No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This Prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. ***These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or the securities laws of the United States. Accordingly, these securities may not be offered or sold within the United States or to U.S. Persons (as such term is defined in Regulation S under the U.S. Securities Act) except pursuant to transactions exempt from registration under the U.S. Securities Act and under the securities laws of the applicable state. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States.*** *See "Plan of Distribution".*

Information has been incorporated by reference in this Prospectus from documents filed with securities commissions or similar authorities in Canada. *Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of Canaccord Financial Inc. at Suite 2200 – 609 Granville Street, Vancouver, British Columbia V7Y 1H2 telephone: (604) 643-7300, and are also available electronically at www.sedar.com.*

SHORT FORM PROSPECTUS

New Issue April 2, 2012

CANACCORD FINANCIAL INC.

$100,000,000

4,000,000 Cumulative 5-Year Rate Reset First Preferred Shares, Series C

This Prospectus qualifies the distribution (the "**Offering**") of 4,000,000 Cumulative 5-Year Rate Reset First Preferred Shares, Series C (the "**Series C Preferred Shares**") of Canaccord Financial Inc. (the "**Company**") at a price of $25.00 per Series C Preferred Share. For the initial period commencing on the Closing Date (as defined herein) and ending on and including June 30, 2017 (the "**Initial Fixed Rate Period**"), the holders of Series C Preferred Shares will be entitled to receive fixed, cumulative, preferential cash dividends, as and when declared by the board of directors of the Company (the "**Board of Directors**"), payable quarterly on the last day of March, June, September and December in each year (provided that, should any such day not be a business day, such dividends will be payable on the next succeeding business day) in an annual amount equal to $1.4375 per Series C Preferred Share. The initial dividend, if declared, will be payable on July 3, 2012, and will be $0.3190 per Series C Preferred Share, based on the anticipated closing date for the Offering of April 10, 2012 (the "**Closing Date**"). See "*Details of the Offering*".

For each five-year period after the Initial Fixed Rate Period (each, a "**Subsequent Fixed Rate Period**"), the holders of Series C Preferred Shares will be entitled to receive fixed, cumulative, preferential cash dividends, as and when declared by the Board of Directors, payable quarterly on the last day of March, June, September and December during the Subsequent Fixed Rate Period, in an annual amount per share determined by multiplying the Annual Fixed Dividend Rate (as defined herein) applicable to such Subsequent Fixed Rate Period by $25.00. Should any such day not be a business day, such dividends will be payable on the next following business day. The Annual Fixed Dividend Rate for each Subsequent Fixed Rate Period will be equal to the sum of the Government of Canada Yield (as defined herein) on the 30th day prior to the first day of such Subsequent Fixed Rate Period plus 4.03%. See "*Details of the Offering*".

On March 21, 2012, the Company completed its previously announced acquisition (the "**Acquisition**") of all of the issued ordinary shares (the "**CSH Shares**") in the capital of Collins Stewart Hawkpoint plc (subsequently renamed Collins Stewart Hawkpoint Limited, "**CSH**") by way of a court-sanctioned scheme of arrangement (the "**Scheme of Arrangement**") under Part 26 of the *Companies Act 2006* (United Kingdom). See "*The Acquisition*". The Company intends to use the net proceeds from this Offering to reduce outstanding borrowings under a new $150 million senior secured credit facility (the "**Acquisition Credit Facility**"). See "*Use of Proceeds*".

(continued on next page)

Option to Convert Into Cumulative Floating Rate First Preferred Shares, Series D

The holders of Series C Preferred Shares will have the right, at their option, to convert any or all of their Series C Preferred Shares into an equal number of Cumulative Floating Rate First Preferred Shares, Series D (the "**Series D Preferred Shares**") of the Company, subject to certain conditions, on June 30, 2017 and on June 30 every five years thereafter. The holders of Series D Preferred Shares will be entitled to receive floating rate cumulative, preferential, cash dividends, as and when declared by the Board of Directors, payable quarterly on the last day of each Quarterly Floating Rate Period (as defined herein), in the amount per share determined by multiplying the applicable Floating Quarterly Dividend Rate (as defined herein) by $25.00. Should any such day not be a business day, such dividends will be payable on the immediately following business day. The Floating Quarterly Dividend Rate will be equal to the sum of the T-Bill Rate (as defined herein) plus 4.03% (calculated on the basis of the actual number of days elapsed in the applicable Quarterly Floating Rate Period divided by 365) determined on the 30th day prior to the first day of the applicable Quarterly Floating Rate Period. See "*Details of the Offering*".

The Series C Preferred Shares will not be redeemable by the Company prior to June 30, 2017. On June 30, 2017 and on June 30 every five years thereafter, subject to certain other restrictions set out in "*Details of the Offering — Description of the Series C Preferred Shares — Restrictions on Dividends and Retirement and Issue of Shares*", the Company may, at its option, on at least 30 days' and not more than 60 days' prior written notice, redeem for cash all or any number of the then outstanding Series C Preferred Shares for $25.00 per Series C Preferred Share, together with all accrued and unpaid dividends up to but excluding the date fixed for such redemption (less any tax required to be deducted or withheld). See "*Details of the Offering*".

The Series C Preferred Shares and the Series D Preferred Shares do not have a fixed maturity date and are not redeemable at the option of the holders thereof. See "*Risk Factors*".

There is no market through which these securities may be sold and purchasers may not be able to resell securities purchased under the short form prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. See "*Risk Factors*".

The Toronto Stock Exchange (the "**TSX**") has conditionally approved the listing of the Series C Preferred Shares distributed under this Prospectus and the Series D Preferred Shares into which the Series C Preferred Shares are convertible. The Series C Preferred Shares will be listed under the symbol "CF.PR.C". Listing will be subject to the Company fulfilling all of the requirements of the TSX on or before June 22, 2012.

Offering Price: $25.00 per Series C Preferred Share to yield initially 5.75% per annum

CIBC World Markets Inc., Canaccord Genuity Corp., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., Scotia Capital Inc., GMP Securities L.P., Macquarie Capital Markets Canada Ltd., Raymond James Ltd., Cormark Securities Inc., Desjardins Securities Inc., Dundee Securities Ltd., Mackie Research Capital Corporation and Manulife Securities Incorporated (collectively, the "**Underwriters**") are acting as underwriters of this Offering. The Underwriters, as principals, conditionally offer the Series C Preferred Shares, subject to prior sale, if, as and when issued by the Company and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "*Plan of Distribution*" and subject to the approval of certain legal matters on behalf of the Company by Goodmans LLP and on behalf of the Underwriters by Torys LLP. The Series C Preferred Shares are to be taken up by the Underwriters, if at all, on or before a date not later than 42 days after the date of receipt of the short form prospectus. See "*Plan of Distribution*".

Canaccord Genuity Corp., one of the Underwriters, is a wholly-owned subsidiary of the Company. Consequently, the Company is considered a "related issuer" of Canaccord Genuity Corp. under Canadian securities laws. See "*Relationship Between the Company and Certain Underwriters*".

CIBC World Markets Inc., one of the Underwriters, is a subsidiary of Canadian Imperial Bank of Commerce ("CIBC"). CIBC is a lender under the Acquisition Credit Facility. Consequently, the Company may be considered a "connected issuer" of CIBC World Markets Inc. under applicable Canadian securities laws. See "*Relationship Between the Company and Certain Underwriters*".

	Price to the Public	Underwriters' Fee[(1)(2)]	Net Proceeds to the Company[(2)]
Per Series C Preferred Share	$25.00	$0.75	$24.25
Total[(3)]	$100,000,000	$3,000,000	$97,000,000

(1) The Underwriters' fee for the Series C Preferred Shares is $0.25 for each such share sold to certain institutions and $0.75 per share for all other Series C Preferred Shares sold by the Underwriters. The Underwriters' fee indicated in the table assumes that no Series C Preferred Shares are sold to such institutions.

(2) After deducting the Underwriters' fee, but before deducting expenses of the Offering estimated to be $1,000,000 which, together with the Underwriters' fee, will be paid for by the Company.

(3) The Company has granted the Underwriters an option (the "**Over-Allotment Option**"), exercisable in whole or in part, for a period of 30 days following the Closing Date, to purchase up to an additional 600,000 Series C Preferred Shares (the "**Additional Shares**") on the same terms as set forth above to cover over-allotments, if any, and for market stabilization purposes. A purchaser who acquires Additional Shares forming part of the Underwriters' over-allocation position does so under this Prospectus, regardless of whether the Underwriters' over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. If the Over-Allotment Option is exercised in full, the total price to the public, the total Underwriters' fees and the total net proceeds to the Company (before deduction of the expenses of this Offering) will be $115,000,000, $3,450,000 and $111,550,000, respectively. This Prospectus also qualifies the granting of the Over-Allotment Option and the distribution of the Additional Shares that may be offered in relation to the Over-Allotment Option. Unless specifically stated otherwise, the term "Series C Preferred Shares" includes the Additional Shares.

The following table sets forth the number of Additional Shares that may be issued by the Company to the Underwriters pursuant to the Over-Allotment Option:

Underwriter's Position	Number of Series C Preferred Shares Available	Exercise Period	Exercise Price
Over-Allotment Option	600,000 Series C Preferred Shares	For a period of 30 days following the Closing Date	$25.00 per Series C Preferred Share

The Offering Price was determined by negotiation between the Company and the Underwriters. In connection with this Offering, and subject to applicable laws, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Series C Preferred Shares at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time. **The Underwriters may offer the Series C Preferred Shares at a price lower than that stated above. See "*Plan of Distribution*".**

You should carefully review and evaluate certain risk factors before purchasing the Series C Preferred Shares. See the risk factors identified under the headings "*Cautionary Statement Regarding Forward-Looking Information*" and "*Risk Factors*" in this Prospectus and in the documents incorporated by reference in this Prospectus.

Subscriptions for the Series C Preferred Shares will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that the closing of this distribution will take place on April 10, 2012 or on such other date as the Company and the Underwriters may agree, but not later than April 24, 2012. On the Closing Date, a book entry only certificate representing the Series C Preferred Shares will be issued in registered form only to CDS Clearing and Depository Services Inc. ("**CDS**") or its nominee and will be deposited with CDS. Purchasers of the Series C Preferred Shares will receive only a customer confirmation from the registered dealer who is a CDS participant and from or through whom the Series C Preferred Shares are purchased. See "*Book Entry Only System*".

The Company's head office is located at Suite 2200 – 609 Granville Street, Vancouver, British Columbia V7Y 1H2. The Company's registered office is located at Suite 1000 – 840 Howe Street, Vancouver, British Columbia V6Z 2M1.

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GENERAL MATTERS

You should rely only on the information contained in or incorporated by reference in this Prospectus or to which we have referred you to. We have not authorized anyone to provide you with information that is different. Information contained on Canaccord's website is not part of this Prospectus or incorporated by reference herein and may not be relied on by prospective purchasers for the purposes of determining whether to invest in the securities qualified for distribution under this Prospectus. This document may only be used where it is legal to sell these securities. You should not assume that the information contained in this Prospectus is accurate as of any date other than the date on the front of this Prospectus.

Industry and market information used herein has been obtained from public sources which the Company believes to be reliable.

In this Prospectus, unless the context otherwise indicates, references to "we", "us", "our" and the "Company" refer to Canaccord Financial Inc. and references to "Canaccord" refer to the Company and its direct and indirect subsidiaries.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this Prospectus from documents filed with securities commissions or similar authorities in each province and territory of Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of the Company at Suite 2200 – 609 Granville Street, Vancouver, British Columbia V7Y 1H2, telephone: (604) 643-7300, and are also available electronically at *www.sedar.com*.

The following documents, filed with the securities regulatory authorities in each of the provinces and territories of Canada, are specifically incorporated by reference in, and form an integral part of, this Prospectus:

1. the Company's annual information form dated June 1, 2011 for the fiscal year ended March 31, 2011 (the "**AIF**");

2. the Company's audited comparative consolidated financial statements and the notes thereto as at and for the years ended March 31, 2011 and 2010, together with the auditors' report thereon (the "**Annual Financial Statements**");

3. the Company's management's discussion and analysis dated May 17, 2011 for the fiscal year ended March 31, 2011 (the "**Annual MD&A**");

4. the Company's unaudited interim condensed consolidated financial statements and the notes thereto for the three and nine months ended December 31, 2011 (the "**Interim Financial Statements**");

5. the Company's management's discussion and analysis dated February 8, 2012 for the three and nine months ended December 31, 2011 (the "**Interim MD&A**");

6. the management information circular of the Company dated May 20, 2011 for the annual general meeting of shareholders of the Company held on June 24, 2011 (the "**AGM Circular**");

7. the management information circular of the Company dated March 21, 2011 for the extraordinary general meeting of shareholders held on April 15, 2011 (the "**Extraordinary Meeting Circular**");

8. the sections "Compensation Discussion and Analysis", "Performance Graph", "Compensation of Directors", "Securities Authorized for Issuance under Equity Compensation Plans – Long Term Incentive Plan (LTIP)" and "Securities Authorized for Issuance under Equity Compensation Plans – Share Option Plan" of the management information circular of the Company dated May 19,

2010 for the annual general meeting of shareholders of the Company held on June 25, 2010, which is incorporated by reference in the Extraordinary Meeting Circular;

9. the sections "The Acquisition" and "The Company After the Acquisition" of the management information circular of the Company dated March 24, 2010 (the "**Special Meeting Circular**") for the special meeting of shareholders of the Company held on April 22, 2010 (excluding the fairness opinion in Appendix "B" and all references to that fairness opinion in the Special Meeting Circular), which are incorporated by reference in each of the AIF and the AGM Circular;

10. the Company's business acquisition report dated May 10, 2010 (the "**BAR**") relating to the Company's acquisition of Genuity Capital Markets and certain of its affiliates (excluding the fairness opinion attached as Appendix "B" to the Special Meeting Circular and all references to that fairness opinion in the BAR), which is incorporated by reference in each of the AIF and the AGM Circular;

11. the material change report of the Company dated June 6, 2011 relating to the announcement of the offering of 4,000,000 Cumulative 5-Year Rate Reset First Preferred Shares, Series A (the "**Series A Preferred Shares**", the offering of which is referred to herein as the "**Series A Preferred Share Offering**") to a syndicate of underwriters led by CIBC World Markets Inc. and Canaccord Genuity Corp., for distribution to the public;

12. the material change report of the Company dated June 23, 2011 relating to the announcement of the completion of the Series A Preferred Share Offering;

13. the material change report of the Company dated July 7, 2011 relating to the announcement of the closing of the over-allotment option granted to the underwriters in connection with the Series A Preferred Share Offering;

14. the material change report of the Company dated August 15, 2011 relating to the announcement that the Company had entered into a definitive agreement to form a partnership with BGF Equities;

15. the material change report of the Company dated December 28, 2011 relating to the announcement that the Company and CSH reached an agreement on the terms of the Acquisition;

16. the material change report of the Company dated March 22, 2012 relating to the announcement of the closing of the Acquisition; and

17. the material change report of the Company dated March 22, 2012 relating to the announcement of the Offering.

