative trading systems in accordance with the requirements of the TSX. Shareholders may obtain a copy of the notice, without charge, by contacting the Company. The purpose of the purchase of common shares under the NCIB is to enable the Company to acquire shares for cancellation. The maximum number of shares that may be purchased under the current NCIB represents 5.0% of the Company's outstanding common shares at the time of the notice. During the year ended March 31 2017, a total of 99,800 shares were purchased under the terms of the NCIB at a weighted average price per share of \$3.5913; all these shares have been cancelled.

The Company has entered into a predefined plan with a designated broker to allow for the repurchase of its common shares under this NCIB. The Company's broker may repurchase the common shares under the plan on any trading day during the NCIB, including at any time during the Company's internal trading blackout periods. The plan has been reviewed by the TSX and will terminate on the earlier of the termination of the plan by the Company in accordance with its terms and the expiry of the NCIB.

The ability to make purchases under the current NCIB commenced on August 15, 2016, and will continue for one year (to August 14, 2017) at the discretion of the Company. The maximum consideration will be the market price of the securities at the time of acquisition. In order to comply with the trading rules of the TSX, the daily purchases are limited to 90,132 common shares of the Company (which is 25% of the average daily trading volume of common shares of the Company on the TSX in the six calendar months from February 2016 to July 2016.)

As of May 31, 2017, the Company has 113,511,468 common shares issued and outstanding.

**ISSUANCE AND CANCELLATION OF COMMON SHARE CAPITAL**

	Fiscal 2017
<b>Total common shares issued and outstanding as of March 31, 2016</b>	<b>103,812,814</b>
Shares issued in connection with share-based payment plans	2,433,285
Shares issued in connection with replacement plans	76,088
Shares issued in connection with other stock based awards	507,051
Shares issued in connection with private placement	6,876,824
Shares cancelled	(194,594)
<b>Total common shares issued and outstanding as of March 31, 2017</b>	<b>113,511,468</b>

**Share-Based Payment Plans****LONG-TERM INCENTIVE PLAN**

Under the long-term incentive plan (LTIP), eligible participants are awarded restricted share units (RSUs), which generally vest over three years. For employees in Canada, the United States, Channel Islands, Australia and the United Kingdom, employee benefit trusts (the Trusts) have been established. The Company or certain of its subsidiaries, as the case may be, fund the Trusts with cash which is used by the trustees to purchase common shares on the open market that will be held in the Trusts until the RSUs vest.

**FORGIVABLE COMMON SHARE PURCHASE LOANS**

The Company may provide forgivable common share purchase loans to certain employees (other than directors or executive officers) in order to purchase common shares. When made these loans are forgiven over a vesting period. No interest is charged related to the share purchase loans.

**REPLACEMENT PLANS**

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

**CSH INDUCEMENT PLAN**

In connection with the acquisition of CSHP, the Company agreed to establish a retention plan for key CSHP staff. On each vesting date, the RSUs entitled the awardee to receive cash or common shares of the Company. All the RSUs under the CSH Inducement Plan vested as of March 31, 2017.

**SHARE OPTIONS**

The Company previously granted share options to purchase common shares of the Company to independent directors and senior management. As at March 31, 2017, all share options have expired.

**DEFERRED SHARE UNITS**

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

**OTHER RETENTION AND INCENTIVE PLANS**

During the year ended March 31, 2017, the company issued 507,051 common shares in consideration for \$2.4 million in connection with a stock-based award made during the year in accordance with the rules of the Toronto Stock Exchange for securities based compensation arrangements. There were other retention and incentive plans, including the employee stock purchase plan, with individual employees, for which the amount incurred was not significant in the aggregate.

**International Financial Centre**

Canaccord Genuity Group is a member of the AdvantageBC International Business Centre Society (formerly known as the International Financial Centre British Columbia Society) and the Montréal International Financial Centre, both of which provide

certain tax and financial benefits pursuant to the *International Business Activity Act* of British Columbia and the *Act Respecting International Financial Centres* of Québec. Accordingly, the Company's overall income tax rate is less than the rate that would otherwise be applicable.

## Related Party Transactions

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

The Company's trading subsidiaries and intermediate holding companies are listed in the following table:

	Country of incorporation	% equity interest	
		March 31, 2017	March 31, 2016
Canaccord Genuity Corp.	Canada	100%	100%
Canaccord Genuity SAS	France	100%	100%
Canaccord Genuity Wealth (International) Limited	Guernsey	100%	100%
Canaccord Genuity Financial Planning Limited	United Kingdom	100%	100%
Canaccord Genuity Wealth Limited	United Kingdom	100%	100%
Canaccord Genuity Wealth Group Limited	United Kingdom	100%	100%
Canaccord Genuity Wealth (International) Holdings Limited	Guernsey	100%	100%
Canaccord Genuity Limited	United Kingdom	100%	100%
Canaccord Genuity Wealth Group Holdings Ltd.	Canada	100%	n/a
Canaccord Genuity Inc.	United States	100%	100%
Canaccord Genuity Wealth Management (USA) Inc.	United States	100%	100%
Canaccord Genuity Wealth & Estate Planning Services Ltd.	Canada	100%	100%
Canaccord Asset Management Inc.	Canada	100%	100%
Canaccord Adams Financial Group Inc.	United States	100%	100%
Collins Stewart Inc.	United States	100%	100%
Canaccord Adams BC ULC	Canada	100%	n/a
Canaccord Adams (Delaware) Inc.	United States	100%	100%
Canaccord Genuity Securities LLC	United States	100%	100%
Stockwave Equities Ltd.	Canada	100%	100%
CLD Financial Opportunities Limited	Canada	100%	100%
Canaccord Genuity (Hong Kong) Limited	China (Hong Kong SAR)	100%	100%
Canaccord Financial Group (Australia) Pty Ltd*	Australia	50%	50%
Canaccord Genuity (Australia) Limited*	Australia	50%	50%
加通贝祥（北京）投资顾问有限公司 (Canaccord Genuity Asia (Beijing) Limited)	China	100%	100%
The Balloch Group Limited	British Virgin Islands	100%	100%
Canaccord Genuity Asia (Hong Kong) Limited	China (Hong Kong SAR)	100%	100%
Canaccord Genuity (Dubai) Ltd.	United Arab Emirates	100%	100%

\* The Company owns 50% of the issued shares of Canaccord Financial Group (Australia) Pty Ltd and Canaccord Genuity (Australia) Limited, but for accounting purposes, as of March 31, 2017 the Company is considered to have a 58% interest because of the shares held in a trust controlled by Canaccord Financial Group (Australia) Pty Ltd [March 31, 2016 – 58%].

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

The Company offers various share-based payment plans to its key management personnel, including common share purchase loans, a long-term incentive plan and share options. Directors have also been granted share options and have the right to acquire DSUs.

Disclosed in the table below are the amounts recognized as expenses related to individuals who are key management personnel as at March 31, 2017 and March 31, 2016.

(in thousands)	March 31, 2017	March 31, 2016
Short term employee benefits	\$ 7,053	\$ 4,668
Post termination benefits	1,989	—
Share-based payments	3,979	2,526
<b>Total compensation paid to key management personnel</b>	<b>\$ 13,021</b>	<b>\$ 7,194</b>

As part of the total compensation arrangement with regards to his appointment as Chief Executive Officer effective October 1, 2015, the Chief Executive Officer received a grant of 1.5 million restricted share units. He surrendered this award effective March 31, 2016, and the amount of the award is not included in the table above.

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

(in thousands)	March 31, 2017	March 31, 2016
Accounts receivable	\$ 211	\$ 61
Accounts payable and accrued liabilities	\$ 219	\$ 4,035

## Critical Accounting Policies and Estimates

The following is a summary of Canaccord Genuity Group's critical accounting estimates. The Company's significant accounting policies are in accordance with IFRS and are described in Note 5 to the Audited Consolidated Financial Statements for the year ended March 31, 2017. The Company's consolidated financial statements for the years ended March 31, 2017 and 2016 were also prepared in accordance with IFRS.

The preparation of the March 31, 2017 Audited Consolidated Financial Statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Therefore, actual results may differ from those estimates and assumptions. The significant judgments, estimates and assumptions include consolidation, revenue recognition, share-based payments, income taxes, tax losses available for carryforward, impairment of goodwill and other assets, indefinite life intangible assets and other long-lived assets, allowance for credit losses, fair value of financial instruments, capitalization of software costs and provisions. Significant accounting policies used and policies requiring management's judgment and estimates are disclosed in Notes 2 and 5 of the Audited Consolidated Financial Statements for the year ended March 31, 2017.

### CONSOLIDATION

The Company owns 50% of the voting shares of Canaccord Genuity (Australia) Limited (CGAL) as at March 31, 2017. The Company also completed an evaluation of its contractual arrangement with the other shareholders and the control it has over the financial and operating policies of CGAL and determined it should consolidate under IFRS 10, "Consolidated Financial Statements" (IFRS 10) as at March 31, 2017 and 2016. Therefore, the financial position, financial performance, and cash flows of CGAL have been consolidated. Although the Company owns 50% of the issued shares of CGAL, for accounting purposes, as of March 31, 2017, the Company is considered to have a 58% interest because of the shares held in a trust controlled by Canaccord Financial Group (Australia) Pty Ltd. and therefore has recognized a 42% non-controlling interest (March 31, 2016 – 42%), which represents the portion of CGAL's net identifiable assets not owned by the Company. At the date of acquisition, the non-controlling interest was determined using the proportionate method. Net income (loss) and each component of other comprehensive income (loss) are attributed to the non-controlling interest and to the owners of the parent.

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

### INTANGIBLE ASSETS

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

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

asset are reviewed at least annually, at each financial year end. Identifiable intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually.

Technology development expenditures on an individual project are recognized as an intangible asset when the Company can demonstrate that the technical feasibility of the asset for use has been established. The asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

### **IMPAIRMENT OF NON-FINANCIAL ASSETS**

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

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

Impairment losses are recognized in the consolidated statements of operations in expense categories consistent with the function of the impaired asset.

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

The following assets have specific characteristics for impairment testing:

#### **Goodwill**

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

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

#### **Intangible assets**

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

### **REVENUE RECOGNITION**

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

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

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

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

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

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

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

## **INCOME TAXES**

### **Current income tax**

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

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

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

### **Deferred tax**

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

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

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

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

### **Sales tax**

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

## **SHARE-BASED PAYMENTS**

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

### **Equity-settled transactions**

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

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

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

#### **Cash-settled transactions**

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

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

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

#### **Transactions and balances**

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

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

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

#### **Translation of foreign subsidiaries**

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

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

#### **PROVISIONS**

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

#### **Financial Instruments**

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A significant portion of the Company's assets and liabilities are composed of financial instruments. The Company uses financial instruments for both trading and non-trading activities. The Company engages in trading activities which include the purchase and sale of securities in the course of facilitating client trades and taking principal trading positions with the objective of earning a profit.

The use of financial instruments may either introduce or mitigate exposures to market, credit and/or liquidity risks. See Risk Management in this MD&A for details on how these risks are managed. For significant assumptions made in determining the valuation of financial and other instruments, refer to Critical Accounting Policies and Estimates in this MD&A. For additional information regarding the Company's financial instruments, refer to Note 7 of the Audited Consolidated Financial Statements for the year ended March 31, 2017.

#### **FOREIGN EXCHANGE**

The Company manages its foreign exchange risk by periodically hedging pending settlements in foreign currencies. Realized and unrealized gains and losses related to these transactions are recognized in income during the period. On March 31, 2017, forward contracts outstanding to sell US dollars had a notional amount of US\$22.1 million, an increase of US\$19.5 million compared to March 31, 2016. Forward contracts outstanding to buy US dollars had a notional amount of US\$2.9 million, an increase of

US\$1.0 million from March 31, 2016. The fair value of these contracts was nominal. Some of the Company's operations in the US, the UK & Europe, Australia, Hong Kong and China are conducted in the local currency; however, any foreign exchange risk in respect of these transactions is generally limited as pending settlements on both sides of the transaction are typically in the local currency.

These contracts were entered into in an attempt to mitigate 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.

The Company's Canaccord Genuity Wealth Management segment in the UK & Europe trades foreign exchange forward contracts on behalf of its clients, and establishes matching contracts with the counterparties. The Company has no significant net exposure, assuming no counterparty default.

## FUTURES

The Company's Canadian operations are involved in trading various futures contracts, in an attempt to mitigate market risk, interest rate risk, yield curve risk and liquidity risk. Futures contracts are agreements to buy or sell a standardized amount of an underlying asset, at a predetermined future date and price, in accordance with terms specified by a regulated futures exchange, and are subject to daily cash margining. The Company's Canadian operations have traditionally engaged in the trading of Canadian and US government bond futures contracts to mitigate its risk. In Q1/17, the Company's Canadian operations began trading other types of futures contracts, including but not limited to, index futures and commodity futures.

At March 31, 2017, the notional amount of the Canadian bond futures contracts outstanding was long \$0.5 million [March 31, 2016 – long \$10.9 million], and the notional amount of US Treasury futures contracts outstanding held in a short position was \$nil [March 31, 2016 – \$12.3 million (US\$9.5 million)].

The fair value of all of the above futures contracts is nominal due to their short term to maturity. Realized and unrealized gains and losses related to these contracts are recognized in net income (loss) during the reporting period.

## Future Changes in Accounting Policies and Estimates

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The Company monitors the potential changes proposed by the International Accounting Standards Board on an ongoing basis and analyzes the effect that changes in the standards may have on the Company's operations.

Please see Note 4 of the Audited Consolidated Financial Statements for the year ended March 31, 2017 for further information.

## Disclosure Controls and Procedures and Internal Control over Financial Reporting

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### DISCLOSURE CONTROLS AND PROCEDURES

As of March 31, 2017, an evaluation was carried out, under the supervision of and with the participation of management, including the President & CEO and the Executive Vice President, Chief Financial Officer, 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, Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective as of and during the fiscal year ended March 31, 2017.

### INTERNAL CONTROL OVER FINANCIAL REPORTING

Management, including the President & CEO and the Executive Vice President, Chief Financial Officer, has designed internal control over financial reporting as defined under *National Instrument 52-109* to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Based on that evaluation, the President & CEO and the Executive Vice President, Chief Financial Officer concluded that the Company's internal control over financial reporting was designed and operating effectively as of and during the year ended March 31, 2017 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, 2017 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## Risk Management

### OVERVIEW

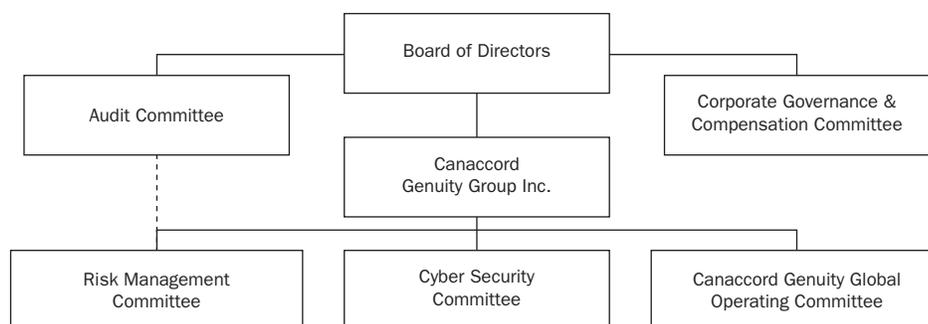
Uncertainty and risk are inherent when conducting operations within financial markets. As an active participant in the Canadian and international capital markets, the Company is exposed to risks that could result in financial losses. The Company has identified its principal risks as: market risk, credit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

### RISK MANAGEMENT STRUCTURE AND GOVERNANCE

the Company'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, procedures and reports that enable the Company to assess and control its risks. These policies and procedures are subject to ongoing review and modification as activities, markets and circumstances change.

As part of the Company'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 the Company's risk exposure is conducted through a variety of separate, but complementary, financial, credit, operational, compliance and legal reporting systems.

The Company's governance structure includes the following elements:



The Board of Directors (the Board) has oversight of the company-wide risk management framework. These responsibilities are delegated to the Audit and Risk Management Committees. See the company's current Annual Information Form (AIF) for details of the Audit Committee's mandate as it relates to risk management.

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 as well as 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 firm's Chief Risk Officer and committee members include the CEO, the CFO and senior management representation from the key revenue-producing businesses and functional areas of the Company. The Committee identifies, measures and monitors the principal risks facing the business through review and approval of the Company's risk appetite, policies, procedures, and limits/thresholds.

The segregation of duties and management oversight are important aspects of the Company's risk management framework. The Company 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 Audit, Treasury, Finance and Legal.

In Fiscal 2017, the Company formed a global Cyber Security Committee to help identify, monitor and manage risks specific to the company's information networks, data and internal systems. This committee is chaired by the firm's Chief Risk Officer and committee members include senior IT management from across the firm, as well as representation from Legal, Compliance, Internal Audit and Operations. The Cyber Security Committee is focused on issues such as cyber security risk assessment, IT safeguards and controls, risks related to third-party service providers, employee training and awareness and incident response plans.

## 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 its market risk exposure is prudent. In addition, the Company has established procedures to ensure that risks are measured, closely monitored, controlled and visible to senior levels of management.

Canaccord Genuity Group is exposed to equity price risk, liquidity risk and volatility risk as a result of its principal trading activities in equity securities. The Company 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 Genuity Group mitigates its risk exposure through a variety of limits to control concentration, capital allocation and usage, as well as through trading policies and guidelines. The Company 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 Genuity Group utilizes scenario analysis and Value-at-Risk (VaR) risk measurement system for its equity and fixed income inventories. Management also regularly reviews and monitors inventory levels and positions, trading results, liquidity profile, position aging and concentration levels. Consequently, the Company 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.

## 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 Genuity Group is in connection with trading activity by clients in the Canaccord Genuity Wealth Management business segment and private client margin accounts. In order to minimize financial exposure in this area, the Company applies certain credit standards and conducts financial reviews with respect to clients and new accounts.

The Company provides financing to clients by way of margin lending. In a margin-based transaction, the Company 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, the Company 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 the Company is unable to recover sufficient value from the collateral held. For margin lending purposes, the Company has established limits that are generally more restrictive than those required by applicable regulatory policies. In addition, the Company has established limits to how much it will lend against an individual security or group of securities in a single sector so as to limit credit concentration risk.

The extension of credit via margin lending is overseen by the firm's Credit Committee. The Committee meets regularly to review and discuss the firm's credit risks, including large individual loans, collateral quality and concentration risk. The Committee will also meet, as required, to discuss any new loan arrangements proposed by senior management.

The Company 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. The Company 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.

The Company 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, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty and/or the issuer of the instrument. The Company 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.

The Company records a provision for bad debts in general and administrative expense. 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 the Company'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.

The Company operates in different markets and relies on its employees and systems to process a high number of transactions. In order to mitigate this risk, the Company has developed a system of internal controls and checks and balances at appropriate levels, which includes overnight trade reconciliation, control procedures related to clearing and settlement, transaction and daily value limits within all trading applications, cash controls, physical security, independent review procedures, documentation standards, billing and collection procedures, and authorization and processing controls for transactions and accounts. In addition, the Company has implemented an operational risk program that helps Canaccord Genuity Group measure, manage, report and

monitor operational risk issues (see RCSA below). The Company also has disaster recovery procedures, business continuity plans and built-in redundancies in place in the event of a systems or technological failure. In addition, the Company 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 and categorize them based on severity and frequency of occurrence
- 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

The Company has established a process to determine what the strategic objectives of each group/unit/department are and identify, assess and quantify operational risks that hinder the Company's ability to achieve those objectives. The RCSA results are specifically used to calculate the operational risk regulatory capital requirements for operations 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 impact 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. The Company 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 the Company that could materially affect the Company's business, operations or financial condition. The Company 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 the Company's interests in various legal actions.

Losses or costs associated with routine regulatory and legal matters are included in general and administrative expense in the Company's Audited Consolidated Financial Statements.

##### **Cybersecurity risk**

Cybersecurity risk is the risk that the Company's information networks, data or internal systems will be damaged, disrupted, misappropriated, stolen, accessed without permission or otherwise attacked. This risk exists due to the interconnected nature of the Company's business with its clients, suppliers, vendors, partners and the public via the internet and other networks. As a result of this interconnectivity, third parties with which the Company does business with or that facilitate the Company's business may also be a source of cybersecurity risk to the firm. The Company devotes considerable effort and resources to defend against and mitigate cybersecurity risk, including increasing awareness throughout the organization by implementing a firmwide cybersecurity training program for all employees. The Company's management of cybersecurity risk, as well as any reported incidents, is regularly presented to both senior management via the Cybersecurity Committee and the Audit Committee of the Board of Directors.

##### **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 revenue, legal action or increased regulatory oversight. Possible sources of reputational risk could come from operational failures, non-compliance with laws and regulations, or leading an unsuccessful financing. The Company could face reputational risk through its association with past or present corporate finance clients who are the subject of regulatory and/or legal scrutiny. 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, the Company 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 the Company's reputation.

#### **RISK FACTORS**

For a detailed list of the risk factors that are relevant to the Company's business and the industry in which it operates, see the Risk Factors section in the Company's current 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 the Company's considers to be of particular relevance. Other risk factors may apply.

### **CONTROL RISK**

As of March 31, 2017, senior officers and directors of the Company collectively owned approximately 8.5% of the issued and outstanding (13.2% fully diluted) common shares of Canaccord Genuity Group 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 Genuity Group 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.

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 the Company's business.

### **Restrictions on ownership and transfer of common shares**

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

### **Dividend Policy**

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

### **Dividend Declaration**

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On June 1, 2017 the Board of Directors established a revised dividend policy, and in accordance with that policy, approved a dividend of \$0.10 per common share, payable on July 3, 2017 with a record date of June 16, 2017. This dividend is comprised of a \$0.01 base quarterly dividend and a \$0.09 variable supplemental dividend as outlined below.

The revised dividend policy reflects the Company's commitment to return a portion of earnings to shareholders, in balance with the inherent variability of its business, which is impacted by the overall condition of debt and equity markets, and the market for securities in specific growth sectors. In the context of this revised policy, the Company expects to return 25% to 50% of net earnings attributable to common shareholders on an annual basis. The policy is anchored by a quarterly dividend of \$0.01 per common share, which will be declared and paid quarterly, commencing with the fourth quarter of fiscal 2017. Following the end of each fiscal year, the Board will review the capital position of the business in the context of the market environment in combination with capital allocation requirements for its strategic priorities, and determine whether a supplemental dividend should be paid. Supplemental dividends, if declared, may be highly variable from year to year, given the nature of the Company's operating environment and the potential need to conserve cash and for certain corporate growth opportunities. Although dividends are expected to be declared and paid on an ongoing basis, 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, the Company's financial condition, results of operations, capital requirements and such other factors as the Board determines to be relevant.

On June 1, 2017, the Board of Directors approved the following cash dividends: \$0.24281 per Series A Preferred Share payable on June 30, 2017 with a record date of June 16, 2017; and \$0.359375 per Series C Preferred Share payable on June 30, 2017 with a record date of June 16, 2017.

### **Additional Information**

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Additional information relating to Canaccord Genuity Group Inc., including our Annual Information Form, is available on our website at [www.canaccordgenuitygroup.com/EN/IR/FinReports/Pages/default.aspx](http://www.canaccordgenuitygroup.com/EN/IR/FinReports/Pages/default.aspx) and on SEDAR at [www.sedar.com](http://www.sedar.com).

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## Independent Auditors' Report

To the Shareholders of  
Canaccord Genuity Group Inc.

We have audited the accompanying consolidated financial statements of Canaccord Genuity Group Inc., which comprise the consolidated statements of financial position as at March 31, 2017 and 2016, and the consolidated statements of operations, comprehensive income (loss), changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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### 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.

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### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Canaccord Genuity Group Inc. as at March 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

The signature of Ernst & Young LLP is written in a black, cursive script. The letters are fluid and connected, with a prominent 'E' and 'Y'.

Toronto, Canada  
June 1, 2017

Chartered Professional Accountants  
Licensed Public Accountants

## Consolidated Statements of Financial Position

As at (in thousands of Canadian dollars)	Notes	March 31, 2017	March 31, 2016
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents		\$ 677,769	\$ 428,329
Securities owned	6	784,230	564,746
Accounts receivable	9	3,395,736	2,041,150
Income taxes receivable		1,085	12,537
<b>Total current assets</b>		<b>4,858,820</b>	<b>3,046,762</b>
Deferred tax assets	14	15,323	11,221
Investments	10	2,829	5,578
Equipment and leasehold improvements	11	31,479	37,049
Intangible assets	12	102,799	120,204
Goodwill	12	192,266	203,732
		<b>\$ 5,203,516</b>	<b>\$ 3,424,546</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current</b>			
Bank indebtedness	7	\$ 25,280	\$ 14,910
Securities sold short	6	645,742	427,435
Accounts payable and accrued liabilities	9, 21	3,669,883	2,185,047
Provisions	25	11,793	18,811
Income taxes payable		10,093	4,242
Subordinated debt	15	7,500	15,000
<b>Total current liabilities</b>		<b>4,370,291</b>	<b>2,665,445</b>
Deferred tax liabilities	14	140	450
Convertible debentures	16	56,442	—
		<b>4,426,873</b>	<b>2,665,895</b>
<b>Equity</b>			
Preferred shares	17	205,641	205,641
Common shares	18	641,449	617,756
Equity portion of Convertible Debentures	16	2,604	—
Warrants	18	1,975	—
Contributed surplus		85,405	86,235
Retained earnings (deficit)		(267,559)	(294,586)
Accumulated other comprehensive income		95,270	134,883
<b>Total shareholders' equity</b>		<b>764,785</b>	<b>749,929</b>
Non-controlling interests		11,858	8,722
<b>Total equity</b>		<b>776,643</b>	<b>758,651</b>
		<b>\$ 5,203,516</b>	<b>\$ 3,424,546</b>

See accompanying notes

On behalf of the Board:

"Daniel Daviau"

"Terrence A. Lyons"

**DANIEL DAVIAU**

Director

**TERRENCE A. LYONS**

Director

## Consolidated Statements of Operations

For the years ended (in thousands of Canadian dollars, except per share amounts)	Notes	March 31, 2017	March 31, 2016
<b>REVENUE</b>			
Commissions and fees		\$ 396,741	\$ 376,817
Investment banking		196,129	132,029
Advisory fees		130,749	160,180
Principal trading		119,040	85,559
Interest		16,847	16,830
Other		20,040	16,390
		<b>879,546</b>	<b>787,805</b>
<b>EXPENSES</b>			
Incentive compensation		454,998	417,876
Salaries and benefits		85,698	92,981
Trading costs		65,211	56,998
Premises and equipment		42,286	40,863
Communication and technology		52,381	55,975
Interest		12,744	10,222
General and administrative		79,011	87,004
Amortization	11, 12	21,124	25,339
Development costs		12,209	26,129
Restructuring costs	25	—	17,352
Impairment of goodwill and other assets	12	—	321,037
		<b>\$ 825,662</b>	<b>\$ 1,151,776</b>
Income (loss) before income taxes		53,884	(363,971)
Income tax expense (recovery)	14		
Current		16,322	(3,190)
Deferred		(5,624)	(2,214)
		<b>10,698</b>	<b>(5,404)</b>
<b>Net income (loss) for the year</b>		<b>\$ 43,186</b>	<b>\$ (358,567)</b>
<b>Net income (loss) attributable to:</b>			
CGGI shareholders		\$ 38,103	\$ (358,471)
Non-controlling interests		\$ 5,083	\$ (96)
<b>Weighted average number of common shares outstanding (thousands)</b>			
Basic	18	91,657	90,553
Diluted	18	101,149	n/a
<b>Net income (loss) per common share</b>			
Basic	18	\$ 0.29	\$ (4.09)
Diluted	18	\$ 0.27	\$ (4.09)
<b>Dividend per Series A Preferred Share</b>	19	\$ 1.173	\$ 1.375
<b>Dividend per Series C Preferred Share</b>	19	\$ 1.4375	\$ 1.4375
<b>Dividend per common share</b>	19	\$ 0.10	\$ 0.10