All documents of the Company of the type described in section 11.1 of Form 44-101F1 - *Short Form Prospectus* which are required to be filed by the Company with the British Columbia Securities Commission after the date of this Prospectus and prior to the termination of the Offering shall be deemed to be incorporated by reference in this Prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in

light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

The Company has been granted an exemption from the requirement to incorporate by reference the fairness opinion contained in Appendix "B" of the Special Meeting Circular and all references to that fairness opinion in each of the Special Meeting Circular and the BAR on the basis that the exempted sections are no longer relevant.

CURRENCY AND EXCHANGE RATE INFORMATION

In this Prospectus, unless otherwise noted, all references to "dollars" or "$" are to Canadian dollars, all references to "£" are to British pounds sterling and all references to "pence" are to pence sterling.

The following table sets forth: (i) the rates of exchange for British pounds sterling, expressed in Canadian dollars, in effect at the end of each of the periods indicated; (ii) the average of exchange rates in effect during such periods; and (iii) the high and low exchange rates during each such periods, in each case based on the noon buying rate (the "**Noon Buying Rate**") as announced by the Bank of Canada. On March 30, 2012, the corresponding Noon Buying Rate was $1.5970.

(Canadian dollars)	High	Low	Average	Period end
Six months ended June 30, 2011	$ 1.6115	$ 1.5414	$ 1.5794	$ 1.5493
Year ended December 31, 2011	$ 1.6332	$ 1.5297	$ 1.5861	$ 1.5799
Six months ended June 30, 2010	$ 1.7268	$ 1.4876	$ 1.5773	$ 1.5852
Year ended December 31, 2010	$ 1.7268	$ 1.4876	$ 1.5918	$ 1.5513

NOTICE TO INVESTORS REGARDING GAAP

The Interim Financial Statements, incorporated by reference in this Prospectus, have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). However, the Annual Financial Statements, incorporated by reference in this Prospectus, have been prepared in accordance with Canadian generally accepted accounting principles ("**Canadian GAAP**"), which differ in certain material respects from IFRS. CSH's financial statements for the years ended December 31, 2011 (audited) and 2010 (unaudited) were prepared in accordance with IFRS. In accordance with applicable Canadian securities laws, the 2010 CSH financial statements listed under "*Financial Disclosure*" have been, where indicated, prepared with a reconciliation to Canadian GAAP. All other financial statements incorporated by reference in this Prospectus have been prepared in accordance with Canadian GAAP.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Prospectus, including the documents incorporated by reference in this Prospectus, may contain "forward-looking information" (as defined under applicable securities laws). These statements relate to future events or future performance and include 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 without limitation, statements concerning the Acquisition, the competitive ability and position of the Company following the Acquisition, management's expectations relating to possible or assumed future prospects and results and other matters related to the Acquisition, statements relating to the business and future activities of Canaccord and CSH after the date of this Prospectus, business and economic conditions and Canaccord's growth, results of operations, market position, ability to compete and future financial or operating performance of Canaccord, performance and business prospects and opportunities. Such forward-looking information reflects management's current beliefs and are based on information currently available to management. In some cases, forward-looking information can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue", "target", "intend", "could" or the negative of these terms or other comparable terminology. By its very nature, forward-looking information involves 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 information. In evaluating these statements, readers should specifically consider various factors, which may cause actual results to differ materially from any forward-looking statement. These factors include, but are not limited to, market and general economic conditions, the nature of the financial services industry, the risks and uncertainties discussed from time to time in the Company's interim and annual consolidated financial statements, the Company's interim and annual management's discussion and analysis, its annual report and the AIF filed on www.sedar.com, the possibility that the anticipated benefits and synergies from the Acquisition cannot be realized or may take longer than expected, the businesses of the Company and CSH not being integrated successfully or such integration proving more difficult, time consuming or costly than expected, the listing on the London Stock Exchange main market not being completed and the ability of the Company and CSH to retain and attract key personnel and maintain relationships with customers, suppliers and other business partners (and financial arrangements with such parties). The preceding list is not exhaustive of all possible risk factors that may influence actual results. Material factors or assumptions that were used by the Company to develop the forward-looking information contained in this Prospectus include, but are not limited to, the assumptions set out 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 the AIF filed on www.sedar.com. Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive.

Although the forward-looking information contained in this Prospectus and the documents incorporated by reference herein is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with such forward-looking information. The forward-looking information contained in this Prospectus and the documents incorporated by reference herein are made as of the date on the cover page of this Prospectus and should not be relied upon as representing the Company's views as of any date subsequent to the date on the cover page of this Prospectus. Certain statements included in this Prospectus and the documents incorporated by reference herein 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 Prospectus and the documents incorporated by reference herein. 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, future developments or otherwise.

THE COMPANY

Canaccord Financial Inc., formerly named Canaccord Capital Inc., was incorporated as Canaccord Holdings Ltd. 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). Pursuant to resolutions of the shareholders passed at the annual general meeting of the Company on June 21, 2004 and the subsequent filing of a notice of alteration to its articles and pursuant to an arrangement approved by an order of the Supreme Court of British Columbia made June 22, 2004, the Company changed its name to Canaccord Capital Inc. and altered its capital by converting all previously outstanding classes of common shares, preferred shares and debentures into common shares. The arrangement was made effective on June 30, 2004. The Company was amalgamated in a short-form vertical amalgamation with its wholly-owned subsidiary 0719880 B.C. Ltd. on April 2, 2007. The Company changed its name to Canaccord Financial Inc. on December 1, 2009. On May 3, 2011, the articles of the Company were altered to clarify the rights, privileges, restrictions and conditions attached to the shares of the Company and to alter the authorized capital by creating an additional class of preferred shares and the notice of articles of the Company was altered to reflect the alteration to the articles.

The Company's head office is located at Suite 2200 – 609 Granville Street, Vancouver, British Columbia, V7Y 1H2. The Company's registered office is located at Suite 1000 – 840 Howe Street, Vancouver, British Columbia V6Z 2M1.

BUSINESS OF THE COMPANY AND ITS SUBSIDIARIES

Through its principal subsidiaries, Canaccord Financial Inc. is a leading independent, full-service financial services firm, with operations in two principal segments of the securities industry: global capital markets and wealth management. Including the offices acquired through its Acquisition of Collins Stewart Hawkpoint plc, Canaccord has 64 offices worldwide, including 42 wealth management offices located in Canada, the UK and Europe.

Canaccord Genuity, the Company's international capital markets division, has operations in the United States, the United Kingdom, Canada, France, Germany, Ireland, China, Hong Kong, Singapore, Australia and Barbados.

Additional information regarding the Company's businesses is included in the documents incorporated by reference in this Prospectus.

RECENT DEVELOPMENTS

The following is a summary of certain developments in the operations and affairs of the Company which have occurred since December 31, 2011.

Rating of Series A Preferred Shares

The Series A Preferred Shares were initially assigned a rating of Pfd-3 (low) with a "Stable" trend when they were first issued in June 2011. The trend was changed to "Negative" on December 21, 2011. DBRS Limited ("**DBRS**") provided the following reasons for the change: (i) the relative size of the Acquisition; (ii) the current economic and market environment; and (iii) lack of clarity with respect to the longer-term financing for the cash portion of the transaction once the Acquisition Credit Facility is repaid. DBRS, in its press release dated December 21, 2011 announcing the change in trend, also stated that "once Canaccord demonstrates that a successful integration has been achieved and the longer-term take-out financing has been provided, the Stable trend should be readily re-assigned, all else being equal".

Acquisition of CSH

On March 21, 2012, the Company completed its previously announced acquisition of CSH. See "*The Acquisition*", "*Financial Disclosure*" and "*Structure of the Company*" below.

Drawdown under the Acquisition Credit Facility

On March 22, 2012, the Acquisition Credit Facility was drawn in the principal amount of $150 million, representing the maximum principal amount of borrowing available to the Company under the terms of the Acquisition Credit Facility and the proceeds were used to fund the Acquisition. See "*The Acquisition — Financing of the Cash Consideration for the Acquisition*".

Intentions Regarding UK Stock Exchange Listing

The Company intends to apply to move its stock exchange listing in the United Kingdom from the AIM market of the London Stock Exchange to the London Stock Exchange main market. This process is expected to take place by June 30, 2012.

Internal Restructuring

On March 23, 2012, shortly after the Acquisition of CSH became effective, the Company completed a restructuring of the CSH group (as enlarged by the Acquisition). The restructuring involved the integration of the securities and corporate broking businesses of Canaccord Genuity Limited (Canaccord's UK operation) and Collins Stewart Europe Limited. The combined research, sales and trading and corporate broking operations in the UK are now carried out by a single entity under the name of Canaccord Genuity Limited (formerly Collins Stewart Europe Limited). The corporate structure of the CSH group was reorganized in various ways following the Acquisition, including the transfer of the former Collins Stewart U.S. sub-group into Canaccord's U.S. sub-group and the positioning of the Hawkpoint advisory sub-group (rebranded as Canaccord Genuity Hawkpoint) as a subsidiary of the new Canaccord Genuity Limited. On March 28, 2012, the Collins Stewart Channel Islands sub-group was transferred from Canaccord Genuity Limited to become a direct subsidiary of the Company and Canaccord Genuity Limited was transferred from Collins Stewart Hawkpoint Limited to also become a direct subsidiary of the Company. It is intended that the Wealth Management division will continue to be branded as Collins Stewart Wealth Management for approximately the next six months at which time the Canaccord wealth management branding will be adopted. See "*The Acquisition — Internal Restructuring Completed Immediately Following The Acquisition*".

THE ACQUISITION

Overview of the Acquisition

On March 21, 2012, the Company completed its previously announced acquisition of CSH. The Acquisition was implemented in accordance with the terms and conditions of the Scheme of Arrangement, pursuant to which the Company acquired all of the issued CSH Shares in exchange for 57.6 pence in cash and 0.072607 common shares in the capital of the Company (the "**Common Shares**") for each CSH Share held. Based on the closing price of $8.50 on the TSX per Common Share on December 14, 2011, the date immediately prior to the announcement of the Acquisition, the Acquisition valued the issued and to be issued share capital of CSH at approximately £253.3 million ($407.1 million) (based on an exchange rate between Canadian dollars and British pounds sterling of 1.60720 at 5:00 p.m. (GMT) on December 14, 2011) and each CSH Share at 96.0 pence.

The cash consideration portion of the Acquisition was funded through a combination of existing cash resources and by drawdown under the Acquisition Credit Facility entered into on December 15, 2011 by the Company, as borrower, and CIBC, as administrative agent, and CIBC and the other lenders party thereto from time-to-time. See "*— Financing of the Cash Consideration for the Acquisition*" below.

Upon completion of the Acquisition, the Company issued 18,273,812 Common Shares and paid £146.1 million in cash. Of these shares and this cash, 20,560 shares were issued and £163,107 was paid to Collins Stewart Hawkpoint Limited for shares held in treasury. As of March 21, 2012, the Common Shares issued pursuant to the Acquisition represented approximately 19.9% of the issued Common Shares immediately following completion of the Acquisition. In addition, the Company is obligated to issue up to an additional 1,586,136 Common Shares and pay an additional £6.6 million in cash in satisfaction of CSH share schemes (incentive plans) that were assumed or replaced in accordance with the Scheme of Arrangement.

As previously announced, the Company also intends to put in place a £15 million inducement package in the Company's equity (subject to certain vesting conditions) for key CSH officers and other employees, however, as of the date hereof, no discussions have taken place regarding the terms of this package or the basis on which it will be allocated.

Overview of CSH

Prior to the completion of the Acquisition, CSH was a holding company incorporated in England and Wales under the *Companies Acts 1985 and 2006* (United Kingdom) with registered number 05807587. The registered office of CSH is located at 88 Wood Street, London, England EC2V 7QR. Upon the completion of the Acquisition, CSH became a wholly-owned subsidiary of the Company.

Immediately prior to the Acquisition and the restructuring described under "*Structure of the Company*", the Collins Stewart Hawkpoint group (the "**CSH Group**"), through its principal subsidiaries, was an independent financial advisory group across four main operating divisions: corporate advisory, corporate broking, securities and wealth management. Its services covered institutional sales and trading, UK, European and U.S. research, fixed income credit trading, corporate broking, corporate finance advisory services, debt capital markets advice, restructuring and debt advisory services, private client and intermediary wealth management and fund management. The companies of the CSH Group operated across a number of countries, including the United Kingdom, the United States, the Channel Islands and Singapore. Additionally, certain companies of the CSH Group conducted activities through branches located in Europe.