See accompanying notes

## Consolidated Statements of Comprehensive Income (Loss)

For the years ended (in thousands of Canadian dollars)	March 31, 2017	March 31, 2016
Net income (loss) for the year	\$ 43,186	\$ (358,567)
Other comprehensive income (loss)		
Realized translation gains related to foreign operations disposed of during the year	(1,560)	—
Reversal of unrealized gains on disposal of available for sale investment	—	(747)
Net change in unrealized gains on translation of foreign operations, net of tax	(37,889)	23,471
<b>Comprehensive income (loss) for the year</b>	<b>\$ 3,737</b>	<b>\$ (335,843)</b>
<b>Comprehensive income (loss) attributable to:</b>		
CGGI shareholders	\$ (1,510)	\$ (336,219)
Non-controlling interests	\$ 5,247	\$ 376

See accompanying notes

## Consolidated Statements of Changes in Equity

As at and for the years ended (in thousands of Canadian dollars)	Notes	March 31, 2017	March 31, 2016
<b>Preferred shares, opening and closing</b>	<b>17</b>	<b>\$ 205,641</b>	<b>\$ 205,641</b>
Common shares, opening		617,756	620,858
Shares issued in connection with share-based payments		17,898	11,772
Acquisition of common shares for long-term incentive plan (LTIP)		(47,061)	(46,616)
Shares issued in connection with private placement		26,601	—
Release of vested common shares from employee benefit trusts		21,878	25,768
Shares cancelled		(1,356)	(4,779)
Net unvested share purchase loans		5,733	10,753
<b>Common shares, closing</b>	<b>18</b>	<b>641,449</b>	<b>617,756</b>
Warrants, opening		—	—
Warrants issued in connection with private placement		1,975	—
<b>Warrants, closing</b>		<b>1,975</b>	<b>—</b>
Convertible debentures – equity, opening		—	—
Equity portion of convertible debentures, net of tax		2,604	—
<b>Convertible debentures – equity, closing</b>		<b>2,604</b>	<b>—</b>
Contributed surplus, opening		86,235	85,597
Share-based payments		3,139	5,084
Shares cancelled		324	1,340
Sale of non-controlling interests		—	1,517
Unvested share purchase loans		(4,293)	(7,303)
<b>Contributed surplus, closing</b>		<b>85,405</b>	<b>86,235</b>
Retained earnings (deficit), opening		(294,586)	92,815
Net income (loss) attributable to CGGI shareholders		38,103	(358,471)
Common shares dividends	19	—	(16,938)
Preferred shares dividends	19	(11,076)	(11,992)
<b>Retained earnings (deficit), closing</b>		<b>(267,559)</b>	<b>(294,586)</b>
Accumulated other comprehensive income, opening		134,883	112,631
Other comprehensive income attributable to CGGI shareholders		(39,613)	22,252
<b>Accumulated other comprehensive income, closing</b>		<b>95,270</b>	<b>134,883</b>
<b>Total shareholders' equity</b>		<b>764,785</b>	<b>749,929</b>
Non-controlling interests, opening		8,722	10,275
Foreign exchange on non-controlling interests		409	605
Comprehensive income attributable to non-controlling interests		5,247	376
Dividends paid to non-controlling interests		(2,520)	(2,952)
Sale of non-controlling interests		—	418
<b>Non-controlling interests, closing</b>		<b>11,858</b>	<b>8,722</b>
<b>Total equity</b>		<b>\$ 776,643</b>	<b>\$ 758,651</b>

See accompanying notes

## Consolidated Statements of Cash Flows

For the years ended (in thousands of Canadian dollars)	Notes	March 31, 2017	March 31, 2016
<b>OPERATING ACTIVITIES</b>			
Net income (loss) for the year		\$ 43,186	\$ (358,567)
Items not affecting cash			
Amortization	11, 12	21,124	25,339
Deferred income tax recovery		(5,624)	(2,214)
Share-based compensation expense	20	40,322	51,900
Impairment of goodwill and other assets	12	—	321,037
Impairment of investment in private company	7	2,390	—
Impairment of investment in Canadian First Financial Group Inc.	7	—	4,000
Write-off of intangible assets		—	2,350
Changes in non-cash working capital			
(Increase) decrease in securities owned		(219,496)	286,128
(Increase) decrease in accounts receivable		(1,394,913)	410,704
Decrease (increase) in income taxes receivable, net		18,514	(10,667)
Increase (decrease) in securities sold short		218,307	(227,758)
Increase (decrease) in accounts payable, accrued liabilities, and provisions		1,513,070	(296,632)
<b>Cash provided by operating activities</b>		<b>236,880</b>	<b>205,620</b>
<b>FINANCING ACTIVITIES</b>			
Increase (decrease) in bank indebtedness		10,370	(4,529)
Purchase of shares for cancellation		(360)	(3,439)
Acquisition of common shares for long-term incentive plan		(47,061)	(46,616)
Proceeds from Private Placement		28,321	—
Repayment of subordinated debt		(7,500)	—
Proceeds from Convertible Debentures		60,000	—
Cash dividends paid on common shares		—	(16,839)
Cash dividends paid on preferred shares		(11,076)	(11,992)
Cash paid related to CSH Inducement Plan		(1,905)	(2,700)
<b>Cash provided by (used in) financing activities</b>		<b>30,789</b>	<b>(86,115)</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of equipment and leasehold improvements		(5,202)	(10,565)
Purchase of intangible assets		(440)	(4,170)
<b>Cash used in investing activities</b>		<b>(5,642)</b>	<b>(14,735)</b>
<b>Effect of foreign exchange on cash balances</b>		<b>(12,587)</b>	<b>1,235</b>
<b>Increase in cash position</b>		<b>249,440</b>	<b>106,005</b>
Cash position, beginning of year		428,329	322,324
<b>Cash position, end of year</b>		<b>677,769</b>	<b>428,329</b>
<b>Supplemental cash flow information</b>			
Interest received		\$ 12,571	\$ 16,892
Interest paid		\$ 11,009	\$ 8,524
Income taxes paid		\$ 10,385	\$ 10,572

See accompanying notes

## Notes to Consolidated Financial Statements

As at March 31, 2017 and March 31, 2016  
and for the years ended March 31, 2017 and 2016  
(in thousands of Canadian dollars, except per share amounts)

### NOTE 01 Corporate Information

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

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

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

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

### NOTE 02 Basis of Preparation

#### STATEMENT OF COMPLIANCE

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

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

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

These audited consolidated financial statements were authorized for issuance by the Company's Board of Directors on June 1, 2017.

#### PRINCIPLES OF CONSOLIDATION

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

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

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

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

#### USE OF JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, accompanying note disclosures, and the disclosure of contingent liabilities at the reporting date. Therefore, actual results may differ from those estimates and assumptions. The significant judgments, estimates and assumptions include consolidation, revenue recognition, share-based payments, income

taxes and valuation of deferred tax assets, impairment of goodwill, intangible assets and other long-lived assets, allowance for credit losses, fair value of financial instruments, capitalization of intangible assets related to software costs, and provisions.

#### **Consolidation**

The Company owns 50% of the voting shares of Canaccord Genuity (Australia) Limited (CGAL) as at March 31, 2017. The Company also completed an evaluation of its contractual arrangements with the other shareholders of CGAL and the control it has over the financial and operating policies of CGAL and determined it should consolidate under IFRS 10, "Consolidated Financial Statements" (IFRS 10) as at March 31, 2017 and 2016. Therefore, the financial position, financial performance, and cash flows of CGAL have been consolidated. Although the Company owns 50% of the issued shares of CGAL as at March 31, 2017, for accounting purposes, the Company is considered to have a 58% interest because of the shares held in a trust controlled by Canaccord Financial Group (Australia) Pty Ltd. Accordingly, the Company has consolidated the entity and recognized a 42% non-controlling interest as at March 31, 2017 (March 31, 2016 – 42%), which represents the portion of CGAL's net identifiable assets not owned by the Company. At the date of acquisition, the non-controlling interest was determined using the proportionate method. Net income (loss) and each component of other comprehensive income (loss) are attributed to the non-controlling interest and to the owners of the parent.

The Company has employee benefit trusts, which are considered SPEs [Note 20], to fulfill obligations to employees arising from the Company's share-based payment plans. The employee benefit trusts have been consolidated in accordance with IFRS 10 since their activities are conducted on behalf of the Company, and the Company retains the majority of the benefits and risks of the employee benefit trusts.

#### **Revenue recognition**

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

#### **Share-based payments**

The Company measures the cost of equity-settled and cash-settled transactions with employees and directors based on the fair value of the awards granted. The fair value is determined based on the observable share prices or by using an appropriate valuation model. The use of option pricing models to determine the fair value requires the input of highly subjective assumptions including the expected price volatility, expected forfeitures, expected life of the award and dividend yield. Changes in the subjective assumptions can materially affect the fair value estimates. The assumptions and models used for estimating the fair value of share-based payments, if and as applicable, are disclosed in Note 20.

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

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

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

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

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

In determining the recoverable amount, which is the higher of fair value less costs to sell (FVLCS) and value-in-use, management uses valuation models that consider such factors as projected earnings, price-to-earnings multiples, relief of royalties related to brand names and discount rates. Management must apply judgment in the selection of the approach to determining the recoverable amount and in making any necessary assumptions. These judgments may affect the recoverable amount and any resulting impairment write-down. The key assumptions used to determine recoverable amounts for the different cash-generating units are disclosed in Note 12.

**Impairment of other long-lived assets**

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

**Allowance for credit losses**

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

**Fair value of financial instruments**

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

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

**Provisions**

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

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

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

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

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

**IFRS 9, "Financial Instruments"**

In July 2014, the IASB issued the final version of IFRS 9, "Financial Instruments" which reflects all phases of the financial instruments project and replaces IAS 39, "Financial Instruments: Recognition and Measurement", and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Company is still in the process of assessing the impact of the adoption of IFRS 9.

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

IFRS 15 will be effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted. The Company is still in the process of assessing the impact of the adoption of IFRS 15.

**IFRS 16, "Leases"**

During January 2016, the IASB issued the new standard, which requires lessees to recognize asset and liabilities for most leases. The new standard will be effective for annual periods beginning on or after January 1, 2019. Early application is permitted, provided the new revenue standard, IFRS 15, has been applied, or is applied at the same date as IFRS 16. The Company has not yet determined the impact of the adoption of IFRS 16 on the Company's financial statements.

**NOTE 05****Summary of Significant Accounting Policies****TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS AND FOREIGN SUBSIDIARIES**

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

**Transactions and balances**

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

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

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

**Translation of foreign subsidiaries**

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

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

**INTANGIBLE ASSETS**

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

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

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

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

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

#### Internally developed or acquired software

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

#### IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

Impairment losses are recognized in the consolidated statements of operations.

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

The following assets have specific characteristics for impairment testing:

#### Goodwill

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

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

#### Intangible assets

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

## CASH AND CASH EQUIVALENTS

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

## FINANCIAL INSTRUMENTS

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

### [i] Financial assets

#### *Initial recognition and measurement*

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

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

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

#### *Classification and subsequent measurement*

##### *Financial assets classified as fair value through profit or loss*

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

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

##### *Financial assets classified as available for sale*

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

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

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account discounts or premiums on acquisition and fees or costs that are an integral part of the EIR method. The EIR amortization is included in the consolidated statements of operations. The Company classifies accounts receivable as loans and receivables. The Company did not have any held to maturity investments during the years ended March 31, 2017 and 2016.

### **Impairment of financial assets**

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

In the case of debt instruments classified as available for sale, the impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of operations.

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

#### ***Derecognition***

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

#### **[ii] Financial liabilities**

##### ***Initial recognition and measurement***

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

##### ***Classification and subsequent measurement***

###### ***Financial liabilities classified as fair value through profit or loss***

Financial liabilities classified as fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on liabilities held for trading are recognized in the statements of operations. The Company has not designated any financial liabilities as fair value through profit or loss that would not otherwise meet the definition of fair value through profit or loss upon initial recognition. Bank indebtedness and securities sold short, including derivative financial instruments, are classified as held for trading and recognized at fair value.

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

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

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

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

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

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

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

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

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

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

### **FAIR VALUE MEASUREMENT**

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

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

assumptions if observable market data is not available. When the fair value cannot be reliably measured using a valuation technique, then the financial instrument is measured at cost.

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

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

#### **SECURITIES OWNED AND SOLD SHORT**

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

#### **SECURITIES LENDING AND BORROWING**

The Company employs securities lending and borrowing activities primarily to facilitate the securities settlement process. These arrangements are typically short term in nature, with interest being received when cash is delivered and interest being paid when cash is received. Securities borrowed and securities loaned are carried at the amounts of cash collateral delivered and received in connection with the transactions. Securities borrowed transactions require the Company to deposit cash, letters of credit or other collateral with the lender. For securities loaned, the Company receives collateral in the form of cash or other collateral in an amount generally in excess of the market value of the securities loaned. The Company monitors the fair value of the securities loaned and borrowed against the cash collateral on a daily basis and, when appropriate, the Company may require counterparties to deposit additional collateral or it may return collateral pledged to ensure such transactions are adequately collateralized.

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

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

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

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

#### **REVENUE RECOGNITION**

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

Commissions and fees revenue consists of revenue generated through commission-based brokerage services, recognized on a trade date basis, and the sale of fee-based products and services, recognized on an accrual basis. Realized and unrealized gains and losses on securities purchased for client-related transactions are reported as net facilitation losses and recorded as a reduction of commission revenues. Facilitation losses for the year ended March 31, 2017 were \$12.8 million [March 31, 2016 – \$14.3 million].