On March 26, 2012, following the Acquisition, CSH's operating businesses in the UK, the U.S. and Singapore were rebranded Canaccord Genuity and renamed Canaccord Genuity Limited and Canaccord Genuity Hawkpoint Limited in the UK, Canaccord Genuity Securities LLC in the U.S. and Canaccord Genuity Singapore Pte Ltd in Singapore.

The following is a summary of the four main operating divisions of the CSH Group as it existed at the time of the Acquisition:

(i) **Corporate Advisory (Hawkpoint)**

Hawkpoint is an independent corporate finance advisory firm based in the UK and Europe that advises corporations, financial institutions, private equity houses and governments in both domestic and international markets. Hawkpoint's advisory services focus on providing mergers and acquisitions, capital markets, debt and restructuring and strategic advice throughout Europe. Hawkpoint has offices in London, Paris and Frankfurt. On March 26, 2012, Hawkpoint was renamed Canaccord Genuity Hawkpoint Limited.

(ii) **Corporate Broking**

The Corporate Broking division is a distributor of small and mid-cap equity, both primary and secondary, and specialises in raising capital from institutional investors on a global basis, advising corporate and private equity clients in the United Kingdom, the U.S. and Asia. Working in close conjunction with the Securities and Corporate Advisory (Hawkpoint) divisions, the Corporate Broking division provides guidance to its corporate clients on the structure, size, timing and pricing of both primary and secondary equity issues. CSH, through a UK subsidiary, is a registered Nomad and also provides advice on the *Takeover Code* (United Kingdom) (to both offerors and offerees), mergers and acquisition transactions, introductions, move-ups (which refer to the moving up of a company from the AIM of the London Stock Exchange to the main market of the London Stock Exchange) (and vice versa), take-privates and de-listings. As of March 26, 2012, the corporate broking business now operates under Canaccord Genuity Limited.

(iii) **Securities**

The Securities division offers research, sales and trading services to institutional clients across Europe and North America. Its research model utilises a combination of fundamental company and sector analysis and CSH's proprietary online, interactive valuation model, Quest™, which provides access to 350 data items on 2,800 companies across 28 countries. CSH's equity analysts cover over 200 stocks across Europe and over 100 in the U.S. As of March 26, 2012, the Securities division now operates under the name of Canaccord Genuity Limited in the UK and under the name of Canaccord Genuity Securities LLC in the US..

(iv) **Wealth Management**

The Wealth Management division is an investment manager and stockbroker providing its clients with independent wealth management services. Investment services include portfolio management, trading and wealth planning. A range of multi-manager investment funds is offered to private clients, intermediaries, institutions and charities. CSH's wealth management business currently operates under the brand Collins Stewart Wealth Management.

CSH had approximately 810 employees worldwide, with 15 members of the executive management team operating from offices in London, Paris and Frankfurt.

See "*Structure of the Company*".

Financing of the Cash Consideration for the Acquisition

The cash consideration for the Acquisition was funded from Canaccord's existing cash resources and by a drawdown under the Acquisition Credit Facility.

The Acquisition Credit Facility was entered into on December 15, 2011 to provide for a term loan in the principal amount of up to $150 million. On March 22, 2012, the Acquisition Credit Facility was drawn in the amount of $150 million, representing the maximum principal amount of borrowing available to the Company under the terms of the Acquisition Credit Facility. The Acquisition Credit Facility matures 180 days from the date of drawdown, with full repayment due on its maturity date. The full amount of the drawdown under the Acquisition Credit Facility was used to finance the Acquisition and to pay related fees, costs and expenses.

Interest on amounts owing under the Acquisition Credit Facility is determined by a pricing grid that increases based on the time the loans are outstanding and that includes a base rate plus a margin of between 75 and 125 basis points per annum for prime rate loans and a margin of between 175 and 225 basis points per annum for bankers' acceptances.

The Acquisition Credit Facility requires that mandatory prepayments be made in the event that (i) the Company or any of its subsidiaries dispose of certain assets or property with net proceeds in excess of $1 million; (ii) the Company receives proceeds from the issuance of any equity securities or any capital contribution made in the Company with net proceeds in excess of $1 million; or (iii) the Company or any of its subsidiaries receive net proceeds of any debt (other than debt permitted under the Acquisition Credit Facility) incurred by the Company or any of its subsidiaries.

In accordance with the requirements in the credit agreement for the Acquisition Credit Facility, the Company intends to use all of the net proceeds from this Offering to reduce outstanding borrowings under the Acquisition Credit Facility. See "*Use of Proceeds*".

The foregoing summary of certain terms of the Acquisition Credit Facility does not purport to be complete and is qualified in its entirety by reference to the text of the Acquisition Credit Facility, a copy of which is available electronically at www.sedar.com.

Prior Valuation

No valuation opinion has been obtained within the last 12 months by the Company or, to the knowledge of the Company, CSH which is required by securities legislation or a stock exchange or market to support the consideration paid by the Company for the Acquisition.

Risk Factors

See "*Risk Factors — Risk Factors Specific to the Acquisition*" and "*Risk Factors — Risk Factors Specific to CSH*".

Commentary on 2011 Results

CSH revenue for the years ended December 31, 2011 and December 31, 2010 was £205.7 million ($325.5 million) and £215.7 million ($344.2 million), respectively. CSH revenue for the six-month period ended June 30, 2011 was £111.1 million ($175.3 million), while revenue for the six-month period ended December 31, 2011 was £94.6 million ($150.6 million). See "*Foreign currency translation*" in note 2 to the unaudited *pro forma* consolidated financial statements included in this Prospectus for the applicable currency exchange rates used to calculate the Canadian dollar equivalents for references to the years ended December 31, 2010 and December 31, 2011 and the six-months ended June 30, 2011 included in this section. The applicable exchange rate used for the six-month period ended December 31, 2011 was £1:$1.5924.

The trend in CSH's 2011 results reflects the general downturn in market conditions during the second half of 2011. Market volatility, economic uncertainty and low investor confidence created a challenging market environment during this period not only for CSH but also for most other market participants in the UK, the United States and Canada. These negative market conditions in the second half of 2011 had a significant impact on CSH's Securities division as that division largely focused on agency trading, market making activity and principal trading. As a result, revenue for this division decreased from £57.6 million ($90.9 million) for the six months ended June 30, 2011 to £38.7 million ($61.6 million) for the six months ended December 31, 2011. Results for the Wealth Management, Corporate Broking and Corporate Advisory (Hawkpoint) divisions of CSH were relatively unchanged between the two six-month periods ending on June 30, 2011 and December 31, 2011. The results for these CSH divisions for the first half and second half of 2011 were as follows: (i) revenue for the Wealth Management division decreased slightly from £27.6 million ($43.5 million) to £26.2 million ($41.7 million), while assets under management were relatively unchanged; (ii) revenue for the Corporate Broking division increased from £5.8 million ($9.2 million) to £6.9 million ($11.0 million) as that division continued to focus on acting as a registered Nomad for companies listed on AIM and providing related services; and (iii) revenue for the Corporate Advisory division (Hawkpoint) increased from £20.1 million ($31.7 million) to £22.8 million ($36.3 million) reflecting the strength and breadth of the advisory capabilities in debt, restructuring, and M&A offered by CSH through its wholly-owned subsidiary, Hawkpoint Partners Limited (now Canaccord Genuity Hawkpoint Limited).

CSH's net income for the years ended December 31, 2011 and December 31, 2010 was £4.8 million ($7.6 million) and £14.6 million ($23.2 million), respectively. Net income for the six-month period ended June 30, 2011 was £6.9 million ($10.9 million). As a result of the Securities division's decrease in revenue in the second half of 2011 as described above, CSH recorded a £2.1 million ($3.3 million) net loss for the six-month period ended December 31, 2011.

During the 2011 calendar year, the Company recorded net income of $41.3 million for the fiscal quarter ended March 31, 2011 and net income of $13.2 million for the fiscal quarter ended June 30, 2011, for a combined total for that six-month period of $54.5 million. The Company recorded a net loss of $5.3 million for the fiscal quarter ended September 30, 2011 and net income of $2.5 million for the fiscal quarter ended December 31, 2011, for a combined net loss of $2.8 million over those two fiscal quarters. The trend in the Company's results in 2011 also reflects the general downturn in market conditions during the second half of 2011 that affected the Securities division of CSH.

Following the Acquisition, the respective securities divisions of the Company and CSH in both the UK and in the United States will be integrated into single rationalized operating platforms in each of the UK and the United States, thereby taking advantage of the larger scale and the complementary strengths of each of these divisions in both geographies. This integration, combined with the addition of the Wealth Management and Corporate Advisory divisions of CSH, strengthens and adds diversification to the Company's operations and is expected to limit the Company's exposure to volatility in overall operating results in periods of weaker market conditions.

Internal Restructuring Completed Immediately Following the Acquisition

On March 23, 2012, shortly after the Acquisition of CSH became effective, the Company completed a restructuring of the CSH group (as enlarged by the Acquisition). The rationale for the restructuring was to combine and rationalize certain common business units and optimize the potential for the realization of synergies within such common business units; the reorganization of regulatory sub-groups for consolidation purposes; and the rationalization of reporting lines. In connection with the combination and rationalization of common business units, a number of employees in the UK and in the U.S. were terminated or provided with notice of termination. Restructuring costs, including termination benefits, professional fees and real estate costs are estimated to be approximately $20.5 million. These costs are in addition to the acquisition-related costs which are estimated to be approximately $15.5 million.

The restructuring involved the integration of the securities and corporate broking businesses of Canaccord Genuity Limited (Canaccord's UK operation) and Collins Stewart Europe Limited. The combined research, sales and trading and corporate broking operations in the UK are now carried out by a single entity under the name of Canaccord Genuity Limited (formerly Collins Stewart Europe Limited). The corporate structure of the CSH group was reorganized in various ways following the Acquisition, including the transfer of the former Collins Stewart U.S. sub-group into Canaccord's U.S. sub-group and the positioning of the Hawkpoint advisory sub-group (rebranded as Canaccord Genuity Hawkpoint) as a subsidiary of the new Canaccord Genuity Limited. On March 28, 2012, the Collins Stewart Channel Islands sub-group was transferred from Canaccord Genuity Limited to become a direct subsidiary of the Company and Canaccord Genuity Limited was transferred from Collins Stewart Hawkpoint Limited to also become a direct subsidiary of the Company. It is intended that the Wealth Management division will continue to be branded as Collins Stewart Wealth Management for approximately the next six months at which time the Canaccord wealth management branding will be adopted.

Upon completion of the Acquisition, Mark Brown, previously CEO of CSH, was appointed CEO of Canaccord Genuity Limited (Canaccord's UK and European operations) and Tim Hoare, previously CEO of Canaccord Genuity Limited, was appointed Chairman of Canaccord Genuity Limited. Neil Darke remains as CEO of the wealth management business acquired in the Acquisition of CSH. Mark Brown has overall oversight and management responsibility for Canaccord's operations in the UK, Europe and Asia Pacific.

See "*Structure of the Company*".

FINANCIAL DISCLOSURE

The Acquisition is a "significant acquisition" within the meaning of applicable Canadian securities laws. Accordingly, attached to this Prospectus are the following financial statements:

(i) audited consolidated financial statements of CSH for the year ended December 31, 2011, which were prepared in accordance with IFRS, and unaudited consolidated financial statements for the year ended December 31, 2010, which are reconciled to Canadian GAAP as required by Section 4.11(4) of National Instrument 52-107 - *Acceptable Accounting Principles and Auditing Standards*;

(ii) unaudited *pro forma* statement of financial position of the Company as at December 31, 2011 (which combines the Company's most recently filed unaudited statement of financial position as at December 31, 2011 with CSH's audited statement of financial position as at December 31, 2011) prepared in accordance with IFRS; and

(iii) unaudited *pro forma* income statements of the Company for the year ended March 31, 2011 (which combine the Company's results for the year ended March 31, 2011 with CSH's results for its year ended December 31, 2010) prepared in accordance with Canadian GAAP and for the six-month period ended September 30, 2011 (which combine the Company's results for the six months ended September 30, 2011 with CSH's results for the six months ended June 30, 2011) prepared in accordance with IFRS.

See "*Index to Financial Statements*".

STRUCTURE OF THE COMPANY

The following chart illustrates the principal corporate structure and legal relationships through which the Company's operations are conducted following the Acquisition and the internal restructuring described above under the heading "*The Acquisition — Internal Restructuring Completed Immediately Following the Acquisition*".

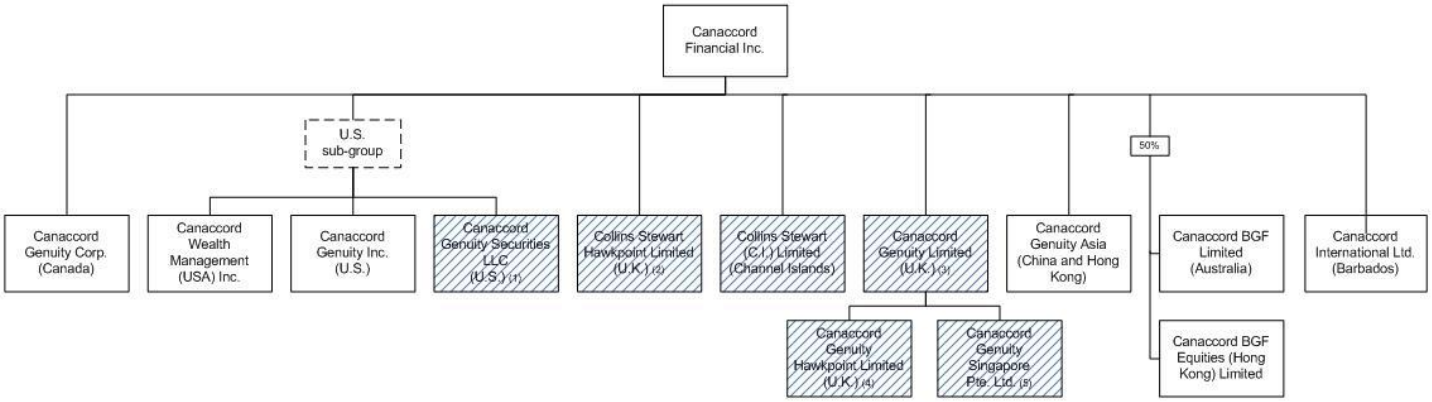

Chart shows principal operating companies of the Canaccord group and certain other companies referred to in this Prospectus. Companies of the CSH group are shown hatched; Canaccord Genuity Limited combines the businesses of Collins Stewart Europe Limited and the Canaccord U.K. operating company before the Acquisition of CSH.
1. Formerly Collins Stewart LLC
2. Formerly Collins Stewart Hawkpoint plc
3. Formerly Collins Stewart Europe Limited; transferee of business of Canaccord Genuity Limited (the Canaccord U.K. operating company before the Acquisition of CSH)
4. Formerly Hawkpoint Partners Limited
5. Formerly Collins Stewart Pte. Ltd.