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

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

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

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

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

#### **EQUIPMENT AND LEASEHOLD IMPROVEMENTS**

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

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

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

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

#### **INCOME TAXES**

##### **Current income tax**

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

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

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

##### **Deferred tax**

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

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

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

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

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

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

#### **Sales tax**

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

#### **TREASURY SHARES**

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

#### **EARNINGS (LOSS) PER COMMON SHARE**

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

#### **SHARE-BASED PAYMENTS**

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

##### **Equity-settled transactions**

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

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

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

##### **Cash-settled transactions**

The cost of cash-settled transactions is measured initially at fair value at the grant date. The fair values of DSUs are expensed upon grant, as there are no vesting conditions [Note 20]. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognized through the statements of operations.

#### **PROVISIONS**

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

##### **Legal provisions**

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

##### **Restructuring provisions**

Restructuring provisions are only recognized when the recognition criteria for provisions are fulfilled. In order for the recognition criteria to be met, the Company needs to have in place a detailed formal plan about the business or part of the business

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

## LEASES

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

## CLIENT MONEY

The Company's UK and Europe operations hold money on behalf of their clients in accordance with the client money rules of the Financial Conduct Authority in the United Kingdom. Such money and the corresponding liabilities to clients are not included in the consolidated statements of financial position as the Company is not beneficially entitled thereto. The amounts held on behalf of clients at the reporting date are included in Note 24.

## SEGMENT REPORTING

The Company's segment reporting is based on the following operating segments: Canaccord Genuity, Canaccord Genuity Wealth Management and Corporate and Other. Commencing in the third quarter of the year ended March 31, 2017, the operating results of our Australian operations are disclosed as a separate geography. In prior years Australia was included as part of Other Foreign Locations. Also, commencing this fiscal year, our Dubai operation, which was previously included in Other Foreign Locations, is now included as part of Canaccord Genuity UK & Europe. The Other Foreign Locations geographic segment is now comprised of our Asian based operations, including China and Hong Kong and prior to their sale or closure Singapore and Barbados. These reclassifications reflect the growing contributions from Australia and the working associations between the UK and Dubai.

### NOTE 06

### Securities Owned and Securities Sold Short

	March 31, 2017		March 31, 2016	
	Securities owned	Securities sold short	Securities owned	Securities sold short
Corporate and government debt	\$ 571,066	\$ 541,827	\$ 402,779	\$ 341,264
Equities and convertible debentures	213,164	103,915	161,967	86,171
	\$ 784,230	\$ 645,742	\$ 564,746	\$ 427,435

As at March 31, 2017, corporate and government debt maturities range from 2017 to 2098 [March 31, 2016 – 2016 to 2097] and bear interest ranging from 0.00% to 14.00% [March 31, 2016 – 0.00% to 15.00%].

## NOTE 07

## Financial Instruments

## CATEGORIES OF FINANCIAL INSTRUMENTS

The categories of financial instruments, other than cash and cash equivalents and bank indebtedness, held by the Company at March 31, 2017 and 2016 are as follows:

	Held for trading		Available for sale		Loans and receivables		Loans and borrowings		Total	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
<b>Financial assets</b>										
Securities owned	\$ 784,230	\$ 564,746	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 784,230	\$ 564,746
Accounts receivable from brokers and investment dealers	—	—	—	—	2,625,939	1,303,222	—	—	2,625,939	1,303,222
Accounts receivable from clients	—	—	—	—	373,300	365,272	—	—	373,300	365,272
RRSP cash balances held in trust	—	—	—	—	302,532	298,839	—	—	302,532	298,839
Other accounts receivable	—	—	—	—	93,965	73,817	—	—	93,965	73,817
Investments	—	—	2,829	5,578	—	—	—	—	2,829	5,578
<b>Total financial assets</b>	<b>\$ 784,230</b>	<b>\$ 564,746</b>	<b>\$ 2,829</b>	<b>\$ 5,578</b>	<b>\$ 3,395,736</b>	<b>\$ 2,041,150</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 4,182,795</b>	<b>\$ 2,611,474</b>
<b>Financial liabilities</b>										
Securities sold short	\$ 645,742	\$ 427,435	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 645,742	\$ 427,435
Accounts payable to brokers and investment dealers	—	—	—	—	—	—	1,913,177	986,993	1,913,177	986,993
Accounts payable to clients	—	—	—	—	—	—	1,468,410	992,661	1,468,410	992,661
Other accounts payable and accrued liabilities	—	—	—	—	—	—	288,296	205,393	288,296	205,393
Subordinated debt	—	—	—	—	—	—	7,500	15,000	7,500	15,000
Convertible debentures	—	—	—	—	—	—	56,442	—	56,442	—
<b>Total financial liabilities</b>	<b>\$ 645,742</b>	<b>\$ 427,435</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 3,733,825</b>	<b>\$ 2,200,047</b>	<b>\$ 4,379,567</b>	<b>\$ 2,627,482</b>

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

## FAIR VALUE HIERARCHY

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

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

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

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

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

As at March 31, 2017 and 2016, the Company held the following classes of financial instruments measured at fair value:

	March 31, 2017	Estimated fair value		
		March 31, 2017		
		Level 1	Level 2	Level 3
<b>Securities owned</b>				
Corporate debt	\$ 15,071	\$ —	\$ 15,071	\$ —
Government debt	555,995	277,121	278,874	—
<b>Corporate and government debt</b>	<b>571,066</b>	<b>277,121</b>	<b>293,945</b>	<b>—</b>
Equities	207,050	165,292	41,616	142
Convertible debentures	6,114	—	6,114	—
<b>Equities and convertible debentures</b>	<b>213,164</b>	<b>165,292</b>	<b>47,730</b>	<b>142</b>
<b>Available for sale investments</b>	<b>2,829</b>	<b>—</b>	<b>2,829</b>	<b>—</b>
	<b>787,059</b>	<b>442,413</b>	<b>344,504</b>	<b>142</b>
<b>Securities sold short</b>				
Corporate debt	(11,524)	—	(11,524)	—
Government debt	(530,303)	(313,077)	(217,226)	—
<b>Corporate and government debt</b>	<b>(541,827)</b>	<b>(313,077)</b>	<b>(228,750)</b>	<b>—</b>
Equities	(103,915)	(77,562)	(26,353)	—
	<b>(645,742)</b>	<b>(390,639)</b>	<b>(255,103)</b>	<b>—</b>
	March 31, 2016	Estimated fair value		
		March 31, 2016		
		Level 1	Level 2	Level 3
<b>Securities owned</b>				
Corporate debt	\$ 39,392	\$ —	\$ 39,392	\$ —
Government debt	363,387	186,126	177,261	—
<b>Corporate and government debt</b>	<b>402,779</b>	<b>186,126</b>	<b>216,653</b>	<b>—</b>
Equities	160,177	130,758	29,266	153
Convertible debentures	1,790	—	1,790	—
<b>Equities and convertible debentures</b>	<b>161,967</b>	<b>130,758</b>	<b>31,056</b>	<b>153</b>
<b>Available for sale investments</b>	<b>5,578</b>	<b>—</b>	<b>3,138</b>	<b>2,440</b>
	<b>570,324</b>	<b>316,884</b>	<b>250,847</b>	<b>2,593</b>
<b>Securities sold short</b>				
Corporate debt	(14,498)	—	(14,498)	—
Government debt	(326,766)	(200,324)	(126,442)	—
<b>Corporate and government debt</b>	<b>(341,264)</b>	<b>(200,324)</b>	<b>(140,940)</b>	<b>—</b>
Equities	(86,171)	(67,923)	(18,248)	—
	<b>(427,435)</b>	<b>(268,247)</b>	<b>(159,188)</b>	<b>—</b>

**Movement in net Level 3 financial assets**

Balance, March 31, 2015	\$	5,825
Purchase of Level 3 assets		2,890
Redemption of debentures		(1,107)
Net unrealized loss during the year		(4,872)
Other		(143)
Balance, March 31, 2016	\$	2,593
Net unrealized loss during the year		(2,390)
Other		(61)
<b>Balance, March 31, 2017</b>	<b>\$</b>	<b>142</b>

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

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

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

Level 2 financial instruments also include the Company's equity investment in Euroclear, which has an estimated fair value of \$2.8 million as at March 31, 2017 [March 31, 2016 – \$3.1 million]. The current fair value is determined using a market-based approach based on recent share buyback transactions.

**ii. Level 3 financial instruments****a. Available for sale investments**

Available for sale investments include the Company's investment of \$nil [March 31, 2016 – \$2.4 million] in a private company. The investment was measured at historical cost basis in the absence of any market indicators. During the year ended March 31, 2017, the Company recorded an impairment charge of \$2.4 million as a result of changes in market indicators.

**b. Held for Trading**

The fair value for level 3 investments classified as held for trading is determined by the Company using a market-based approach with information that the Company has determined to be reliable, and represents the best estimate of fair value readily available. Prices for held for trading investments are determined based on the last trade price or offer price, or, if these prices are considered stale, the Company obtains information based on certain inquiries, recent trades or pending new issues. The fair value of the held for trading investments as at March 31, 2017 was \$0.1 million [March 31, 2016 – \$0.2 million].

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

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

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Credit risk arises from cash and cash equivalents, net receivables from clients and brokers and investment dealers, and other accounts receivable. The maximum exposure of the Company to credit risk before taking into account any collateral held or other credit enhancements is the carrying amount of financial assets as disclosed in the consolidated financial statements as at March 31, 2017 and 2016.

The primary source of credit risk to the Company is in connection with trading activity by private clients and private client margin accounts. To minimize its exposure, the Company applies certain credit standards, applies limits to transactions and requires settlement of securities transactions on a cash basis or delivery against payment. Margin transactions are collateralized by securities in the clients' accounts in accordance with limits established by the applicable regulatory authorities and are subject to the Company's credit review and daily monitoring procedures. Management monitors the collectability of receivables and estimates an allowance for doubtful accounts. The accounts receivable outstanding are expected to be collectible within one year. The Company has recorded an allowance for doubtful accounts of \$4.9 million as at March 31, 2017 [March 31, 2016 – \$10.8 million] [Note 9].

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

As at March 31, 2017 and 2016, the Company's most significant counterparty concentrations were with financial institutions and institutional clients. Management believes that they are in the normal course of business and does not anticipate loss for non-performance.

### Liquidity risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they become due. The Company's management is responsible for reviewing liquidity resources to ensure funds are readily available to meet its financial obligations as they become due, as well as ensuring adequate funds exist to support business strategies and operational growth. The Company's business requires capital for operating and regulatory purposes. The current assets reflected on the statements of financial position are highly liquid. The majority of the positions held as securities owned are readily marketable and all are recorded at their fair value. Client receivables are generally collateralized by readily marketable securities and are reviewed daily for impairment in value and collectability. Receivables and payables from brokers and dealers represent the following: current open transactions that generally settle within the normal three-day settlement cycle; collateralized securities borrowed and/or loaned in transactions that can be closed within a few days on demand; and balances on behalf of introducing brokers representing net balances in connection with their client accounts. Additional information regarding the Company's capital structure and capital management objectives is discussed in Note 23.

The following table presents the contractual terms to maturity of the financial liabilities owed by the Company as at March 31, 2017:

Financial liability	Carrying amount		Contractual term to maturity
	March 31, 2017	March 31, 2016	
Bank indebtedness	\$ 25,280	\$ 14,910	Due on demand
Accounts payable and accrued liabilities	3,669,883	2,185,047	Due within one year
Securities sold short	645,742	427,435	Due within one year
Subordinated debt	7,500	15,000	Due on demand <sup>(1)</sup>
Convertible debentures	56,442	—	Due in December 2021

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

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

### Market risk

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

### Fair value risk

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

The following table summarizes the effect on earnings as a result of a fair value change in financial instruments as at March 31, 2017. This analysis assumes all other variables remain constant. The methodology used to calculate the fair value sensitivity is consistent with the prior year.

Financial instrument	March 31, 2017			March 31, 2016		
	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	213,164	8,793	(8,793)	161,967	6,681	(6,681)
Equities and convertible debentures sold short	(103,915)	(4,286)	4,286	(86,171)	(3,555)	3,555

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

Financial instrument	March 31, 2017			March 31, 2016		
	Carrying value	Effect of a 10% increase in fair value on OCI	Effect of a 10% decrease in fair value on OCI	Carrying value	Effect of a 10% increase in fair value on OCI	Effect of a 10% decrease in fair value on OCI
Investments	\$ 2,829	\$ 283	\$ (283)	\$ 5,578	\$ 558	\$ (558)

#### Interest rate risk

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

All cash and cash equivalents mature within three months. Net clients' receivable (payable) balances charge (incur) interest based on floating interest rates. Subordinated debt bears interest at a rate of prime plus 4.0%, payable monthly. The bank indebtedness bears interest at 2.25%.

The following table provides the effect on net income for the years ended March 31, 2017 and 2016 if interest rates had increased or decreased by 100 basis points applied to balances as of March 31, 2017 and 2016. Fluctuations in interest rates do not have an effect on OCI. This sensitivity analysis assumes all other variables remain constant. The methodology used to calculate the interest rate sensitivity is consistent with the prior year.