USE OF PROCEEDS

The estimated net proceeds of the Offering, after deducting the Underwriters' fee payable to the Underwriters and the estimated expenses of the Offering, will be $96.0 million. If the Over-Allotment Option is exercised in full, the net proceeds to be received from the Offering by the Company, after deducting the Underwriting fee payable to the Underwriters and the estimated expenses of the Offering, will be $110.6 million. The Company intends to use the net proceeds from this Offering to reduce outstanding borrowings under the Acquisition Credit Facility.

The borrowings under the Acquisition Credit Facility were used to fund a portion of the cash consideration for the Acquisition. See "*The Acquisition — Financing of the Cash Consideration for the Acquisition*".

CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of the Company as of the dates indicated and adjusted to give effect to the issue of the Series C Preferred Shares under the Offering and to the completion of the Acquisition. Other than with respect to the Offering and the Acquisition, there have not been any material changes in the capitalization of the Company since December 31, 2011. The following table should be read in conjunction with the Annual Financial Statements and the Annual MD&A, and the Interim Financial Statements, together with the Interim MD&A, in each case incorporated by reference into this Prospectus.

($'000s)	As at March 31, 2011 Audited Actual (*Canadian GAAP*)	As at December 31, 2011 Unaudited Actual (*IFRS*)	As at December 31, 2011 Unaudited (After giving effect to the Offering) [(1)] (*IFRS*)	As at December 31, 2011 Unaudited (After giving effect to the Acquisition) [(2)] (*IFRS*)	As at December 31, 2011 Unaudited (After giving effect to the Offering and the Acquisition) [(3)] (*IFRS*)
Subordinated debt	15,000	15,000	15,000	15,000	15,000
Common share capital	533,876	541,076	541,076	705,538	705,538
Preferred share capital	-	110,818	206,818	110,818	206,818
Retaining earnings	273,007	221,409	221,409	221,409	221,409
Unvested share purchase loans	(36,018)	(33,562)	(33,562)	(33,562)	(33,562)
Held by employee benefit trust	(30,808)	(41,219)	(41,219)	(41,219)	(41,219)
Contributed surplus	53,441	51,557	51,557	59,065	59,065
Accumulated other comprehensive income (loss)	(36,975)	2,216	2,216	2,216	2,216
Total Capitalization	771,523	867,295	963,295	1,039,265	1,135,265

(1) This adjusted figure at December 31, 2011 gives effect to the issue of 4,000,000 Series C Preferred Shares pursuant to the Offering (assuming no exercise of the Over-Allotment Option) for net proceeds of $96.0 million after taking into account the Underwriters' fee, and other fees and expenses related to the Offering which are estimated at $4.0 million.

(2) This adjusted figure at December 31, 2011 gives effect to the completion of the Acquisition. In connection with the Acquisition, 18,273,812 common shares were issued with a value of $164.5 million and share-consideration in respect of certain replacement stock plan awards in the amount of $7.5 million were recorded as contributed surplus.

(3) This adjusted figure at December 31, 2011 gives effect to the adjustments as described in footnotes 1 and 2 above.

EARNINGS COVERAGE RATIOS

The following consolidated earnings coverage ratio is calculated for the 12-month periods ended March 31, 2011 and December 31, 2011. The ratio gives effect to the issue of 4,000,000 Series C Preferred Shares, the issuance of the Series A Preferred Shares, the drawdown under the Acquisition Credit Facility and the partial repayment of the Acquisition Credit Facility with the proceeds from this Offering, as if those shares had been issued, the facility had been drawn upon and the partial repayment had occurred on April 1, 2010 and January 1, 2011, respectively. Accordingly, the Company's dividend requirements and interest requirements, as set out below, have been determined on this basis as well. The earnings assume that no additional earnings are derived from the net proceeds of the Series A Preferred Shares and the Series C Preferred Shares.

	March 31, 2011	December 31, 2011
Income for the period [(1)] / Interest and dividend requirements [(2)]	5.9	3.1

[(1)] Income for the period is defined as net income for the period, determined in accordance with Canadian GAAP for the year ended March 31, 2011, and IFRS for the 12 months ended December 31, 2011, before deduction of interest expense and income taxes, and was $148.3 million and $81.5 million for the 12 month periods ended March 31, 2011 and December 31, 2011, respectively.

[(2)] Interest expense for the 12-month periods ended March 31, 2011 and December 31, 2011 was $8.1 million and $9.6 million, respectively and gives effect to the drawdown under the Acquisition Credit Facility and to the partial repayment of the Acquisition Credit Facility with the proceeds from this Offering. Dividend requirements on preferred shares for the 12-month periods ended March 31, 2011 and December 31, 2011 of $17.2 million and $16.7 million, respectively, give effect to the issue of the Series C Preferred Shares to be distributed under this Prospectus and have been adjusted to a before-tax equivalent using an effective income tax rate of 30.1% and 28.2%, respectively, and also give effect to the issue of the Series A Preferred Shares.

Income before interest expense and income tax for the 12-month period ended March 31, 2011 was $148.3 million, which is 5.9 times the Company's aggregate interest and preferred share dividend requirements for such period. Income before interest expense and income tax for the 12-month period ended December 31, 2011 was $81.5 million, which is 3.1 times the Company's aggregate interest and preferred share dividend requirements for such period.

Based upon the Company's *pro forma* statements of operations included in this Prospectus for the year ended March 31, 2011 and for the six-month period ended September 30, 2011, after giving effect to the Offering, the issuance of the Series A Preferred Shares, the drawdown under the Acquisition Credit Facility and the partial repayment of the Acquisition Credit Facility with the proceeds from this Offering as if these transactions occurred on April 1, 2010, the earnings coverage ratio would be 5.7 and 1.8, for these periods respectively.

The earnings coverage ratios outlined above do not purport to be indicative of the earnings coverage ratios for any future period.

PRIOR SALES

During the 12-month period before the date of this Prospectus, the Company issued the following Series A Preferred Shares:

Date	Number of Series A Preferred Shares Issued	Price per Series A Preferred Share
June 23, 2011	4,000,000	$25.00
July 7, 2011	540,000	$25.00

TRADING PRICE AND VOLUME

The Common Shares are listed and posted for trading on the TSX under the trading symbol "CF". The following table sets forth the market price ranges and the aggregate trading volume for the Common Shares on the TSX for the periods indicated:

Month	High	Low	Volume (# of Common Shares)
March 2011	$15.65	$13.03	2,545,792
April 2011	$15.31	$13.91	1,336,934

Month	High	Low	Volume (# of Common Shares)
May 2011	$14.86	$12.66	7,542,660
June 2011	$14.00	$11.65	1,629,327
July 2011	$13.05	$12.05	1,114,943
August 2011	$12.90	$9.42	4,218,248
September 2011	$10.71	$9.32	3,170,750
October 2011	$9.74	$8.32	3,562,314
November 2011	$9.68	$8.21	2,473,776
December 2011	$9.72	$6.94	6,351,362
January 2012	$8.50	$7.61	3,928,711
February 2012	$9.44	$7.83	5,855,063
March 2012	$9.17	$7.97	4,523,826

Source: TSX Market Data

The Series A Preferred Shares are listed and posted for trading on the TSX under the trading symbol "CF.PR.A". The following table sets forth the market price ranges and the aggregate trading volume for the Series A Preferred Shares on the TSX for the periods indicated:

Month	High	Low	Volume (# of Series A Preferred Shares)
June 23 – 30, 2011[(1)]	$24.98	$24.75	386,376
July 2011	$25.29	$24.75	204,233
August 2011	$25.50	$24.25	163,917
September 2011	$25.26	$24.60	111,458
October 2011	$25.00	$24.02	72,345
November 2011	$25.00	$24.20	46,645
December 2011	$24.70	$21.41	61,954
January 2012	$25.00	$22.97	94,114
February 2012	$24.85	$24.05	72,724
March 2012	$24.79	$23.40	49,819

Source: TSX Market Data

[(1)] The Series A Preferred Share Offering closed on June 23, 2011.

RATING

The Series C Preferred Shares have been assigned a provisional rating of Pfd-3 (low) with a Negative trend by DBRS. The DBRS rating of "Pfd-3 (low)" is the lowest sub-category within the third highest rating of the five standard categories of ratings utilized by DBRS for preferred shares. According to the DBRS preferred share rating scale, preferred shares rated "Pfd-3" are of adequate credit quality. While protection of dividends and principal is still considered acceptable, the issuing entity is more susceptible to adverse changes in financial and economic conditions, and there may be other adversities present which detract from debt protection. DBRS further subcategorizes each rating by the designation of "high" and "low" to indicate where an entity falls within the rating category. The absence of either a “high” or “low” designation indicates the rating is in the middle of the category. The rating trend indicates the direction in which DBRS considers the rating is headed should present tendencies continue, or in some cases, unless challenges are addressed. A rating trend that is “Negative” indicates that negative events may have occurred or that unfavourable changes in respect of the Company are likely to occur in the near future.

The Series A Preferred Shares were initially assigned a rating of Pfd-3 (low) with a “Stable” trend when they were first issued in June 2011. The trend was changed to “Negative” on December 21, 2011. DBRS, in its news release dated December 21, 2011 announcing the change in trend, provided the following reasons for the change: (i) the relative size of the Acquisition; (ii) the current economic and market environment; and (iii) lack of clarity with respect to the longer-term financing for the cash portion of the transaction once the Acquisition Credit Facility is repaid. DBRS, in its press release dated December 21, 2011, also stated that “once Canaccord demonstrates that a successful integration has been achieved and the longer-term take-out financing has been provided, the Stable trend [assigned to the Series A Preferred Shares] should be readily re-assigned, all else being equal”.

Ratings are intended to provide investors with an independent assessment of the credit quality of an issue or issuer of securities and do not speak to the suitability of particular securities for any particular investor. The foregoing rating assigned to the Series C Preferred Shares may not reflect the potential impact of all risks on the value of the Series C Preferred Shares. A rating is therefore not a recommendation to buy, sell or hold securities (including the Series C Preferred Shares) and may be subject to revision or withdrawal at any time by the rating organization. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be withdrawn or revised entirely by a rating organization at any time if in its judgment circumstances so warrant. Prospective purchasers of Series C Preferred Shares should consult the relevant rating organization with respect to the interpretation and implications of the ratings. See “*Risk Factors*”.

DETAILS OF THE OFFERING

Description of the Series C Preferred Shares

The following is a summary of certain provisions attaching to the Series C Preferred Shares as a series.

Definition of Terms

The following definitions are relevant to the Series C Preferred Shares.

“**Annual Fixed Dividend Rate**” means, for any Subsequent Fixed Rate Period, the annual rate (expressed as a percentage rate rounded to the nearest one hundred thousandth of one percent (with 0.000005% being rounded up)) equal to the sum of the Government of Canada Yield on the applicable Fixed Rate Calculation Date plus 4.03%.

“**Bloomberg Screen GCAN5YR Page**” means the display designated as page “GCAN5YR<INDEX>” on the Bloomberg Financial L.P. service (or such other page as may replace the GCAN5YR page on that service) for purposes of displaying Government of Canada bond yields.

“**Fixed Rate Calculation Date**” means, for any Subsequent Fixed Rate Period, the 30th day prior to the first day of such Subsequent Fixed Rate Period.

“**Government of Canada Yield**” on any date means the yield to maturity on such date (assuming semi-annual compounding) of a Canadian dollar-denominated non-callable Government of Canada bond with a term to maturity of five years as quoted as of 10:00 a.m. (Toronto time) on such date and which appears on the Bloomberg Screen GCAN5YR Page on such date; provided that, if such rate does not appear on the Bloomberg Screen GCAN5YR Page on such date, the Government of Canada Yield will mean the average of the yields determined by two registered Canadian investment dealers selected by the Company, as being the yield to maturity on such date (assuming semi-annual compounding) which a Canadian dollar denominated non-callable Government of Canada bond would carry if issued in Canadian dollars at 100% of its principal amount on such date with a term to maturity of five years.

“**Initial Fixed Rate Period**” means the period commencing on the Closing Date and ending on and including June 30, 2017.

“**Subsequent Fixed Rate Period**” means for the initial Subsequent Fixed Rate Period, the period commencing on July 1, 2017 and ending on and including June 30, 2022 and for each succeeding Subsequent Fixed Rate Period, the period commencing on the day immediately following the end of the immediately preceding Subsequent Fixed Rate Period and ending on and including June 30 in the fifth year thereafter.

Issue Price

The Series C Preferred Shares will have an issue price of $25.00 per share.

Dividends

During the Initial Fixed Rate Period, the holders of the Series C Preferred Shares will be entitled to receive fixed, cumulative, preferential cash dividends, as and when declared by the Board of Directors, payable quarterly on the last day of March, June, September and December in each year during the Initial Fixed Rate Period, in an annual amount equal to $1.4375 per Series C Preferred Share. Should any such day not be a business day, such dividends will be payable on the immediately following business day. The initial dividend, as and when declared by the Board of Directors, will be payable on July 3, 2012 and will be $0.3190 per Series C Preferred Share, based on the anticipated closing date for the Offering of April 10, 2012.