	March 31, 2017			March 31, 2016		
	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 <sup>(1)</sup>	Carrying value Asset (Liability)	Net income effect of a 100 bps increase in interest rates	Net income effect of a 100 bps decrease in interest rates <sup>(1)</sup>
Cash and cash equivalents, net of bank indebtedness	\$ 652,489	\$ 4,894	\$ (4,894)	\$ 413,419	\$ 3,101	\$ (3,101)
Marketable securities owned, net of marketable securities sold short	138,488	(359)	225	137,311	(2,142)	2,337
Clients' payable, net	(1,095,110)	(8,215)	(2,249)	(627,389)	(4,705)	(2,367)
RRSP cash balances held in trust	302,532	2,269	(2,269)	298,839	2,241	(2,241)
Brokers' and investment dealers' balance, net	712,762	(8,117)	406	316,229	(20)	1
Subordinated debt	7,500	(56)	56	15,000	(113)	113

(1) Subject to a floor of zero

### Foreign exchange risk

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

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

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

As at March 31, 2017:

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

As at March 31, 2016:

Currency	Effect of a 5% appreciation in foreign exchange rate on net income	Effect of a 5% depreciation in foreign exchange rate on net income	Effect of a 5% appreciation in foreign exchange rate on OCI	Effect of a 5% depreciation in foreign exchange rate on OCI
US dollar	\$ (319)	\$ 319	\$ 7,388	\$ (7,388)
Pound sterling	(618)	618	42,023	(42,023)
Australian dollar	nil	nil	1,190	(1,190)

### DERIVATIVE FINANCIAL INSTRUMENTS

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

#### Foreign exchange forward contracts

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

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

Forward contracts outstanding at March 31, 2017:

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

Forward contracts outstanding at March 31, 2016:

	Notional amount (millions)	Average price	Maturity	Fair value
To sell US dollars	USD \$ 2.6	\$1.29 (CAD/USD)	April 1, 2016	\$ (3)
To buy US dollars	USD \$ 1.9	\$1.29 (CAD/USD)	April 1, 2016	\$ 3

The Company's Canaccord Genuity Wealth Management segment in the UK and Europe trades foreign exchange forward contracts on behalf of its clients, and establishes matching contracts with the counterparties. The Company has no significant net exposure, assuming no counterparty default. The principal currencies of the forward contracts are: the UK pound sterling, the US dollar, or the euro. The weighted average term to maturity is 61 days as at March 31, 2017 [March 31, 2016 – 69 days]. The table below shows the fair value of the forward contract assets and liabilities, and the notional value of these forward contracts as at March 31, 2017. The fair value of the forward contract assets and liabilities is included in the accounts receivable and payable balances.

	March 31, 2017			March 31, 2016		
	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount
Foreign exchange forward contracts	\$ 1,806	\$ 1,640	\$ 177,384	\$ 5,682	\$ 5,441	\$ 294,162

## FUTURES

The Company's Canadian operations are involved in trading bond futures contracts, which are agreements to buy or sell a standardized amount of an underlying Government of Canada bond, at a predetermined future date and price, in accordance with terms specified by a regulated futures exchange, and are subject to daily cash margining. The Company's Canadian operations trade in bond futures in an attempt to mitigate interest rate risk, yield curve risk and liquidity risk. At March 31, 2017, the notional amount of the bond futures contracts outstanding was long \$0.5 million [March 31, 2016 – \$10.9 million].

The Company's Canadian operations are also involved in trading US Treasury futures in an attempt to mitigate interest rate risk, yield curve risk and liquidity risk. At March 31, 2017, the notional amount of US Treasury futures contracts outstanding held in a short position was \$nil (US\$nil) [March 31, 2016 – \$12.3 million (US\$9.5 million)].

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

## SECURITIES LENDING AND BORROWING

The Company employs securities lending and borrowing primarily to facilitate the securities settlement process. These arrangements are typically short term in nature, with interest being received when cash is delivered and interest being paid when cash is received. These transactions are fully collateralized and are subject to daily margin calls for any deficiency between the market value of the security given and the amount of collateral received. These transactions are collateralized by either cash or securities, including government treasury bills and government bonds, and are reflected within accounts receivable and accounts payable. Interest earned on cash collateral is based on a floating rate. At March 31, 2017, the floating rates ranged from 0.00% to 0.25% [March 31, 2016 – 0.00% to 0.25%].

	Cash		Securities	
	Loaned or delivered as collateral	Borrowed or received as collateral	Loaned or delivered as collateral	Borrowed or received as collateral
March 31, 2017	\$ 182,474	\$ 41,098	\$ 43,252	\$ 233,811
March 31, 2016	118,897	26,586	27,347	159,616

## BANK INDEBTEDNESS

The Company enters into call loans or overdraft positions primarily to facilitate the securities settlement process for both client and Company securities transactions. The bank indebtedness is collateralized by unpaid client securities and/or securities owned by the Company. As at March 31, 2017 the Company had \$25.3 million of bank indebtedness outstanding [March 31, 2016 – \$14.9 million].

## OTHER CREDIT FACILITIES

Subsidiaries of the Company have credit facilities with banks in Canada and the UK for an aggregate amount of \$602.6 million [March 31, 2016 – \$697.3 million]. These credit facilities, consisting of call loans, letters of credit and daylight overdraft facilities, are collateralized by unpaid client securities and/or securities owned by the Company. As of March 31, 2017 and 2016, there were no balances outstanding under these other credit facilities.

A subsidiary of the Company has also entered into secured irrevocable standby letters of credit from a financial institution totalling \$2.7 million (US\$2.0 million) [March 31, 2016 – \$2.6 million (US\$2.0 million)] as rent guarantees for its leased premises in New York. As of March 31, 2017 and 2016, there were no outstanding balances under these standby letters of credit.

## NOTE 08 Interest in Other Entities

The Company has a 58% controlling interest for accounting purposes in Canaccord Financial Group (Australia) Pty Ltd. and Canaccord Genuity (Australia) Limited as of March 31, 2017 [March 31, 2016 – 58%]. Together, these entities operate as Canaccord Genuity Australia and the operation's principal place of business is in Australia. As discussed in Note 23, Canaccord Genuity (Australia) Limited is regulated by the Australian Securities and Investments Commission.

Canaccord Genuity Australia reported total net income of \$12.5 million in fiscal 2017 [2016: net loss of \$22.6 million]. As at March 31, 2017, accumulated non-controlling interest was \$11.9 million [March 31, 2016 – \$8.7 million]. Summarized financial information including goodwill on acquisition and consolidation adjustments before inter-company eliminations is presented.

Summarized statement of profit or loss for the years ended March 31, 2017 and 2016:

	Canaccord Genuity Australia	
	March 31, 2017	March 31, 2016
For the years ended		
Revenue	\$ 59,693	\$ 31,229
Expenses	(42,088)	(32,296)
Impairment of goodwill	—	(22,342)
Net income (loss) before taxes	17,605	(23,409)
Income tax expense (recovery)	5,153	(825)
<b>Net income (loss)</b>	<b>12,452</b>	<b>(22,584)</b>
Attributable to:		
CGGI shareholders	7,369	(22,488)
Non-controlling interests	5,083	(96)
<b>Total comprehensive income (loss)</b>	<b>12,844</b>	<b>(21,401)</b>
Attributable to:		
CGGI shareholders	7,597	(21,777)
Non-controlling interests	5,247	376
Dividends paid to non-controlling interests	2,520	2,952

Summarized statement of financial position as at March 31, 2017 and 2016:

	Canaccord Genuity Australia	
	March 31, 2017	March 31, 2016
Current assets	\$ 51,817	\$ 26,241
Non-current assets	5,460	4,202
Current liabilities	25,189	7,470
Non-current liabilities	—	—

Summarized cash flow information for the years ended March 31, 2017 and 2016:

	Canaccord Genuity Australia	
	March 31, 2017	March 31, 2016
Cash provided by operating activities	\$ 11,623	\$ 715
Cash used by financing activities	(3,679)	(5,667)
Cash used by investing activities	(201)	(370)
Foreign exchange impact on cash balance	276	(480)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ 8,019</b>	<b>\$ (5,802)</b>

## NOTE 09

## Accounts Receivable and Accounts Payable and Accrued Liabilities

## ACCOUNTS RECEIVABLE

	March 31, 2017	March 31, 2016
Brokers and investment dealers	\$ 2,625,939	\$ 1,303,222
Clients	373,300	365,272
RRSP cash balances held in trust	302,532	298,839
Other	93,965	73,817
	<b>\$ 3,395,736</b>	<b>\$ 2,041,150</b>

## ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2017	March 31, 2016
Brokers and investment dealers	\$ 1,913,177	\$ 986,993
Clients	1,468,410	992,661
Other	288,296	205,393
	<b>\$ 3,669,883</b>	<b>\$ 2,185,047</b>

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

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

Amounts due from and to clients are due by the settlement date of the trade transaction. Margin loans are due on demand and are collateralized by the assets in the clients' accounts. Interest on margin loans and on amounts due to clients is based on a floating rate [March 31, 2017 – 5.70% to 6.75% and 0.00% to 0.05%, respectively; March 31, 2016 – 5.70% to 6.50% and 0.00% to 0.05%, respectively].

As at March 31, 2017, the allowance for doubtful accounts was \$4.9 million [March 31, 2016 – \$10.8 million]. See below for the movements in the allowance for doubtful accounts:

Balance, March 31, 2015	\$	11,985
Charge for the year		4,808
Recoveries		(2,395)
Write-offs		(3,681)
Foreign exchange		46
<b>Balance, March 31, 2016</b>	<b>\$</b>	<b>10,763</b>
Charge for the year		4,153
Recoveries		(4,601)
Write-offs		(5,317)
Foreign exchange		(56)
<b>Balance, March 31, 2017</b>	<b>\$</b>	<b>4,942</b>

**NOTE 10 Investments**

	March 31, 2017	March 31, 2016
Available for sale	\$ 2,829	\$ 5,578

The Company holds an investment in Euroclear, one of the principal clearing houses for securities traded in the Euromarket.

As a result of changes in market indicators, the Company recorded an impairment charge of \$2.4 million related to an investment in a private company during the year ended March 31, 2017.

These investments are carried at fair value, as described in Note 7.

**NOTE 11 Equipment and Leasehold Improvements**

	Cost	Accumulated amortization	Net book value
<b>March 31, 2017</b>			
Computer equipment	\$ 9,999	\$ 4,476	\$ 5,523
Furniture and equipment	21,953	17,764	4,189
Leasehold improvements	83,513	61,746	21,767
	<b>115,465</b>	<b>83,986</b>	<b>31,479</b>
<b>March 31, 2016</b>			
Computer equipment	10,825	3,603	7,222
Furniture and equipment	21,446	16,555	4,891
Leasehold improvements	82,734	57,798	24,936
	115,005	77,956	37,049

	Computer equipment	Furniture and equipment	Leasehold improvements	Total
<b>Cost</b>				
Balance, March 31, 2015	\$ 10,320	\$ 21,080	\$ 87,883	\$ 119,283
Additions	3,277	1,351	5,937	10,565
Disposals	(2,973)	(72)	(1,465)	(4,510)
Impairment	—	(691)	(10,184)	(10,875)
Foreign exchange	201	(222)	563	542
Balance, March 31, 2016	\$ 10,825	\$ 21,446	\$ 82,734	\$ 115,005
Additions	1,358	915	2,929	5,202
Disposals	(1,525)	(131)	(929)	(2,585)
Foreign exchange	(659)	(277)	(1,221)	(2,157)
<b>Balance, March 31, 2017</b>	<b>\$ 9,999</b>	<b>\$ 21,953</b>	<b>\$ 83,513</b>	<b>\$ 115,465</b>

	Computer equipment	Furniture and equipment	Leasehold improvements	Total
<b>Accumulated amortization and impairment</b>				
Balance, March 31, 2015	\$ 3,694	\$ 15,499	\$ 56,717	\$ 75,910
Amortization	2,807	2,201	5,758	10,766
Disposals	(2,957)	(64)	(624)	(3,645)
Impairment	—	(268)	(4,607)	(4,875)
Foreign exchange	59	(813)	554	(200)
Balance, March 31, 2016	\$ 3,603	\$ 16,555	\$ 57,798	\$ 77,956
Amortization	2,474	1,537	5,314	9,325
Disposals	(1,130)	(130)	(918)	(2,178)
Foreign exchange	(471)	(198)	(448)	(1,117)
<b>Balance, March 31, 2017</b>	<b>\$ 4,476</b>	<b>\$ 17,764</b>	<b>\$ 61,746</b>	<b>\$ 83,986</b>

The carrying value of any temporarily idle property, plant and equipment is not considered material as at March 31, 2017 and March 31, 2016.

**NOTE 12****Goodwill and Other Intangible Assets**

	Identifiable intangible assets							Total
	Goodwill	Brand names	Customer relationships	Technology	Software under development	Non- competition	Trading licenses	
<b>Gross amount</b>								
Balance, March 31, 2015	\$ 526,364	\$ 44,930	\$ 97,578	\$ 26,595	\$ 4,491	\$ 13,945	\$ 184	\$ 187,723
Additions	—	—	—	1,444	2,726	—	—	4,170
Transfer between categories	—	—	—	2,691	(2,691)	—	—	—
Other	—	—	—	—	—	—	—	—
Foreign exchange	—	—	(152)	(218)	(20)	208	12	(170)
Balance, March 31, 2016	526,364	44,930	97,426	30,512	4,506	14,153	196	191,723
Additions	—	—	—	440	—	—	—	440
Transfer between categories	—	—	—	1,382	(1,382)	—	—	—
Foreign exchange	(11,466)	—	(6,303)	(3,132)	(79)	—	—	(9,514)
<b>Balance, March 31, 2017</b>	<b>514,898</b>	<b>44,930</b>	<b>91,123</b>	<b>29,202</b>	<b>3,045</b>	<b>14,153</b>	<b>196</b>	<b>182,649</b>
<b>Accumulated amortization and impairment</b>								
Balance, March 31, 2015	(20,785)	—	(33,197)	(7,352)	—	(12,297)	—	(52,846)
Amortization	—	—	(9,799)	(3,470)	—	(1,645)	—	(14,914)
Impairment	(301,847)	—	(1,564)	—	(2,350)	—	(196)	(4,110)
Foreign exchange	—	—	294	268	—	(211)	—	351
Balance, March 31, 2016	(322,632)	—	(44,266)	(10,554)	(2,350)	(14,153)	(196)	(71,519)
Amortization	—	—	(8,617)	(3,182)	—	—	—	(11,799)
Foreign exchange	—	—	2,351	1,117	—	—	—	3,468
<b>Balance, March 31, 2017</b>	<b>(322,632)</b>	<b>—</b>	<b>(50,532)</b>	<b>(12,619)</b>	<b>(2,350)</b>	<b>(14,153)</b>	<b>(196)</b>	<b>(79,850)</b>
<b>Net book value</b>								
March 31, 2016	203,732	44,930	53,160	19,958	2,156	—	—	120,204
<b>March 31, 2017</b>	<b>192,266</b>	<b>44,930</b>	<b>40,591</b>	<b>16,583</b>	<b>695</b>	<b>—</b>	<b>—</b>	<b>102,799</b>

During the year ended March 31, 2017, there were \$1.4 million of intangible assets transferred from software under development to technology. These intangible assets relate to a back-office accounting software that became available for use during the year ended March 31, 2017 and is being amortized over the estimated useful life of 10 years.

## IMPAIRMENT TESTING OF GOODWILL AND OTHER ASSETS

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

	Intangible assets with indefinite lives		Goodwill		Total	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
<b>Canaccord Genuity CGUs</b>						
Canada	\$ 44,930	\$ 44,930	\$ 92,074	\$ 92,074	\$ 137,004	\$ 137,004
<b>Canaccord Genuity Wealth Management CGUs</b>						
UK and Europe (Channel Islands)	—	—	90,257	100,585	90,257	100,585
UK and Europe (Eden Financial)			9,935	11,073	9,935	11,073
	\$ 44,930	\$ 44,930	\$ 192,266	\$ 203,732	\$ 237,196	\$ 248,662

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

Goodwill and intangible assets with indefinite lives are tested for impairment annually at March 31, and when circumstances indicate the carrying value may potentially be impaired. If any indication of impairment exists, the Company estimates the recoverable amount of the CGU to which goodwill and indefinite life intangible assets are allocated. Where the carrying amount of a CGU exceeds its recoverable amount, an impairment loss is recognized. Any impairment loss first reduces the carrying amount of any goodwill allocated to the CGUs and then if any impairment loss remains, the other assets of the unit are reduced on a pro rata basis. Impairment losses relating to goodwill cannot be reversed in future periods. The Company considers the relationship between its market capitalization and the book value of its equity, among other factors, when reviewing for indicators of impairment. Consequently, interim goodwill and other assets impairment testing was carried out for all applicable CGUs at June 30, September 30 and December 31, 2016.

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

The FVLCS calculations are based on assumptions, as described above, made in connection with future cash flows, relief of royalties with respect to the brand name indefinite life intangible asset, terminal growth rates and discount rates. In order to estimate the FVLCS for each CGU, cash flows are forecast over a five-year period, a terminal growth rate is applied and then such cash flows are discounted to their present value. The discount rate is based on the specific circumstances of each CGU and is derived from the estimated weighted average cost of capital of the Company. The CGUs which recorded goodwill in their carrying value as of March 31, 2017 were Canaccord Genuity, Canada and Canaccord Genuity Wealth Management UK & Europe (Channel Islands) and UK. The discount rate utilized for each of these CGUs for the purposes of these calculations was 12.5% [March 31, 2016 – 12.5%]. Cash flow estimates for each of these CGUs were based on management assumptions as described above and utilize five year compound annual revenue growth rates was 5.0% [March 31, 2016 – 4.8% to 5.0%] as well as estimates in respect of operating margins. The terminal growth rate used for each of Canaccord Genuity, Canada and Canaccord Genuity Wealth Management UK & Europe (Channel Islands) and UK was 2.5% [March 31, 2016 – 2.5%].

Sensitivity testing was conducted as part of the annual impairment test of goodwill and indefinite life intangible assets for the Canaccord Genuity – Canada CGU. The sensitivity testing includes assessing the impact that reasonably possible declines in revenue estimates for the 12-month period ending on March 31, 2018 and declines in growth rates after that period and increases in the discount rates would have on the recoverable amounts of the CGUs, with other assumptions being held constant. An increase in the discount rate of 5.0 percentage points, a decrease in the estimated revenue for the year ending March 31, 2018 of \$27.0 million or a decrease in the five year compound annual growth rate of 12.2 percentage points would result in the estimate of the recoverable amount declining below the carrying value with the result that an impairment charge would be required. Any such impairment charge would be determined after incorporating the effect of any changes in key assumptions including any consequential effects of such changes on estimated operating income and on other factors.

**NOTE 13 Business Disposition**

The Company sold 100% of the ordinary shares of Canaccord Genuity Singapore Pte, Ltd. to SAC Capital Private Limited. The sale was completed on June 30, 2016. The Company received upfront cash consideration on closing of \$0.1 million and may receive further payments based on the value of net tangible assets at the completion date and deferred consideration calculated with reference to future profits arising from the existing business over the next two years.

For the year ended March 31, 2017, the Company recorded net income of \$0.01 million attributable to the Singapore operation prior to its disposal.

The Company recognized a loss of \$0.4 million on the disposal, as well as realized translation gain of \$1.6 million which was previously included in accumulated other comprehensive income. The net gain of \$1.2 million is included in other revenue in the statement of operations for the year ended March 31, 2017.

**NOTE 14 Income Taxes**

The major components of income tax expense (recovery) are:

	March 31, 2017	March 31, 2016
<b>Consolidated statements of operations</b>		
Current income tax expense (recovery)		
Current income tax expense (recovery)	\$ 16,286	\$ (2,584)
Adjustments in respect of prior years	36	(606)
	<b>16,322</b>	<b>(3,190)</b>
Deferred income tax recovery		
Origination and reversal of temporary differences	(5,667)	(2,127)
Impact of change in tax rates	43	(87)
	<b>(5,624)</b>	<b>(2,214)</b>
Income tax expense (recovery) reported in the statements of operations	<b>\$ 10,698</b>	<b>\$ (5,404)</b>

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

	March 31, 2017	March 31, 2016
Net income (loss) before income taxes	\$ 53,884	\$ (363,971)
Income tax expense (recovery) at the statutory rate of 26.0% (2016: 26.0%)	13,999	(94,632)
Difference in tax rates in foreign jurisdictions	(4,096)	(3,663)
Non-deductible items affecting the determination of taxable income	3,051	3,241
Impairment of goodwill and other assets	—	81,913
Change in accounting and tax base estimate	(1,143)	923
Change in deferred tax asset – reversal period of temporary difference and other	(2,292)	(2,033)
Tax losses and other temporary differences not recognized	1,208	3,827
Share based payments	(29)	5,020
Income tax expense (recovery) reported in the statements of operations	<b>\$ 10,698</b>	<b>\$ (5,404)</b>

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

	Consolidated statements of financial position		Consolidated statements of operations	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Unrealized gain on securities owned	\$ (114)	\$ (1,106)	\$ (992)	\$ (479)
Legal provisions	1,195	356	(839)	246
Unpaid remunerations	4,971	2,258	(2,713)	(80)
Unamortized capital cost of equipment and leasehold improvements over their net book value	2,974	2,687	(287)	23
Unamortized common share purchase loans	1,792	1,252	(541)	2,197
Loss carryforwards	6,491	8,636	2,145	(2,573)
Common and preferred shares issuance costs	(247)	138	385	603
Long-term incentive plan	14,398	13,858	(541)	(1,960)
Other intangible assets	(17,523)	(19,770)	(2,296)	(1,987)
Other	1,246	2,462	55	1,796
	\$ 15,183	\$ 10,771	\$ (5,624)	\$ (2,214)

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

	March 31, 2017	March 31, 2016
Deferred tax assets	\$ 15,323	\$ 11,221
Deferred tax liabilities	(140)	(450)
	\$ 15,183	\$ 10,771

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

	March 31, 2017	March 31, 2016
<b>Opening balance as of April 1</b>	\$ 10,771	\$ 8,091
Tax recovery recognized in the consolidated statements of operations	5,624	2,214
Foreign exchange on deferred tax position	(810)	134
Deferred tax liability on convertible debentures	(990)	—
Other	588	332
Ending balance as of March 31	\$ 15,183	\$ 10,771

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

The Company has recognized deferred tax assets of \$4.0 million [2016 – \$4.8 million] on tax loss carryforwards of \$15.4 million [2016 – \$20.6 million] in the UK and Europe. Subject to certain limitations, these losses can be carried forward indefinitely. The Company has also recognized deferred tax assets of \$2.5 million [2016 – \$3.9 million] on tax loss carryforwards of \$9.5 million [2016 – \$14.7 million] in Canada. These losses can be carried forward for 20 years from the year in which the losses were incurred.

At the balance sheet date, the Company has tax loss carryforwards of approximately \$37.9 million [2016 – \$42.2 million] for which a deferred tax asset has not been recognized. These losses relate to subsidiaries outside of Canada that have a history of losses and may also be subject to legislative limitations on use and may not be used to offset taxable income elsewhere in the consolidated group of companies. The subsidiaries have no taxable temporary differences or any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets, as the likelihood of future economic benefit is not sufficiently assured. These losses begin expiring in 2029.

Other temporary differences not recognized as deferred tax assets in relation to subsidiaries outside of Canada amount to \$33.7 million at March 31, 2017 [2016 – \$26.3 million]. Since the subsidiaries outside of Canada have a history of losses and

the deductible temporary differences may not be used to offset taxable income elsewhere in the consolidated group of companies, no asset has been recognized as the likelihood of future economic benefit is not sufficiently assured.

#### NOTE 15 Subordinated Debt

	March 31, 2017	March 31, 2016
Loan payable, interest payable monthly at prime + 4% per annum, due on demand	\$ 7,500	\$ 15,000

The loan payable is subject to a subordination agreement and may only be repaid with the prior approval of IIROC. As at March 31, 2017 and 2016, the interest rates for the subordinated debt were 6.7% and 6.85%, respectively. The carrying value of subordinated debt approximates its fair value due to the short term nature of this liability.

During the year ended March 31, 2017, the Company repaid \$7.5 million of the subordinated debt.

#### NOTE 16 Convertible Debentures

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

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

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

	March 31, 2017		March 31, 2016	
	Liability	Equity	Liability	Equity
Convertible debentures	\$56,442	\$2,604	—	—

#### NOTE 17 Preferred Shares

	March 31, 2017		March 31, 2016	
	Amount	Number of shares	Amount	Number of shares
Series A Preferred Shares issued and outstanding	\$ 110,818	4,540,000	\$ 110,818	4,540,000
Series C Preferred Shares issued and outstanding	97,450	4,000,000	97,450	4,000,000
Series C Preferred Shares held in treasury	(2,627)	(106,794)	(2,627)	(106,794)
	94,823	3,893,206	94,823	3,893,206
	\$ 205,641	8,433,206	\$ 205,641	8,433,206

#### [i] SERIES A PREFERRED SHARES

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

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

Holders of Series A Preferred Shares had the option to convert any or all of their shares into an equal number of Cumulative Floating Rate First Preferred Shares, Series B (Series B Preferred Shares), subject to certain conditions, on September 30, 2016 and have the option on September 30 every five years thereafter. The number of shares tendered for conversion by the conversion deadline of September 15, 2016 was below the minimum required to proceed with the conversion and, accordingly, no Series B

Preferred Shares were issued. Series B Preferred Shares would entitle any holders thereof to receive floating rate, cumulative, preferential dividends payable quarterly, if declared, at a rate equal to the three-month Government of Canada Treasury Bill yield plus 3.21%.

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

### **[ii] SERIES C PREFERRED SHARES**

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

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

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

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

	March 31, 2017		March 31, 2016	
	Amount	Number of shares	Amount	Number of shares
Issued and fully paid	\$ 772,645	113,511,468	\$ 729,502	103,812,814
Unvested share purchase loans	(9,366)	(1,590,146)	(15,099)	(2,557,568)
Held for the LTIP	(121,830)	(19,141,505)	(96,647)	(12,171,624)
	<b>\$ 641,449</b>	<b>92,779,817</b>	<b>\$ 617,756</b>	<b>89,083,622</b>
Warrants				
		Number of warrants	Amount	Number of warrants
Warrants issued in connection with Private Placement	\$1,975	3,438,412	—	—

### **[i] AUTHORIZED**

Unlimited common shares without par value.

**[ii] ISSUED AND FULLY PAID**

	Number of shares		Amount
Balance, March 31, 2015	102,607,705	\$	722,509
Shares issued in connection with share-based payment plans [Note 20]	1,806,115		10,023
Shares issued in connection with replacement plans [Note 20]	77,830		1,749
Shares cancelled	(678,836)		(4,779)
Balance, March 31, 2016	103,812,814		729,502
Shares issued in connection with share-based payment plans [Note 20]	2,433,285		14,840
Shares issued in connection with replacement plans [Note 20]	76,088		685
Shares issued for other stock-based awards	507,051		2,373
Shares issued in connection with private placement	6,876,824		26,601
Shares cancelled	(194,594)		(1,356)
<b>Balance, March 31, 2017</b>	<b>113,511,468</b>	<b>\$</b>	<b>772,645</b>

On August 11, 2016, the Company filed a notice to renew the normal course issuer bid (NCIB) to provide the Company with the choice to purchase up to a maximum of 5,587,378 of its common shares during the period from August 15, 2016 to August 14, 2017 through the facilities of the TSX and on alternative trading systems in accordance with the requirements of the TSX. The purpose of the purchase of common shares under the NCIB is to enable the Company to acquire shares for cancellation. The maximum number of shares that may be purchased under the current NCIB represents 5.0% of the Company's outstanding common shares at the time of the notice. During the year ended March 31, 2017, a total of 99,800 shares were purchased under the terms of the NCIB at a weighted average price per share of \$3.5913; all these shares have been cancelled.

During the year ended March 31, 2017, the Company completed the closings of a non-brokered private placement (Private Placement) to employees of the Company. In aggregate, the Company issued 6,876,824 Units at a price of \$4.17 per unit for aggregate proceeds to the Company of \$28.3 million. Each Unit consists of one common share ("Common Share") of the Company and one-half of one Common Share purchase warrant ("Warrant"). Each whole Warrant will entitle the holder to acquire one Common Share at an exercise price of \$4.99 for the period from June 17, 2019 to December 17, 2019. Warrants are not listed and are not transferable.