During each Subsequent Fixed Rate Period, the holders of Series C Preferred Shares will be entitled to receive fixed, cumulative, preferential cash dividends, as and when declared by the Board of Directors, payable quarterly on the last day of March, June, September and December in each year during the Subsequent Fixed Rate Period, in an annual amount per share determined by multiplying the Annual Fixed Dividend Rate applicable to such Subsequent Fixed Rate Period by $25.00. Should any such day not be a business day, such dividends will be payable on the immediately following business day.

The Annual Fixed Dividend Rate applicable to a Subsequent Fixed Rate Period will be determined by the Company on the Fixed Rate Calculation Date. Such determination will, in the absence of manifest error, be final and binding upon the Company and upon all holders of Series C Preferred Shares. The Company will, on the Fixed Rate Calculation Date, give written notice of the Annual Fixed Dividend Rate for the ensuing Subsequent Fixed Rate Period to the registered holders of the then outstanding Series C Preferred Shares.

Payments of dividends and other amounts in respect of the Series C Preferred Shares will be made by the Company to CDS, or its nominee, as the case may be, as registered holder of the Series C Preferred Shares. As long as CDS, or its nominee, is the registered holder of the Series C Preferred Shares, CDS, or its nominee, as the case may be, will be considered the sole owner of the Series C Preferred Shares for the purposes of receiving payment on the Series C Preferred Shares.

Redemption

The Series C Preferred Shares will not be redeemable by the Company prior to June 30, 2017. On June 30, 2017 and on June 30 every five years thereafter (or, if such date is not a business day, the immediately following business day), and subject to certain other restrictions set out in “*Description of the Series C Preferred Shares — Restrictions on Dividends and Retirement and Issue of Shares*”, the Company may, at its option, on at least 30 days’ and not more than 60 days’ prior written notice, redeem all or from time to time any number of the then outstanding Series C Preferred Shares by payment in cash of a per share amount equal to $25.00, together with all accrued and unpaid dividends up to but excluding the date fixed for redemption (less any tax required to be deducted or withheld).

If less than all of the outstanding Series C Preferred Shares are to be redeemed, the shares to be redeemed shall be selected on a *pro rata* basis disregarding fractions or, if such shares are at such time listed on such exchange, with the consent of the TSX, in such manner as the Board of Directors in its sole discretion may, by resolution, determine.

The Series C Preferred Shares do not have a fixed maturity date and are not redeemable at the option of the holders of Series C Preferred Shares. See "*Risk Factors*".

Conversion of Series C Preferred Shares into Series D Preferred Shares

Holders of Series C Preferred Shares will have the right, at their option, on June 30, 2017 and on June 30 every five years thereafter (each, a "**Series C Conversion Date**"), to convert, subject to the restrictions on conversion described below and the payment or delivery to the Company of evidence of payment of the tax (if any) payable, all or any of their Series C Preferred Shares registered in their name into Series D Preferred Shares on the basis of one Series D Preferred Share for each Series C Preferred Share. If a Series C Conversion Date would otherwise fall on a day that is not a business day, such Series C Conversion Date shall be the immediately following business day. The conversion of Series C Preferred Shares may be effected upon written notice given by the registered holders of the Series C Preferred Shares to the Company not earlier than the 30th day prior to, but not later than 5:00 p.m. (Toronto time) on the 15th day preceding, the applicable Series C Conversion Date. Once received by the Company, an election notice is irrevocable.

The Company will, at least 30 days' and not more than 60 days' prior to the applicable Series C Conversion Date, give notice in writing to the then registered holders of the Series C Preferred Shares of the above mentioned conversion right. On the 30th day prior to each Series C Conversion Date, the Company will give notice in writing to the then registered holders of the Series C Preferred Shares of the Annual Fixed Dividend Rate applicable to the Series C Preferred Shares for the next succeeding Subsequent Fixed Rate Period and the Floating Quarterly Dividend Rate (as defined herein) applicable to the Series D Preferred Shares for the next succeeding Quarterly Floating Rate Period.

If the Company gives notice to the registered holders of the Series C Preferred Shares of the redemption on a Series C Conversion Date of all the Series C Preferred Shares, the Company will not be required to give notice as provided hereunder to the registered holders of the Series C Preferred Shares of the Floating Quarterly Dividend Rate, the Annual Fixed Dividend Rate or the conversion right of holders of Series C Preferred Shares and the right of any holder of Series C Preferred Shares to convert such Series C Preferred Shares will cease and terminate in that event. All Series C Preferred Shares converted into Series D Preferred Shares on a Series C Conversion Date will be restored to the status of authorized but unissued shares of the Company as at the close of business on the Series C Conversion Date and available for issuance on the conversion of the Series D Preferred Shares.

Holders of Series C Preferred Shares will not be entitled to convert their shares into Series D Preferred Shares if the Company determines that there would remain outstanding on a Series C Conversion Date less than 1,000,000 Series D Preferred Shares, after having taken into account all Series C Preferred Shares tendered for conversion into Series D Preferred Shares and all Series D Preferred Shares tendered for conversion into Series C Preferred Shares. The Company will give notice in writing to all affected holders of Series C Preferred Shares of their inability to convert their Series C Preferred Shares at least seven days prior to the applicable Series C Conversion Date. Furthermore, if the Company determines that there would remain outstanding on a Series C Conversion Date less than 1,000,000 Series C Preferred Shares, after having taken into account all Series C Preferred Shares tendered for conversion into Series D Preferred Shares and all Series D Preferred Shares tendered for conversion into Series C Preferred Shares, then, all, but not part, of the remaining outstanding Series C Preferred Shares will automatically be converted into Series D Preferred Shares on the basis of one Series D Preferred Share for each Series C Preferred Share, on the applicable Series C Conversion Date and the Company will give notice in writing to this effect to the then registered holders of such remaining Series C Preferred Shares at least seven days prior to the Series C Conversion Date.

Upon exercise by a registered holder of its right to convert Series C Preferred Shares into Series D Preferred Shares (and upon an automatic conversion), the Company reserves the right not to deliver Series D Preferred Shares to any person whose address is in, or whom the Company or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada, to the extent that such issue would require the Company to take any action to comply with the securities or analogous laws of such jurisdiction.

Purchase for Cancellation

Subject to applicable law and to the provisions described under "*Description of the Series C Preferred Shares — Restrictions on Dividends and Retirement and Issue of Shares*" below, the Company may at any time purchase for cancellation the whole or any number of the Series C Preferred Shares at the lowest price or prices at which in the opinion of the Board of Directors such shares are obtainable.

Rights on Liquidation

In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of assets of the Company among its shareholders for the purpose of winding-up its affairs, the holders of the Series C Preferred Shares will be entitled to receive $25.00 per share, together with all accrued and unpaid dividends up to but excluding the date fixed for payment or distribution (less any tax required to be deducted or withheld), before any amount is paid or any assets of the Company are distributed to the holders of any shares ranking junior as to capital to the Series C Preferred Shares. Upon payment of such amounts, the holders of the Series C Preferred Shares will not be entitled to share in any further distribution of the assets of the Company.

Priority

The Series C Preferred Shares are entitled to preference over the Common Shares, the Second Preferred shares of the Company and any other shares of the Company ranking junior to the First Preferred shares (which include, for greater certainty, the Series A Preferred Shares and the Cumulative Floating Rate First Preferred Shares, Series B) with respect to the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding-up its affairs. The Series C Preferred Shares rank equally with the First Preferred shares of the Company (the "**First Preferred Shares**") of every other series with respect to the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding-up its affairs.

Restrictions on Dividends and Retirement and Issue of Shares

So long as any of the Series C Preferred Shares are outstanding, the Company will not, without the approval of the holders of the Series C Preferred Shares:

(a) declare, pay or set apart for payment any dividends (other than stock dividends payable in shares of the Company ranking as to capital and dividends junior to the Series C Preferred Shares) on shares of the Company ranking as to dividends junior to the Series C Preferred Shares;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares of the Company ranking as to return of capital and dividends junior to the Series C Preferred Shares, redeem or call for redemption, purchase or otherwise pay off, retire or make any return of capital in respect of any shares of the Company ranking as to capital junior to the Series C Preferred Shares;

(c) redeem or call for redemption, purchase, or otherwise pay off or retire for value or make any return of capital in respect of less than all of the Series C Preferred Shares then outstanding; or

(d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching thereto, redeem or call for redemption, purchase or otherwise pay off, retire or make any return of capital in respect of any preferred shares, ranking as to the payment of dividends or return of capital on parity with the Series C Preferred Shares,

unless, in each such case, all accrued and unpaid dividends up to and including the dividend payable for the last completed period for which dividends were payable on the Series C Preferred Shares and on all other shares of the

Company ranking prior to or on parity with the Series C Preferred Shares with respect to the payment of dividends have been declared and paid or set apart for payment.

Shareholder Approvals

In addition to any other approvals required by law, the approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Series C Preferred Shares as a series and any other approval to be given by the holders of the Series C Preferred Shares may be given by a resolution carried by an affirmative vote of at least 66 $^{2}/_{3}$% of the votes cast at a meeting at which the holders of a majority of the outstanding Series C Preferred Shares are present or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Series C Preferred Shares then present would form the necessary quorum. At any meeting of holders of Series C Preferred Shares as a series, each such holder shall be entitled to one vote in respect of each Series C Preferred Share held.

Voting Rights

The holders of the Series C Preferred Shares will not (except as otherwise provided by law and except for meetings of the holders of Preferred Shares as a class and meetings of all holders of Series C Preferred Shares as a series) be entitled to receive notice of, attend, or vote at, any meeting of shareholders of the Company unless and until the Company shall have failed to pay eight quarterly dividends on the Series C Preferred Shares, whether or not consecutive and whether or not such dividends have been declared and whether or not there are any monies of the Company properly applicable to the payment of dividends. In the event of such non-payment, and for only so long as any such dividends remain in arrears, the holders of the Series C Preferred Shares will be entitled to receive notice of and to attend each meeting of the Company's shareholders (other than any meetings at which only holders of another specified class or series are entitled to vote), and to one vote for each Series C Preferred Share held. Upon payment of the entire amount of all Series C Preferred Share dividends in arrears, the voting rights of the holders of the Series C Preferred Shares shall forthwith cease.

Tax Election

The Company will elect, in the manner and within the time provided under Part VI.1 of the *Income Tax Act* (Canada) (the "**Tax Act**"), to pay or cause payment of the tax, under Part VI.1 at a rate such that the corporate holders of Series C Preferred Shares will not be required to pay tax under Part IV.1 of the Tax Act on dividends received on such shares.

Description of the Series D Preferred Shares

The following is a summary of certain provisions attaching to the Series D Preferred Shares as a series.

Definition of Terms

The following definitions are relevant to the Series D Preferred Shares.

"**Floating Quarterly Dividend Rate**" means, for any Quarterly Floating Rate Period, the rate (expressed as a percentage rate rounded to the nearest one hundred thousandth of one percent (with 0.000005% being rounded up)) equal to the sum of the T-Bill Rate on the applicable Floating Rate Calculation Date plus 4.03% (calculated on the basis of the actual number of days elapsed in such Quarterly Floating Rate Period divided by 365).

"**Floating Rate Calculation Date**" means, for any Quarterly Floating Rate Period, the 30th day prior to the first day of such Quarterly Floating Rate Period.

"**Quarterly Commencement Date**" means the 1st day of each of April, July, October and January in each year.

“**Quarterly Floating Rate Period**” means, for the initial Quarterly Floating Rate Period, the period commencing on July 1, 2017 and ending on and including September 30, 2017 and thereafter the period from and including the day immediately following the end of the immediately preceding Quarterly Floating Rate Period to but excluding the next succeeding Quarterly Commencement Date.

“**T-Bill Rate**” means, for any Quarterly Floating Rate Period, the average yield expressed as a percentage per annum on three-month Government of Canada Treasury Bills, as reported by the Bank of Canada, for the most recent treasury bills auction preceding the applicable Floating Rate Calculation Date.

Issue Price

The Series D Preferred Shares will have an issue price of $25.00 per share.

Dividends

The holders of the Series D Preferred Shares will be entitled to receive floating rate, cumulative, preferential cash dividends, as and when declared by the Board of Directors, payable quarterly on the last day of each Quarterly Floating Rate Period, in the amount per share determined by multiplying the applicable Floating Quarterly Dividend Rate by $25.00. Should any such day not be a business day, such dividends will be payable on the immediately following business day.

The Floating Quarterly Dividend Rate for each Quarterly Floating Rate Period will be determined by the Company on the Floating Rate Calculation Date. Such determination will, in the absence of manifest error, be final and binding upon the Company and upon all holders of Series D Preferred Shares. The Company will, on the Floating Rate Calculation Date, give written notice of the Floating Quarterly Dividend Rate for the ensuing Quarterly Floating Rate Period to the registered holders of the then outstanding Series D Preferred Shares.

Payments of dividends and other amounts in respect of the Series D Preferred Shares will be made by the Company to CDS, or its nominee, as the case may be, as registered holder of the Series D Preferred Shares. As long as CDS, or its nominee, is the registered holder of the Series D Preferred Shares, CDS, or its nominee, as the case may be, will be considered the sole owner of the Series D Preferred Shares for the purposes of receiving payment on the Series D Preferred Shares.