The common shares issued under the Private Placement are subject to a hold period, with one-third of the common shares issued to each purchaser becoming freely tradeable on each anniversary of the closing date of the Private Placement.

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

During the year ended March 31, 2017, the Company issued 507,051 common shares in consideration for \$2.4 million in connection with a stock-based award made during the year in accordance with the rules of the Toronto Stock Exchange for securities based compensation arrangements.

**[iii] FORGIVABLE COMMON SHARE PURCHASE LOANS**

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

**[IV] EARNINGS (LOSS) PER COMMON SHARE**

	For the years ended	
	March 31, 2017	March 31, 2016
<b>Earnings (loss) per common share</b>		
Net income (loss) attributable to CGGI shareholders	\$ 38,103	\$ (358,471)
Preferred shares dividends	(11,076)	(11,992)
Net income (loss) attributable to common shareholders	27,027	(370,463)
Weighted average number of common shares (number)	91,656,708	90,552,860
Basic earnings (loss) per share	\$ 0.29	\$ (4.09)
<b>Diluted earnings (loss) per common share</b>		
Net income (loss) attributable to common shareholders	27,027	(370,463)
Weighted average number of common shares (number)	91,656,708	n/a
Dilutive effect in connection with LTIP (number)	8,248,790	n/a
Dilutive effect in connection with other share-based payment plans (number)	1,243,573	n/a
Adjusted weighted average number of common shares (number)	101,149,072	n/a
Diluted earnings (loss) per common share	\$ 0.27	\$ (4.09)

For the year ended March 31, 2016, the instruments involving potential common shares were excluded from the calculation of diluted loss per share as they were anti-dilutive.

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

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

**NOTE 19****Dividends****COMMON SHARE DIVIDENDS**

On June 1, 2017 the Board of Directors established a revised dividend policy, and in accordance with that policy, approved a dividend of \$0.10 per common share, payable on July 3, 2017 with a record date of June 16, 2017. This dividend is comprised of a \$0.01 base quarterly dividend and a \$0.09 variable supplemental dividend. [Note 27]

**PREFERRED SHARE DIVIDENDS**

Record date	Payment date	Cash dividend per Series A Preferred Share	Cash dividend per Series C Preferred Share	Total preferred dividend amount
March 17, 2017	March 31, 2017	\$ 0.24281	\$ 0.359375	\$ 2,540
December 23, 2016	January 3, 2017	\$ 0.24281	\$ 0.359375	\$ 2,540
September 16, 2016	September 30, 2016	\$ 0.34375	\$ 0.359375	\$ 2,998
June 17, 2016	June 30, 2016	\$ 0.34375	\$ 0.359375	\$ 2,998

On June 1, 2017, the Board approved a cash dividend of \$0.24281 per Series A Preferred Share payable on June 30, 2017 to Series A Preferred shareholders of record as at June 16, 2017 [Note 27].

On June 1, 2017, the Board approved a cash dividend of \$0.359375 per Series C Preferred Share payable on June 30, 2017 to Series C Preferred shareholders of record as at June 16, 2017 [Note 27].

**NOTE 20****Share-Based Payment Plans****[i] LONG-TERM INCENTIVE PLAN**

Under the long-term incentive plan (LTIP), eligible participants are awarded restricted share units (RSUs), which generally vest over three years. For employees in Canada, the United States, Channel Islands, Australia and the United Kingdom, employee benefit trusts have been established. The Company or certain of its subsidiaries, as the case may be, fund the employee benefit trusts (the Trusts) with cash which is used by the trustees to purchase common shares on the open market that will be held in the Trusts until the RSUs vest.

There were 11,895,720 RSUs [year ended March 31, 2016 – 8,130,645 RSUs] granted in lieu of cash compensation to employees during the year ended March 31, 2017. The Trusts purchased 9,848,638 common shares [year ended March 31, 2016 – 7,554,788 common shares] during the year ended March 31, 2017.

The fair value of the RSUs at the measurement date is based on the fair value on grant date and is amortized on a graded basis over the vesting period of generally three years. The weighted average fair value of RSUs granted during the year ended March 31, 2017 was \$4.75 [March 31, 2016 – \$6.34].

	Number
Awards outstanding, March 31, 2015	10,746,218
Grants	8,130,645
Vested	(3,951,322)
Cancellations	(1,815,790)
Forfeited	(1,146,896)
Awards outstanding, March 31, 2016	<b>11,962,855</b>
Grants	<b>11,895,720</b>
Vested	<b>(4,598,904)</b>
Forfeited	<b>(1,079,926)</b>
<b>Awards outstanding, March 31, 2017</b>	<b>18,179,745</b>

	Number
Common shares held by the Trusts, March 31, 2015	7,388,489
Acquired	7,554,788
Released on vesting	(2,771,653)
Common shares held by the Trusts, March 31, 2016	<b>12,171,624</b>
Acquired	<b>9,838,528</b>
Released on vesting	<b>(2,868,647)</b>
<b>Common shares held by the Trusts, March 31, 2017</b>	<b>19,141,505</b>

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

The Company provides loans to certain employees (other than directors or executive officers) for the purpose of partially funding the purchase of shares of the Company and increasing share ownership by the employees. The Company has provided such loans to executive officers in the past but has now adopted a policy not to make any further such loans to directors or executive officers. These loans are equity-settled transactions that are generally forgiven over a three- to five-year period from the initial advance of the loan or at the end of that three- to five-year period [Note 18 [iii]].

#### [iii] REPLACEMENT PLANS

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

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

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

	Number
Balance, March 31, 2015	32,893
Exercised	(7,256)
Balance, March 31, 2016	25,637
Exercised	(7,155)
<b>Balance, March 31, 2017</b>	<b>18,482</b>

The following table summarizes the share options outstanding as at March 31, 2017:

Range of exercise price	Options outstanding			Options exercisable	
	Number of common shares	Weighted average remaining contractual life	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
\$nil	18,482	5.01	nil	18,482	\$ nil

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

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

	Number
Awards outstanding, March 31, 2015	281,974
Exercised	(70,754)
Balance, March 31, 2016	211,400
Exercised	(68,933)
Balance, March 31, 2017	<b>142,467</b>

The following table summarizes the share options outstanding as at March 31, 2017:

Range of exercise price	Options outstanding			Options exercisable	
	Number of common shares	Weighted average remaining contractual life	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
\$nil	142,467	5.01	\$ nil	142,467	\$ nil

#### [iv] CSH INDUCEMENT PLAN

In connection with the acquisition of CSHP, the Company agreed to establish a retention plan for key CSHP staff. During the year ended March 31, 2013, the Company awarded 2,418,861 RSUs, which vested over a five-year period which ended on March 31, 2017. In accordance with the plan, one-third of the total RSUs (806,302 RSUs) vested on the third anniversary of the date of the grant under the terms of the existing LTIP. The remaining two-thirds of the total RSUs (1,612,559 RSUs) vested under the terms of the new CSH Inducement Plan. The awards were fully vested as of March 31, 2017.

	Total RSUs awarded (Number)
Balance, March 31, 2015	1,333,067
Vested	(626,446)
Forfeited	(55,545)
Balance, March 31, 2016	651,076
Vested	(573,932)
Forfeited	(77,144)
<b>Balance, March 31, 2017</b>	<b>—</b>

On each vesting date, the RSUs entitled the awardee to receive cash or common shares of the Company. During the five year vesting period, the Company, at its election, either (a) paid cash to the employee equal to \$8.50 multiplied by the number of RSUs vesting on such date, or (b) paid cash to the employee equal to the difference between \$8.50 and the vesting date share price, multiplied by the number of RSUs vesting on that date plus that number of shares equal to the number of RSUs vesting on such date.

The awards under this plan require either full or partial cash settlement if the share price at vesting was less than \$8.50 per share. To the extent that it was considered probable that cash settlement will be required, a portion of these awards was treated as cash settled, and recorded on the statements of financial position as a liability. The carrying amount of the liability at March 31, 2017 was \$nil [March 31, 2016 – \$2.1 million].

The fair value of the RSUs at the grant date was \$8.50, for a total plan value of \$20.2 million, which was amortized on a graded basis. The awards were fully amortized as of March 31, 2017.

**[v] SHARE OPTIONS**

The Company has previously granted share options to purchase common shares of the Company to directors and senior management. Share options to independent directors vested over a four-year period and expired seven years after the grant date or 30 days after the participant ceases to be a director. Share options to senior management vested over a five-year period and expired 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 was based on the fair market value of the common shares at grant date. All the outstanding share options have expired as of March 31, 2017.

The following is a summary of the Company's share options as at March 31, 2017 and changes during the period then ended:

	Number of options	Weighted average exercise price
Balance, March 31, 2015	1,609,354	\$ 9.25
Exercised	—	—
Expired	(100,000)	7.21
Balance, March 31, 2016	1,509,354	\$ 9.38
Exercised	—	—
Expired	(1,509,354)	\$ 9.38
<b>Balance, March 31, 2017</b>	<b>—</b>	<b>—</b>

**[vi] DEFERRED SHARE UNITS**

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

During the year ended March 31, 2017, the Company granted 84,990 DSUs [2016 – 92,461 DSUs]. The carrying amount of the liability relating to DSUs at March 31, 2017 was \$1.1 million [2016 – \$1.0 million].

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

	For the years ended	
	March 31, 2017	March 31, 2016
Long-term incentive plan	\$ 37,537	\$ 42,348
Forgivable common share purchase loans	1,699	5,552
CSH Inducement Plan	1,609	3,148
Deferred share units (cash-settled)	(762)	(489)
Other	239	(19)
Accelerated share-based payment expense included as restructuring expense	—	1,360
<b>Total share-based compensation expense</b>	<b>\$ 40,322</b>	<b>\$ 51,900</b>

## NOTE 21

## Related Party Transactions

## [i] CONSOLIDATED SUBSIDIARIES

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

	Country of incorporation	% equity interest	
		March 31, 2017	March 31, 2016
Canaccord Genuity Corp.	Canada	100%	100%
Canaccord Genuity SAS	France	100%	100%
Canaccord Genuity Wealth (International) Limited	Guernsey	100%	100%
Canaccord Genuity Financial Planning Limited	United Kingdom	100%	100%
Canaccord Genuity Wealth Limited	United Kingdom	100%	100%
Canaccord Genuity Wealth Group Limited	United Kingdom	100%	100%
Canaccord Genuity Wealth (International) Holdings Limited	Guernsey	100%	100%
Canaccord Genuity Limited	United Kingdom	100%	100%
Canaccord Genuity Wealth Group Holdings Ltd.	Canada	100%	n/a
Canaccord Genuity Inc.	United States	100%	100%
Canaccord Genuity Wealth Management (USA) Inc.	United States	100%	100%
Canaccord Genuity Wealth & Estate Planning Services Ltd.	Canada	100%	100%
Canaccord Asset Management Inc.	Canada	100%	100%
Canaccord Adams Financial Group Inc.	United States	100%	100%
Collins Stewart Inc.	United States	100%	100%
Canaccord Adams BC ULC	Canada	100%	n/a
Canaccord Adams (Delaware) Inc.	United States	100%	100%
Canaccord Genuity Securities LLC	United States	100%	100%
Stockwave Equities Ltd.	Canada	100%	100%
CLD Financial Opportunities Limited	Canada	100%	100%
Canaccord Genuity (Hong Kong) Limited	China (Hong Kong SAR)	100%	100%
Canaccord Financial Group (Australia) Pty Ltd*	Australia	50%	50%
Canaccord Genuity (Australia) Limited*	Australia	50%	50%
加通贝祥（北京）投资顾问有限公司 (Canaccord Genuity Asia (Beijing) Limited)	China	100%	100%
The Balloch Group Limited	British Virgin Islands	100%	100%
Canaccord Genuity Asia (Hong Kong) Limited	China (Hong Kong SAR)	100%	100%
Canaccord Genuity (Dubai) Ltd.	United Arab Emirates	100%	100%

\* The Company owns 50% of the issued shares of Canaccord Financial Group (Australia) Pty Ltd and Canaccord Genuity (Australia) Limited, but for accounting purposes, as of March 31, 2017 the Company is considered to have a 58% interest because of the shares held in a trust controlled by Canaccord Financial Group (Australia) Pty Ltd [March 31, 2016 – 58%] [Note 8]

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

Disclosed in the table below are the amounts recognized as expenses related to individuals who are key management personnel as at March 31, 2017 and 2016:

	March 31, 2017	March 31, 2016
Short term employee benefits	\$ 7,053	\$ 4,668
Post termination benefits	1,989	—
Share-based payments	3,979	2,526
<b>Total compensation paid to key management personnel</b>	<b>\$ 13,021</b>	<b>\$ 7,194</b>

As part of the total compensation arrangement with regards to his appointment as Chief Executive Officer effective October 1, 2015, the Chief Executive Officer received a grant of 1.5 million restricted share units. He surrendered this award effective March 31, 2016, and the amount of the award is not included in the table above.