Redemption

Subject to the restrictions set out in “*Description of the Series D Preferred Shares — Restrictions on Dividends and Retirement and Issue of Shares*” below, the Company may, at its option, on at least 30 days’ and not more than 60 days’ prior written notice, redeem all or from time to time any number of the then outstanding Series D Preferred Shares by payment in cash of a per share amount equal to (i) $25.00 in the case of redemptions on June 30, 2022 and on June 30 every five years thereafter (each, a “**Series D Conversion Date**”), or (ii) $25.50 in the case of redemptions on any date which is not a Series D Conversion Date after June 30, 2017, in each case together with all accrued and unpaid dividends up to but excluding the date fixed for redemption (less any tax required to be deducted or withheld). If a Series D Conversion Date or such date fixed for redemption would otherwise fall on a day that is not a business day, such Series D Conversion Date or such date fixed for redemption shall be the immediately following business day.

If less than all of the outstanding Series D Preferred Shares are to be redeemed, the shares to be redeemed shall be selected on a *pro rata* basis disregarding fractions or, if such shares are at such time listed on such exchange, with the consent of the TSX, in such manner as the Board of Directors in its sole discretion may, by resolution, determine.

The Series D Preferred Shares do not have a fixed maturity date and are not redeemable at the option of the holders of Series D Preferred Shares. See “Risk Factors”.

Conversion of Series D Preferred Shares into Series C Preferred Shares

Holders of Series D Preferred Shares will have the right, at their option, on each Series D Conversion Date, to convert, subject to the restrictions on conversion described below and the payment or delivery to the Company of evidence of payment of the tax (if any) payable, all or any of the Series D Preferred Shares registered in their name into Series C Preferred Shares on the basis of one Series C Preferred Share for each Series D Preferred Share. The conversion of Series D Preferred Shares may be effected upon written notice given by the registered holders of the Series D Preferred Shares not earlier than the 30th day prior to, but not later than 5:00 p.m. (Toronto time) on the 15th day preceding, the applicable Series D Conversion Date. Once received by the Company, an election notice is irrevocable.

The Company will, at least 30 days' and not more than 60 days' prior to the applicable Series D Conversion Date, give notice in writing to the then registered holders of the Series D Preferred Shares of the above mentioned conversion right. On the 30th day prior to each Series D Conversion Date, the Company will give notice in writing to the then registered holders of Series D Preferred Shares of the Floating Quarterly Dividend Rate applicable to the Series D Preferred Shares for the next succeeding Quarterly Floating Rate Period and the Annual Fixed Dividend Rate applicable to the Series C Preferred Shares for the next succeeding Subsequent Fixed Rate Period.

If the Company gives notice to the registered holders of the Series D Preferred Shares of the redemption on a Series D Conversion Date of all the Series D Preferred Shares, the Company will not be required to give notice as provided hereunder to the registered holders of the Series D Preferred Shares of the Annual Fixed Dividend Rate, the Floating Quarterly Dividend Rate or the conversion right of holders of Series D Preferred Shares and the right of any holder of Series D Preferred Shares to convert such Series D Preferred Shares will cease and terminate in that event. All Series D Preferred Shares converted into Series C Preferred Shares on a Series D Conversion Date will be restored to the status of authorized but unissued shares of the Company as at the close of business on the Series D Conversion Date and available for issuance on the conversion of the Series C Preferred Shares into Series D Preferred Shares.

Holders of Series D Preferred Shares will not be entitled to convert their shares into Series C Preferred Shares if the Company determines that there would remain outstanding on a Series D Conversion Date less than 1,000,000 Series C Preferred Shares, after having taken into account all Series D Preferred Shares tendered for conversion into Series C Preferred Shares and all Series C Preferred Shares tendered for conversion into Series D Preferred Shares. The Company will give notice in writing to all affected holders of Series D Preferred Shares of their inability to convert their Series D Preferred Shares at least seven days prior to the applicable Series D Conversion Date. Furthermore, if the Company determines that there would remain outstanding on a Series D Conversion Date less than 1,000,000 Series D Preferred Shares, after having taken into account all Series D Preferred Shares tendered for conversion into Series C Preferred Shares and all Series C Preferred Shares tendered for conversion into Series D Preferred Shares, then, all, but not part, of the remaining outstanding Series D Preferred Shares will automatically be converted into Series C Preferred Shares on the basis of one Series C Preferred Share for each Series D Preferred Share, on the applicable Series D Conversion Date and the Company will give notice in writing to this effect to the then registered holders of such remaining Series D Preferred Shares at least seven days prior to the Series D Conversion Date.

Upon exercise by a registered holder of its right to convert Series D Preferred Shares into Series C Preferred Shares (and upon an automatic conversion), the Company reserves the right not to deliver Series C Preferred Shares to any person whose address is in, or whom the Company or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada, to the extent that such issue would require the Company to take any action to comply with the securities or analogous laws of such jurisdiction.

Purchase for Cancellation

Subject to applicable law and to the provisions described under "*Description of the Series D Preferred Shares — Restrictions on Dividends and Retirement and Issue of Shares*" below, the Company may at any time purchase for cancellation the whole or any number of the Series D Preferred Shares at the lowest price or prices at which in the opinion of the Board of Directors such shares are obtainable.

Rights on Liquidation

In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of assets of the Company among its shareholders for the purpose of winding-up its affairs, the holders of the Series D Preferred Shares will be entitled to receive $25.00 per share, together with all accrued and unpaid dividends up to but excluding the date fixed for payment or distribution (less any tax required to be deducted or withheld), before any amount is paid or any assets of the Company are distributed to the holders of any shares ranking junior as to capital to the Series D Preferred Shares. Upon payment of such amounts, the holders of the Series D Preferred Shares will not be entitled to share in any further distribution of the assets of the Company.

Priority

The Series D Preferred Shares will be entitled to preference over the Common Shares, the Second Preferred shares of the Company and any other shares of the Company ranking junior to the First Preferred Shares with respect to the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding-up its affairs. The Series D Preferred Shares rank equally with the First Preferred Shares of every other series with respect to the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding-up its affairs.

Restrictions on Dividends and Retirement and Issue of Shares

So long as any of the Series D Preferred Shares are outstanding, the Company will not, without the approval of the holders of the Series D Preferred Shares:

(a) declare, pay or set apart for payment any dividends (other than stock dividends payable in shares of the Company ranking as to capital and dividends junior to the Series D Preferred Shares) on shares of the Company ranking as to dividends junior to the Series D Preferred Shares;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares of the Company ranking as to return of capital and dividends junior to the Series D Preferred Shares, redeem or call for redemption, purchase or otherwise pay off, retire or make any return of capital in respect of any shares of the Company ranking as to capital junior to the Series D Preferred Shares;

(c) redeem or call for redemption, purchase, or otherwise pay off or retire for value or make any return of capital in respect of less than all of the Series D Preferred Shares then outstanding; or

(d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching thereto, redeem or call for redemption, purchase or otherwise pay off, retire or make any return of capital in respect of any preferred shares, ranking as to the payment of dividends or return of capital on parity with the Series D Preferred Shares,

unless, in each such case, all accrued and unpaid dividends up to and including the dividend payable for the last completed period for which dividends were payable on the Series D Preferred Shares and on all other shares of the Company ranking prior to or on parity with the Series D Preferred Shares with respect to the payment of dividends have been declared and paid or set apart for payment.

Shareholder Approvals

In addition to any other approvals required by law, the approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Series D Preferred Shares as a series and any other approval to be given by the holders of the Series D Preferred Shares may be given by a resolution carried by an affirmative vote of at least 66 $^{2}/_{3}$% of the votes cast at a meeting at which the holders of a majority of the outstanding Series D Preferred

Shares are present or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Series D Preferred Shares then present would form the necessary quorum. At any meeting of holders of Series D Preferred Shares as a series, each such holder shall be entitled to one vote in respect of each Series D Preferred Share held.

Voting Rights

The holders of the Series D Preferred Shares will not (except as otherwise provided by law and except for meetings of the holders of Preferred Shares as a class and meetings of all holders of Series D Preferred Shares as a series) be entitled to receive notice of, attend, or vote at, any meeting of shareholders of the Company unless and until the Company shall have failed to pay eight quarterly dividends on the Series D Preferred Shares, whether or not consecutive and whether or not such dividends have been declared and whether or not there are any monies of the Company properly applicable to the payment of dividends. In the event of such non-payment, and for only so long as any such dividends remain in arrears, the holders of the Series D Preferred Shares will be entitled to receive notice of and to attend each meeting of the Company's shareholders (other than any meetings at which only holders of another specified class or series are entitled to vote), and to one vote for each Series D Preferred Share held. Upon payment of the entire amount of all Series D Preferred Share dividends in arrears, the voting rights of the holders of the Series D Preferred Shares shall forthwith cease.

Tax Election

The Company will elect, in the manner and within the time provided under Part VI.1 of the Tax Act, to pay or cause payment of the tax, under Part VI.1 at a rate such that the corporate holders of Series D Preferred Shares will not be required to pay tax under Part IV.1 of the Tax Act on dividends received on such shares.

BOOK ENTRY ONLY SYSTEM

Registration of interests in and transfers of the Series C Preferred Shares and of the Series D Preferred Shares, as applicable, will be made only through a book entry only system administered by CDS. On or about April 10, 2012, the expected closing date of the Offering, but no later than April 24, 2012, the Company will deliver to CDS certificates evidencing the aggregate number of Series C Preferred Shares subscribed for under this Offering. Series C Preferred Shares must be purchased, transferred and surrendered for conversion or redemption through a participant in CDS (a "**CDS Participant**"). All rights of an owner of Series C Preferred Shares and of an owner of Series D Preferred Shares must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by, CDS or the CDS Participant through which the owner holds Series C Preferred Shares or Series D Preferred Shares, as applicable. Upon purchase of any Series C Preferred Shares or Series D Preferred Shares, as applicable, the owner will receive only the customary confirmation. References in this Prospectus to a holder of Series C Preferred Shares or a holder of Series D Preferred Shares means, unless the context otherwise requires, the owner of the beneficial interest in such shares.

The ability of a beneficial owner of Series C Preferred Shares or Series D Preferred Shares to pledge the Series C Preferred Shares or Series D Preferred Shares, as applicable, or otherwise take action with respect to such owner's interest in such shares (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

The Company has the option to terminate registration of the Series C Preferred Shares or the Series D Preferred Shares through the book entry only system in which case certificates for Series C Preferred Shares or Series D Preferred Shares, as applicable, in fully registered form will be issued to beneficial owners of such shares or their nominees.

PLAN OF DISTRIBUTION

Under an agreement (the "**Underwriting Agreement**") dated March 27, 2012, among the Underwriters and the Company, the Company has agreed to issue and sell, and the Underwriters have agreed to purchase, on April 10, 2012, or on such other date as may be agreed, but in any event not later than April 24, 2012, subject to compliance with all necessary legal requirements and to the terms and conditions contained in the Underwriting Agreement, 4,000,000 Series C Preferred Shares at a price of $25.00 per share for an aggregate price of $100,000,000. The Underwriting Agreement provides that the Company will pay to the Underwriters a fee of $0.25 per share for Series C Preferred Shares sold to certain institutions and $0.75 per share for all other Series C Preferred Shares purchased by the Underwriters, in consideration for their services in connection with this Offering. The obligations of the Underwriters under the Underwriting Agreement are several and may be terminated at their discretion upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the Series C Preferred Shares offered hereby if any are purchased under the Underwriting Agreement. The distribution price of the Series C Preferred Shares was determined by negotiation between the Company and the Underwriters.

The Company has granted the Underwriters the Over-Allotment Option, exercisable in whole or in part, for a period of 30 days following the Closing Date, to purchase up to 600,000 Additional Shares on the same terms as set forth above to cover over-allotments, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the total price to the public, total Underwriters' fees and total net proceeds to the Company (before deduction of the expenses of this Offering) will be $115,000,000, $3,450,000 and $111,550,000, respectively. This Prospectus also qualifies the granting of the Over-Allotment Option and the distribution of the Additional Shares that may be offered in relation to the Over-Allotment Option.

The TSX has conditionally approved the listing of the Series C Preferred Shares distributed under this Prospectus and the Series D Preferred Shares into which the Series C Preferred Shares are convertible. The Series C Preferred Shares will be listed under the symbol "CF.PR.C". Listing will be subject to the Company fulfilling all of the requirements of the TSX on or before June 22, 2012.

Pursuant to the terms of the Underwriting Agreement, the Company shall not sell, or announce its intention to sell, nor authorize or issue, or announce its intention to authorize or issue, any preferred shares or securities convertible or exchangeable for or exercisable into preferred shares, other than the Series C Preferred Shares, at any time during the period commencing on the date hereof and ending on the day which is 90 days after the closing date of this Offering, without the prior written consent of CIBC World Markets Inc., Canaccord Genuity Corp. and RBC Dominion Securities Inc. (which consent will not be unreasonably withheld or delayed) on behalf of the Underwriters.

The Underwriters propose to offer the Series C Preferred Shares initially at the Offering Price. After a reasonable effort has been made to sell all of the Series C Preferred Shares at the Offering Price, the Underwriters may subsequently reduce and thereafter change, from time to time, the price at which the Series C Preferred Shares are offered to an amount not greater than the Offering Price. The compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by purchasers for the Series C Preferred Shares is less than the gross proceeds paid by the Underwriters to the Company.

The Underwriters may not, throughout the period of distribution under this Prospectus, bid for or purchase Series C Preferred Shares. The foregoing restriction is subject to certain exceptions, as long as the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in or raising the price of such securities. These exceptions include a bid or purchase permitted under the Universal Market Integrity Rules for Canadian Marketplaces of Investment Industry Regulatory Organization of Canada relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Pursuant to the first mentioned exception, in connection with this Offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Series C Preferred Shares at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

The Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under Canadian provincial securities legislation.

The distribution of this Prospectus and the Offering and sale of the Series C Preferred Shares are subject to certain restrictions under the laws of certain jurisdictions outside of Canada. Each Underwriter has agreed that it will not offer for sale or sell or deliver the Series C Preferred Shares in any such jurisdiction except in accordance with the laws thereof.

Neither the Series C Preferred Shares nor the Series D Preferred Shares have been or will be registered under the United States Securities Act of 1933, as amended, or any U.S. state securities laws and, subject to certain exceptions, may not be offered or sold in the United States or to, or for the benefit of, U.S. persons.