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

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

	March 31, 2017	March 31, 2016
Accounts receivable	\$ 211	\$ 61
Accounts payable and accrued liabilities	219	4,035

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

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

## NOTE 22

## Segmented Information

The Company operates in two industry segments as follows:

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

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

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

	For the years ended							
	March 31, 2017				March 31, 2016			
	Canaccord Genuity	Canaccord Genuity Wealth Management	Corporate and Other	Total	Canaccord Genuity	Canaccord Genuity Wealth Management	Corporate and Other	Total
Revenues, excluding interest revenue	\$ 593,447	\$ 258,230	\$ 11,022	\$ 862,699	\$ 528,999	\$ 236,663	\$ 5,313	\$ 770,975
Interest revenue	4,944	8,881	3,022	16,847	3,271	9,904	3,655	16,830
Expenses, excluding undernoted	512,933	210,226	56,426	779,585	501,625	196,961	53,111	751,697
Amortization	10,651	9,102	1,371	21,124	13,915	10,264	1,160	25,339
Development costs	2,616	6,585	3,008	12,209	7,869	6,911	11,349	26,129
Interest expense	9,713	135	2,896	12,744	8,542	241	1,439	10,222
Restructuring costs	—	—	—	—	11,305	165	5,882	17,352
Impairment of goodwill	—	—	—	—	321,037	—	—	321,037
Income (loss) before income taxes and intersegment allocations	62,478	41,063	(49,657)	53,884	(332,023)	32,025	(63,973)	(363,971)
Less: Intersegment allocations	18,210	16,796	(35,006)	—	17,087	21,854	(38,941)	—
Income (loss) before income taxes	\$ 44,268	\$ 24,267	\$ (14,651)	\$ 53,884	\$(349,110)	\$ 10,171	\$ (25,032)	\$ (363,971)

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

The Company does not allocate total assets, liabilities or equipment and leasehold improvements to the segments. Amortization of tangible assets is allocated to the segments based on the square footage occupied. Amortization of identifiable intangible assets is allocated to the Canaccord Genuity segment, as it relates to the acquisitions of Genuity and the controlling interest in Canaccord Genuity Australia. Amortization of identifiable intangible assets acquired through the purchase of CSHP is allocated to Canaccord Genuity and Canaccord Genuity Wealth Management segments in the UK and Europe (Channel Islands). Amortization of identifiable intangible assets acquired through the acquisition of Eden Financial Ltd. is allocated to Canaccord Genuity Wealth Management segments in the UK and Europe (Eden Financial Ltd.). Income taxes are managed on a Company basis and are not allocated to operating segments. All revenue and income (loss) before taxes and intersegment allocations is derived from external customers. The Company also does not allocate cash flows by reportable segments.

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

	For the years ended	
	March 31, 2017	March 31, 2016
Canada	\$ 298,816	\$ 247,021
UK, Europe and Dubai	281,631	283,837
United States	237,142	218,965
Australia	59,693	31,138
Other Foreign Locations	2,264	6,844
	<b>\$ 879,546</b>	<b>\$ 787,805</b>

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

	Canada	UK, Europe and Dubai	United States	Other Foreign Locations	Australia	Total
<b>As at March 31, 2017</b>						
Equipment and leasehold improvements	\$ 11,080	\$ 9,884	\$ 8,757	\$ 31	\$ 1,727	\$ 31,479
Goodwill	92,074	100,192	—	—	—	192,266
Intangible assets	55,630	47,074	95	—	—	102,799
Non-current assets	158,784	157,150	8,852	31	1,727	326,544
<b>As at March 31, 2016</b>						
Equipment and leasehold improvements	12,452	12,751	9,798	66	1,982	37,049
Goodwill	92,074	111,658	—	—	—	203,732
Intangible assets	58,025	61,088	92	—	999	120,204
Non-current assets	\$ 162,551	\$ 185,497	\$ 9,890	\$ 66	\$ 2,981	\$ 360,985

## NOTE 23

## Capital Management

The Company's business requires capital for operating and regulatory purposes, including funding current and future operations. The Company's capital structure is underpinned by shareholders' equity, which is comprised of preferred shares, common shares, contributed surplus, warrants, retained earnings and accumulated other comprehensive income (loss), and is further complemented by the subordinated debt and convertible debentures. The following table summarizes our capital as at March 31, 2017 and 2016:

Type of capital	March 31, 2017	March 31, 2016
Preferred shares	\$ 205,641	\$ 205,641
Common shares	641,449	617,756
Convertible debentures – equity portion	2,604	—
Warrants	1,975	—
Contributed surplus	85,405	86,235
Retained earnings (deficit)	(267,559)	(294,586)
Accumulated other comprehensive income	95,270	134,883
Shareholders' equity	764,785	749,929
Convertible debentures	56,442	—
Subordinated debt	7,500	15,000
	<b>\$ 828,727</b>	<b>\$ 764,929</b>

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

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

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

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

Margin requirements in respect of outstanding trades, underwriting deal requirements and/or working capital requirements cause regulatory capital requirements to fluctuate on a daily basis. Compliance with these requirements may require the Company to keep sufficient cash and other liquid assets on hand to maintain regulatory capital requirements rather than using these liquid assets in connection with its business or paying them out in the form of cash disbursements. Some of the subsidiaries are also subject to regulations relating to withdrawal of capital, including payment of dividends to the Company. There were no significant changes in the Company's capital management policy during the current year. The Company's subsidiaries were in compliance with all of the minimum regulatory capital requirements as at and during the year ended March 31, 2017.

**NOTE 24 Client Money**

At March 31, 2017, the UK and Europe operations held client money in segregated accounts of \$2.120 million (£1.267 million) [2016 – \$2,179 million; £1,168.0 million]. This is comprised of \$11.2 million (£6.7 million) [2016 – \$6.2 million; £3.3 million] of balances held on behalf of clients to settle outstanding trades and \$2.109 million (£1.260 million) [2016 – \$2,173 million; £1,165 million] of segregated deposits, held on behalf of clients, which are not reflected on the consolidated statements of financial position. Movement in settlement balances is reflected in operating cash flows.

**NOTE 25 Provisions and Contingencies****PROVISIONS**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount can be made. At each reporting date, the Company assesses the adequacy of its pre-existing provisions and adjusts the amounts as necessary. The following is a summary of the changes during the years ended March 31, 2017 and 2016:

	Legal provisions	Restructuring provisions	Total provisions
Balance, March 31, 2015	\$ 2,846	\$ 11,474	\$ 14,320
Additions	2,518	17,352	19,870
Utilized	(1,764)	(13,615)	(15,379)
Balance, March 31, 2016	\$ 3,600	\$ 15,211	\$ 18,811
Additions	5,870	—	5,870
Utilized	(2,530)	(10,358)	(12,888)
<b>Balance, March 31, 2017</b>	<b>\$ 6,940</b>	<b>\$ 4,853</b>	<b>\$ 11,793</b>

The restructuring provisions at March 31, 2017 relate primarily to termination benefits incurred as part of the Company's reorganization during the year ended March 31, 2016.

**Commitments, litigation proceedings and contingent liabilities**

In the normal course of business, the Company is involved in litigation, and as of March 31, 2017, it was a defendant in various legal actions. The Company has established provisions for matters where payments are probable and can be reasonably estimated. While the outcome of these actions is subject to future resolution, management's evaluation and analysis of these actions indicate that, individually and in the aggregate, the probable ultimate resolution of these actions will not have a material effect on the financial position of the Company.

The Company is also subject to asserted and unasserted claims arising in the normal course of business which, as of March 31, 2017, have not resulted in the commencement of legal actions. The Company cannot determine the effect of all asserted and unasserted claims on its financial position; however, where losses arising from asserted and unasserted claims are considered probable and where such losses can be reasonably estimated, the Company has recorded a provision.

Management's evaluation and analysis of these claims indicate that the amounts reasonably claimed in respect of certain claims are material and, accordingly, these claims are described below.

Certain claims have been asserted against the Company in respect of the sale of certain conventional wealth management tax advantaged film partnership products in the UK by a predecessor which could be material if such claims are advanced, additional claims are made and the Company's assumptions used to evaluate the matter as neither probable nor estimable change in future periods. In that event, the Company may be required to record a provision for an adverse outcome which could have a material adverse effect on the Company's financial position. The aggregate investment by the Company's clients in respect of these products is estimated to be \$9.6 million (£5.8 million). The aggregate initial tax deferral realized by the Company's clients in respect of these products when they were purchased by those clients during the period from 2006 to 2009 is estimated to be \$13.2 million (£8.0 million). Enforcement in accordance with announcements from the UK taxation authority, the outcome of certain litigation proceedings in respect of the taxation of other similar products sold by other financial advisors and certain settlements reached with the UK taxation authority by some investors will likely result in tax liabilities to the purchasers of those products in excess of the initial tax deferral amount. The potential tax liability for the Company's clients that is in excess of the initial tax deferral amount is estimated to be \$13.7 million (£8.3 million). The probable outcome of the enforcement actions by the UK taxation authority in respect of this matter and the likelihood of a loss or the amount of any such loss to the Company in connection with any claims asserted against the Company, or which may be asserted against the Company, are not determinable at the date of these audited consolidated financial statements.

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

## NOTE 26 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:

2018	\$	31,452
2019		30,605
2020		26,900
2021		22,599
2022		20,821
Thereafter		41,515
	\$	173,892

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

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

2018	\$	957
2019		786
2020		786
2021		763
2022		718
Thereafter		299
	\$	4,309

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

2018	\$	3,900
2019		3,900
2020		3,900
2021		3,900
2022		63,900
	\$	79,500

## NOTE 27 Subsequent Events

### (i) DIVIDENDS

On June 1, 2017 the Board of Directors established a revised dividend policy, and in accordance with that policy, approved a dividend of \$0.10 per common share, payable on July 3, 2017 with a record date of June 16, 2017. This dividend is comprised of a \$0.01 base quarterly dividend and a \$0.09 variable supplemental dividend.

On June 1, 2017 the Board of Directors approved the following cash dividends: \$0.24281 per Series A Preferred Share payable on June 30, 2017 with a record date of June 16, 2017; and \$0.359375 per Series C Preferred Share payable on June 30, 2017 with a record date of June 16, 2017.

## SHAREHOLDER INFORMATION

### Stock Exchange Listing

TSX: CF

### Website

[www.canaccordgenuity.com](http://www.canaccordgenuity.com)

### Fiscal Year End

March 31

### Media Relations and Inquiries from Institutional Investors and Analysts

#### Christina Marinoff

Vice President, Investor Relations &  
Communications

Telephone: 416.687.5507

Email: [christina.marinoff@canaccord.com](mailto:christina.marinoff@canaccord.com)

### General Shareholder Inquiries

For all general shareholder info, or  
to request a copy of this report.

#### INVESTOR RELATIONS

161 Bay Street, Suite 3000

Toronto, ON, Canada

Telephone: 416.869.7293

Fax: 416.947.8343

Email: [investor.relations@](mailto:investor.relations@canaccordgenuitygroup.com)

[canaccordgenuitygroup.com](mailto:canaccordgenuitygroup.com)

### Financial Information

For present and archived financial  
information, please visit

[www.canaccordgenuitygroup.com](http://www.canaccordgenuitygroup.com).

### Regulatory Filings

To view Canaccord Genuity Group's  
regulatory filings on SEDAR, please visit  
[www.sedar.com](http://www.sedar.com).

### Transfer Agent and Registrar

For information about stock transfers,  
address changes, dividends, lost stock  
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transfers, contact:

#### COMPUTERSHARE INVESTOR SERVICES INC.

100 University Avenue, 8th Floor  
Toronto, ON M5J 2Y1

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International: 514.982.7555

Fax: 1.866.249.7775

Toll free fax (North America) or

International fax: 416.263.9524

Email: [service@computershare.com](mailto:service@computershare.com)

Website: [www.computershare.com](http://www.computershare.com)

### 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 Genuity Group Inc. (or its predecessor Canaccord Capital Inc.) since 2006 are eligible, as are common share dividends paid hereafter, unless otherwise indicated.

### Corporate Headquarters

#### STREET ADDRESS

Canaccord Genuity Group Inc.

609 Granville Street, Suite 2200

Vancouver, BC, Canada

#### MAILING ADDRESS

Pacific Centre

609 Granville Street, Suite 2200

P.O. Box 10337

Vancouver, BC V7Y 1H2, Canada

### Auditor

Ernst & Young LLP

Chartered Professional Accountants

Vancouver, BC

*For information about fees paid to  
shareholders' auditors, refer to our  
fiscal 2017 Annual Information Form.*

### Qualified Foreign Corporation

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

### Annual General Meeting

Thursday, August 3, 2017,  
at 10:00 a.m. (Eastern time)

Goodmans LLP

Bay Adelaide Centre

333 Bay Street

34th Floor

Toronto, ON, Canada

### Editorial and Design Services

The Works Design Communications

## CANACCORD Genuity

Canaccord Genuity Group Inc.'s operations are divided into two business segments: Canaccord Genuity (investment banking and capital markets operations) and Canaccord Genuity Wealth Management. Together, these operations offer a wide range of complementary investment banking services, investment products and brokerage services to the Company's institutional, corporate and private clients. Canaccord Genuity Group Inc. is publicly traded under the symbol CF on the TSX.

## CANACCORD Genuity Wealth Management

Canaccord Genuity Wealth Management provides comprehensive wealth management solutions and brokerage services to individual investors, private clients, charities and intermediaries through a full suite of services tailored to the needs of clients in each of its markets. Canaccord Genuity Wealth Management has Investment Advisors (IAs) and professionals in Canada, the UK, Jersey, Guernsey, the Isle of Man and Australia. It is a division of Canaccord Genuity Group and operates in the UK & Europe as Canaccord Genuity Wealth Limited and Canaccord Genuity Wealth International Limited.

## CANACCORD Genuity

Canaccord Genuity offers corporations and institutional investors around the world an integrated platform for equity research, sales and trading, and investment banking services that is built on extensive operations in Canada, the UK & Europe, the US, China, Hong Kong, Australia and Dubai.

## PINNACLE CORRESPONDENT SERVICES

Pinnacle Correspondent Services provides trade execution, clearing, settlement, custody, and other middle- and back-office services to introducing brokerage firms, portfolio managers and other financial intermediaries. The business unit was developed as an extension and application of Canaccord Genuity Group's substantial investment in its information technology and operating infrastructure.

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Boston

Calgary

Chicago

Dubai

Dublin

Edmonton

Guernsey

Halifax

Hong Kong

Isle of Man

Jersey

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Kitchener

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Melbourne

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Montréal

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Penticton

Perth

Prince George

San Francisco

Sydney

Toronto

Trail

Vancouver

Washington

Waterloo

More information about Canaccord Genuity Group Inc., including the Company's Fiscal 2017 online Annual Report, can be found at [canaccordgenuitygroup.com](http://canaccordgenuitygroup.com).