RELATIONSHIP BETWEEN THE COMPANY AND CERTAIN UNDERWRITERS

Canaccord Genuity Corp., one of the Underwriters, is a wholly-owned subsidiary of the Company. Consequently, the Company is a “related issuer” of Canaccord Genuity Corp. under applicable Canadian securities laws.

Canaccord Genuity Corp. will receive no benefit in connection with the Offering other than receiving its proportionate share of the Underwriters’ fee described above under “*Plan of Distribution*”.

CIBC World Markets Inc., one of the Underwriters, is a subsidiary of CIBC. CIBC has provided the Company (as borrower) with the Acquisition Credit Facility. Based upon this relationship, the Company may be considered a “connected issuer” of CIBC World Markets Inc., as such term is defined under applicable Canadian securities laws. The decision of CIBC World Markets Inc. to underwrite the Offering was made independently of its Canadian chartered bank affiliate, and this Canadian chartered bank affiliate had no influence as to the determination of the terms of the Offering. In addition, CIBC World Markets Inc. is pursuing legal action against Genuity Capital Markets, the obligations of which were assumed by Canaccord Genuity Corp. pursuant to its acquisition of Genuity Capital Markets in May, 2010. See “*Risk Factors — Risk Factors Specific to the Company*”.

Under the terms of the Acquisition Credit Facility, the Company may borrow up to a maximum principal amount of $150 million. As at the date of this Prospectus, borrowings under the Acquisition Credit Facility were approximately $150 million.

The Company intends to use all of the net proceeds from the Offering to repay a portion of the indebtedness outstanding under the Acquisition Credit Facility. See “*Use of Proceeds*”.

As of the date of this Prospectus, the Company is in compliance with the terms of Acquisition Credit Facility. Amounts outstanding to the lenders under the Acquisition Credit Facility are required to be guaranteed by each of the Company’s material subsidiaries, provided that any such material subsidiary shall not be required to provide such guarantee where prohibited by applicable law or where compliance with applicable law would result in an additional material capital requirement of the Company or any of its subsidiaries. If a material subsidiary of the Company is not required to provide a guarantee as a result of the foregoing, the Company is required to pledge or cause to be pledged all of the equity interests of such material subsidiary (and to cause its applicable subsidiary to provide a supporting guarantee in respect thereof, if applicable), provided that the company owning such equity interests is not required to enter into such a guarantee or pledge in the same circumstances that a material subsidiary is not required to provide a guarantee (in which case the holding company of that company shall pledge the equity interests in that company and provide a supporting guarantee in respect thereof). The financial position of the Company has not materially changed since the indebtedness related to the Acquisition Credit Facility was incurred except as disclosed in this Prospectus. Neither CIBC nor any of its affiliates have, at any time, waived a breach of the terms of the Acquisition Credit Facility.

Under applicable Canadian securities laws, each of RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., Scotia Capital Inc., GMP Securities L.P., Macquarie Capital Markets Canada Ltd., Raymond James Ltd., Cormark Securities Inc., Desjardins Securities Inc., Dundee Securities Ltd., Mackie Research Capital Corporation and Manulife Securities Incorporated is considered to be an “independent underwriter” in connection with this Offering and the Company is not a “related issuer” or “connected issuer” to any of them. The decision to distribute the Series C Preferred Shares and the determination of the terms of the distribution, including the price of the Series C Preferred Shares, were made through negotiations between the Company and the Underwriters. RBC Dominion Securities Inc., an underwriter in connection with this Offering and to whom the Company is not a related issuer” or a “connected issuer”, participated in the structuring and pricing of the Offering and the due diligence activities performed by the Underwriters. Additionally, each of the Underwriters listed as independent above has reviewed this Prospectus and has had the opportunity to propose such changes as it considered appropriate.

Certain of the Underwriters or their affiliates have provided, and may in the future provide, investment banking and financial advisory services to us or our affiliates for which they have or will receive customary compensation. In addition, certain of our affiliates utilize the institutional brokerage services of certain of the Underwriters in the usual course of business.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Goodmans LLP and of Torys LLP, the following is, at the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to a purchaser of Series C Preferred Shares pursuant to this Prospectus (a "**Holder**") who, for purposes of the Tax Act and at all relevant times, is or is deemed to be a resident of Canada, deals at arm's length with and is not affiliated with the Company, holds the Series C Preferred Shares, and will hold any Series D Preferred Shares, as the case may be, as capital property and is not exempt from tax under Part I of the Tax Act.

Generally, the Series C Preferred Shares and the Series D Preferred Shares will be considered to be capital property to a purchaser provided the purchaser does not hold such shares in the course of carrying on a business of trading or dealing in securities and does not acquire them as part of an adventure or concern in the nature of a trade. Certain purchasers who might not otherwise be considered to hold Series C Preferred Shares or Series D Preferred Shares as capital property may, in certain circumstances, be entitled to have them and every other "Canadian security", as defined in the Tax Act, owned by such purchaser in the taxation year of the election or any subsequent taxation year, treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is not applicable to a purchaser that is a "financial institution" for the purposes of the "mark to market property" rules, to a purchaser an interest in which would be a "tax shelter investment" or to a purchaser that makes or has made a functional currency reporting election to report its "Canadian tax results" in a currency other than Canadian currency, each as defined in the Tax Act. Such purchasers should consult their own tax advisors. Furthermore, this summary is not applicable to a purchaser that is a "specified financial institution", as defined in the Tax Act, that receives or is deemed to receive, alone or together with persons with whom it does not deal at arm's length, in the aggregate dividends in respect of more than 10% of the Series C Preferred Shares or the Series D Preferred Shares, as the case may be, outstanding at the time the dividend is received. Such purchasers should consult their own tax advisors. This summary also assumes that all issued and outstanding Series C Preferred Shares and Series D Preferred Shares are listed on a "designated stock exchange" (which includes the TSX) in Canada at such times as dividends (including deemed dividends) are paid or received on such shares.

This summary is based upon the current provisions of the Tax Act, the regulations thereunder (the "**Regulations**"), all specific proposals to amend the Tax Act and the Regulations publicly announced by the Minister of Finance (Canada) prior to the date hereof (the "**Tax Proposals**") and counsel's understanding of the current published administrative and assessing policies and practices of the Canada Revenue Agency. This summary does not otherwise take into account or anticipate any change in law, whether by legislative, governmental or judicial action, nor does it take into account or consider any provincial, territorial or foreign income tax legislation or considerations. No assurances can be given that the Tax Proposals will be enacted in the form proposed or at all.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular purchaser. This summary is not exhaustive of all the Canadian federal income tax considerations. Accordingly, prospective purchasers should consult their own tax advisors with respect to their particular circumstances.

Dividends

Dividends (including deemed dividends) received on the Series C Preferred Shares or the Series D Preferred Shares by an individual (other than certain trusts) will be included in the individual's income and generally will be subject to the gross-up and dividend tax credit rules applicable to taxable dividends received by individuals from taxable Canadian corporations, including the enhanced dividend tax credit rules applicable to any dividends designated by the Company as "eligible dividends" in accordance with the Tax Act. There may be limitations on the ability of the Company to designate dividends as eligible dividends.

Dividends (including deemed dividends) received on the Series C Preferred Shares or the Series D Preferred Shares by a corporation will be included in computing the corporation's income and will generally be deductible in computing the taxable income of the corporation.

The Series C Preferred Shares and the Series D Preferred Shares will be "taxable preferred shares" as defined in the Tax Act. The terms of the Series C Preferred Shares and the Series D Preferred Shares require the Company to make the necessary election under Part VI.1 of the Tax Act so that corporate Holders will not be subject to tax under Part IV.1 of the Tax Act on dividends received (or deemed to be received) on the Series C Preferred Shares and the Series D Preferred Shares.

A Holder that is a "private corporation", as defined in the Tax Act, or any other corporation controlled whether by reason of a beneficial interest in one or more trusts or otherwise by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), will generally be liable to pay refundable tax under Part IV of the Tax Act of $33^1/_3$% on dividends received (or deemed to be received) on the Series C Preferred Shares and the Series D Preferred Shares to the extent such dividends are deductible in computing its taxable income.

Dispositions

A Holder who disposes of, or is deemed to dispose of, Series C Preferred Shares or Series D Preferred Shares (either on redemption or otherwise, but not including a conversion) will generally realize a capital gain (or a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such shares to such Holder. The amount of any deemed dividend arising on the redemption or acquisition by the Company of Series C Preferred Shares or Series D Preferred Shares will not generally be included in computing the proceeds of disposition to a Holder for purposes of computing the capital gain or capital loss arising on the disposition of such shares. If the Holder is a corporation, any capital loss arising may, in certain circumstances, be reduced by the amount of any dividends, including deemed dividends, which have been received on such shares to the extent and under the circumstances prescribed by the Tax Act. Analogous rules apply to a partnership or trust of which a corporation, trust or partnership is a member or beneficiary.

Generally one-half of any capital gain (a "**taxable capital gain**") realized by a Holder in a taxation year must be included in the Holder's income for the year, and one-half of any capital loss (an "**allowable capital loss**") realized by a Holder in a taxation year must be deducted from taxable capital gains realized by the Holder in that year. Allowable capital losses for a taxation year in excess of taxable capital gains realized for that year may, generally, be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains in such years, to the extent and under the circumstances described in the Tax Act.

A Holder that is throughout the year a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay, in addition to tax otherwise payable under the Tax Act, a refundable tax of $6^2/_3$% on certain investment income, including taxable capital gains.

Alternative Minimum Tax

Taxable capital gains realized and dividends received by a Holder that is an individual or a trust, other than certain specified trusts, may give rise to alternative minimum tax under the Tax Act. A Holder who is an individual or a trust should contact their own tax advisor in this regard.

Redemption

If the Company redeems or otherwise acquires Series C Preferred Shares or Series D Preferred Shares, other than by a purchase in the open market in the manner in which shares are normally purchased by a member of the public in the open market, the Holder will be deemed to have received a dividend equal to the amount, if any, paid by the Company in excess of the paid-up capital (as determined for purposes of the Tax Act) of such shares at such time. Generally, the difference between the amount paid by the Company and the amount of the deemed dividend will be treated as proceeds of disposition for the purposes of computing the capital gain or capital loss arising on the disposition of such shares. In the case of a corporate shareholder, it is possible that in certain circumstances all or part of the deemed dividend may be treated as proceeds of disposition and not a dividend.

Conversion

The conversion of a Series C Preferred Share into a Series D Preferred Share and a Series D Preferred Share into a Series C Preferred Share will be deemed not to be a disposition of property and accordingly will not give rise to any capital gain or capital loss. The cost to a holder of a Series D Preferred Share or Series C Preferred Share, as the case may be, received on the conversion will be deemed to be equal to the Holder's adjusted cost base of the converted Series C Preferred Share or Series D Preferred Share, as the case may be, immediately before the conversion. The adjusted cost base of all of the Series C Preferred Shares and Series D Preferred Shares held by the Holder will be determined in accordance with the cost averaging rules in the Tax Act.

RISK FACTORS

An investment in the Series C Preferred Shares or Series D Preferred Shares is subject to a number of risks. Before deciding whether to invest in the Series C Preferred Shares or Series D Preferred Shares, investors should consider carefully the risks described below as well as the other information in this Prospectus and the documents incorporated by reference herein, including, without limitation, the "*Cautionary Statement Regarding Forward-Looking Information*" section in this Prospectus, and the sections entitled "Description of the Business – Risk Management" and "Description of the Business – Risk Factors" in the AIF, the sections entitled "Risk Management" and "Risk Factors" in the Annual MD&A, and the section entitled "Risks" in the Interim MD&A, each of which is incorporated by reference in this Prospectus.

Risk Factors Specific to the Series C Preferred Shares and the Series D Preferred Shares

The market value of Series C Preferred Shares and Series D Preferred Shares will be affected by a number of factors and, accordingly, their trading prices will fluctuate.

From time to time, the stock market experiences significant price and volume volatility that may affect the market price of the Series C Preferred Shares and Series D Preferred Shares for reasons unrelated to the Company's performance. The value of those Series C Preferred Shares and Series D Preferred Share are also subject to market fluctuations based upon factors which influence the Company's operations, such as legislative or regulatory developments, competition, technological change, litigation and global capital market activity.

The value of Series C Preferred Shares and Series D Preferred Shares will be affected by the general creditworthiness of the Company. The AIF, the Annual MD&A, the Interim MD&A, the Annual Financial Statements and the Interim Financial Statements are incorporated by reference in this Prospectus and discuss, among other things, known material trends and events, and risks or uncertainties that are reasonably expected to have a material effect on the Company's business, financial condition or results of operations. See also the discussion under "*Earnings Coverage Ratio*", which ratio is relevant to an assessment of the risk that the Company will be unable to pay dividends on the Series C Preferred Shares and Series D Preferred Shares.

The market value of the Series C Preferred Shares and the Series D Preferred Shares, as with other preferred shares, is primarily affected by changes (actual or anticipated) in prevailing interest rates and in the rating assigned to such shares. Real or anticipated changes in ratings on the Series C Preferred Shares and Series D Preferred Shares may also affect the cost at which the Company can transact or obtain funding, and thereby affect its liquidity, business, financial condition or results of operations.

Prevailing yields on similar securities will affect the market value of the Series C Preferred Shares and the Series D Preferred Shares. Assuming all other factors remain unchanged, the market value of the Series C Preferred Shares and the Series D Preferred Shares would be expected to decline as prevailing yields for similar securities rise and would be expected to increase as prevailing yields for similar securities decline. Spreads over the Government of Canada Yield, T-Bill Rate and comparable benchmark rates of interest for similar securities may affect the market value of the Series C Preferred Shares and the Series D Preferred Shares in an analogous manner.

The market value of Series C Preferred Shares and Series D Preferred Shares may also depend on the market price of the Common Shares. The prices at which the Common Shares will trade cannot be predicted. Trading prices of the Common Shares will be influenced by the Company's financial results and by complex and interrelated political, economic, financial and other factors that can affect the capital markets generally, the stock exchanges on which the Common Shares are traded and the market segment of which the Company is a part.

The Company's ability to meet its financial obligations is dependent on receipt of funds from its principal subsidiaries, its ability to raise additional capital and the value of its underlying business and assets.

As the Company is a holding company, the Company's ability to pay dividends and other operating expenses and interest and to meet its obligations depends to a significant extent upon receipt of sufficient funds from its principal subsidiaries, the returns generated by its investments, its ability to raise additional capital and the value of its underlying business and assets. Accordingly, the likelihood that holders of the Series C Preferred Shares and Series D Preferred Shares will receive dividends will depend to a significant extent upon the financial position and creditworthiness of the Company's principal subsidiaries and affiliates, the principal entities in which the Company invests and its underlying business and assets. The payment of interest and dividends to the Company by certain of these principal subsidiaries or investee entities is also subject to restrictions set forth in certain laws and regulations which require that solvency and capital standards be maintained by such companies.

Preferred Share Rating

The preferred share rating applied to the Series C Preferred Shares is an assessment, by DBRS, of the Company's ability to pay its obligations. The rating is based on certain assumptions about the future performance and capital structure of the Company that may or may not reflect the actual performance or capital structure of the Company. Changes in rating of the Series C Preferred Shares or Series D Preferred Shares may affect the market price or value and the liquidity of the Series C Preferred Shares or Series D Preferred Shares. There is no assurance that any rating assigned to the Series C Preferred Shares or Series D Preferred Shares will remain in effect for any given period of time or that any rating will not be lowered or withdrawn entirely by the relevant rating organization.

The Series C Preferred Shares and Series D Preferred Shares do not have a fixed maturity or redemption date, may not be redeemed at the holder's option and may be liquidated by the holder only in limited circumstances.

Neither Series C Preferred Shares nor the Series D Preferred Shares have a fixed maturity or redemption date and they are not redeemable at the option of the holders thereof. The ability of a holder to liquidate his, her or its holdings of Series C Preferred Shares or Series D Preferred Shares, as applicable, may be limited.

Limitations on the Payment of Dividends

Although the Series C Preferred Shares and Series D Preferred Shares carry cumulative dividends, the Company may not be in a position pursuant to law to declare and pay such dividends as contemplated in this Prospectus. The Company may not declare or pay a dividend if there are reasonable grounds for believing that (i) the Company is unable to pay its debts as they become due in the ordinary course of its business, or (ii) the payment of the dividend would render the Company unable to pay its debts as they become due in the ordinary course of its business.

Limitations on the Repurchase of Shares

The Company may not make a payment or provide any consideration to purchase or otherwise acquire any of its shares if there are reasonable grounds for believing that (i) the Company is unable to pay its debts as they become due in the ordinary course of its business, or (ii) the making of the payment or providing the consideration would render the Company unable to pay its debts as they become due in the ordinary course of its business.

There is currently no trading market for the Series C Preferred Shares or Series D Preferred Shares.

There is currently no market through which the Series C Preferred Shares and Series D Preferred Shares may be sold and purchasers of the Series C Preferred Shares and Series D Preferred Shares may not be able to resell the securities purchased under this Prospectus. There can be no assurance that an active or liquid trading market will develop for the Series C Preferred Shares after the Offering or for the Series D Preferred Shares following the issuance of any of those shares, or if developed, that such a market will be sustained at the offering price of the Series C Preferred Shares or the issue price of the Series D Preferred Shares. This may affect the trading price of the Series C Preferred Shares and Series D Preferred Shares in the secondary market, the transparency and availability of trading prices and the liquidity of the Series C Preferred Shares and Series D Preferred Shares. If an active or liquid market for the Series C Preferred Shares or the Series D Preferred Shares fails to develop or be sustained, the prices at which the Series C Preferred Shares or the Series D Preferred Shares trade may be adversely affected.

The Company may redeem Series C Preferred Shares and Series D Preferred Shares.

The Company may choose to redeem the Series C Preferred Shares and the Series D Preferred Shares from time to time, in accordance with its rights described under "*Details of the Offering — Description of the Series C Preferred Shares — Redemption*" and "*Details of the Offering — Description of the Series D Preferred Shares — Redemption*", including when prevailing interest rates are lower than yields borne by the Series C Preferred Shares and the Series D Preferred Shares. If prevailing rates are lower at the time of redemption, a purchaser would not be able to reinvest the redemption proceeds in a comparable security at an effective yield as high as the yields on the Series C Preferred Shares or the Series D Preferred Shares being redeemed. The Company's redemption right also may adversely impact a purchaser's ability to sell Series C Preferred Shares and Series D Preferred Shares as the optional redemption date or period approaches.

The Company may not make a payment or provide any consideration to redeem any of its shares if there are reasonable grounds for believing that (i) the Company is unable to pay its debts as they become due in the ordinary course of its business, or (ii) the making of the payment or providing the consideration would render the Company unable to pay its debts as they become due in the ordinary course of its business.

Creditors of the Company rank ahead of holders of Series C Preferred Shares and Series D Preferred Shares in the event of an insolvency or winding-up of the Company.

The Series C Preferred Shares and Series D Preferred Shares rank equally with other First Preferred Shares of the Company that may be outstanding in the event of insolvency or winding-up of the Company. If the Company becomes insolvent or is wound-up, the Company's assets must be used to pay debt, including subordinated and inter-company debt, before payments may be made on Series C Preferred Shares, Series D Preferred Shares and other preferred shares.

The dividend rates on the Series C Preferred Shares and Series D Preferred Shares will reset.

The dividend rate in respect of the Series C Preferred Shares will reset on June 30, 2017 and on June 30 every five years thereafter. The dividend rate in respect of the Series D Preferred Shares will reset quarterly. In each case, the new dividend rate is unlikely to be the same as, and may be lower than, the dividend rate for the applicable preceding dividend period.

Investments in Series D Preferred Shares, given their quarterly dividend rate reset, expose holders thereof to interest rate fluctuations that are different than those that would apply to the Series C Preferred Shares.

The resetting of the applicable rate on a Series D Preferred Share may result in a lower yield compared to fixed rate Series C Preferred Shares. The applicable rate on a Series D Preferred Share will fluctuate in accordance with fluctuations in the T-Bill Rate on which the applicable rate is based, which in turn may fluctuate and be affected by a number of interrelated factors, including economic, financial and political events over which the Company has no control.

The Series C Preferred Shares and Series D Preferred Shares may be converted or redeemed without the holders' consent in certain circumstances.

The Series C Preferred Shares and Series D Preferred Shares may be redeemed by the Company in certain circumstances without the holder's consent. The Company may not make a payment or provide any consideration to redeem any of its shares if there are reasonable grounds for believing that (i) the Company is unable to pay its debts as they become due in the ordinary course of its business, or (ii) the making of the payment or providing the consideration would render the Company unable to pay its debts as they become due in the ordinary course of its business.

In addition, an investment in the Series C Preferred Shares, or in the Series D Preferred Shares, as the case may be, may become an investment in Series D Preferred Shares, or in Series C Preferred Shares, respectively, without the consent of the holder in the event of an automatic conversion in the circumstances described under "*Details of the Offering — Description of the Series C Preferred Shares — Conversion of Series C Preferred Shares into Series D Preferred Shares*" and "*Details of the Offering — Description of the Series D Preferred Shares — Conversion of Series D Preferred Shares into Series C Preferred Shares*". Upon the automatic conversion of the Series C Preferred Shares into Series D Preferred Shares, the dividend rate on the Series D Preferred Shares will be a floating rate that is adjusted quarterly by reference to the T-Bill Rate which may vary from time to time while, upon the automatic conversion of the Series D Preferred Shares into Series C Preferred Shares, the dividend rate on the Series C Preferred Shares will be, for each five-year period, a fixed rate that is determined by reference to the Government of Canada Yield on the 30th day prior to the first day of each such five-year period. In addition, holders may be prevented from converting their Series C Preferred Shares into Series D Preferred Shares, and vice versa, in certain circumstances. See "*Details of the Offering — Description of the Series C Preferred Shares — Conversion of Series C Preferred Shares into Series D Preferred Shares*", "*Details of the Offering — Description of the Series D Preferred Shares — Conversion of Series D Preferred Shares into Series C Preferred Shares*".

The declaration of dividends on the Series C Preferred Shares and Series D Preferred Shares is in the discretion of the Board of Directors.

Holders of Series C Preferred Shares and Series D Preferred Shares do not have a right to dividends on such shares unless declared by the Board of Directors of the Company. The declaration of dividends is in the discretion of the Board of Directors even if the Company has sufficient funds, net of its liabilities, to pay such dividends.

The Company may not declare or pay a dividend if there are reasonable grounds for believing that (i) the Company is unable to pay its debts as they become due in the ordinary course of its business, or (ii) the payment of the dividend would render the Company unable to pay its debts as they become due in the ordinary course of its business. Debts of the Company will include those arising in the course of its business, indebtedness, including inter-company debt, and amounts, if any, that are owing by the Company under guarantees in respect of which a demand for payment has been made. See "*Consolidated Capitalization*".

Holders of the Series C Preferred Shares and Series D Preferred Shares do not have voting rights except under limited circumstances.

Holders of Series C Preferred Shares and Series D Preferred Shares will generally not have voting rights at meetings of the shareholders of the Company except under limited circumstances. Holders of Series C Preferred Shares and Series D Preferred Shares will have no right to elect the Board of Directors of the Company. See "*Details of the Offering*".

Risk Factors Specific to the Acquisition

There can be no assurance that we will realize anticipated benefits of the Acquisition.

Management believes that the Acquisition will provide benefits for the Company. However, there is a risk that some or all of the expected benefits will fail to materialize, or may not occur within the time periods anticipated by the Company. The Company's expectations, including expectations with respect to the future financial performance of the business acquired in the Acquisition of CSH, are based on certain assumptions and information available to the Company as of the date of this Prospectus which may not materialise. The realization of such expected benefits may be affected by a number of factors and risks, including those described herein and in the documents incorporated by reference, many of which are beyond the control of the Company and as such, actual results may differ materially from those currently anticipated.

The integration of the Company and CSH may not occur as planned.

The anticipated benefits of the Acquisition will depend in part on whether the operations, systems, management and cultures of CSH and the Company can be integrated in an efficient and effective manner and the timing and manner of completion of the Acquisition. Most operational and strategic decisions, and certain staffing decisions, with respect to the combined company have not yet been made and may not have been fully identified. These decisions and the integration of the two companies will present significant challenges to management, including the integration of systems and personnel of the two companies, and special risks, including possible unanticipated liabilities, significant one-time write-offs or restructuring charges, unanticipated costs and the loss of key employees. There can be no assurance that there will be operational or other synergies realized by the combined company, or that the integration of the two companies' operations, systems, management and cultures will be timely or effectively accomplished, or ultimately will be successful in increasing earnings and reducing costs.

The Company's results of operations may differ significantly from the unaudited pro forma consolidated financial information included in this Prospectus.

This Prospectus includes unaudited *pro forma* consolidated financial statements to illustrate the effects of the Acquisition on our historical financial position and operating results. The unaudited *pro forma* consolidated statements of operations for the fiscal year ended March 31, 2011 and for the six months ended September 30, 2011 combine certain historical consolidated statements of operations of the Company and CSH, giving effect to the Acquisition as if it had occurred on April 1, 2010. The unaudited *pro forma* consolidated statement of financial position as at December 31, 2011 combines the historical consolidated statements of financial position of the Company and CSH, giving effect to the Acquisition as if it had occurred on December 31, 2011. This unaudited *pro forma* financial information is presented for illustrative purposes only and does not necessarily indicate the results of operations or the combined financial position that would have resulted had the Acquisition been completed as of the dates or at the beginning of the periods presented, as applicable, nor is it indicative of the results of operations in future periods or the future financial position of the combined company.

The Company expects to incur significant expenses related to the integration of the Company and CSH.

The Company has incurred significant expenses in connection with the Acquisition and expects to incur additional significant expenses in connection with the integration of the Company and CSH. There are a large number of processes, policies, procedures, operations, technologies and systems that must be integrated. While the Company has assumed that a certain level of expenses will be incurred, there are many factors beyond the Company's control that could affect the total amount or the timing of the integration expenses. Moreover, many of the expenses that will be incurred are, by their nature, difficult to estimate accurately. These integration expenses likely will result in the Company taking significant charges against earnings following the completion of the Acquisition, and the amount and timing of such charges are uncertain at present.

If goodwill or other intangible assets that the Company records in connection with the Acquisition become impaired, the Company could have to take significant charges against earnings.

In connection with the accounting for the Acquisition, we expect to record a significant amount of goodwill and other intangible assets. Under IFRS, the Company must assess, at least annually and potentially more frequently, whether the value of goodwill and other indefinite-lived intangible assets has been impaired. Intangible assets with finite lives will be assessed for impairment in the event of an impairment indicator. Any reduction or impairment of the value of goodwill or other intangible assets will result in a charge against earnings, which could materially adversely affect the Company's results of operations and shareholders' equity in future periods.

The Company must continue to retain, motivate and recruit executives and other key employees, which may be difficult in light of any uncertainty following completion of the Acquisition, and failure to do so could negatively affect the Company.

The Company must be successful at retaining, recruiting and motivating key employees following the completion of the Acquisition. Experienced employees in the financial services industry are in high demand and competition for their talents can be intense. Those who were employees of the Company and CSH before the Acquisition may experience uncertainty about their future role with the combined company until, or even after, strategies with regard to the combined company are announced or executed. These potential distractions related to the Acquisition may adversely affect the Company's ability to attract, motivate and retain executives and other key employees and keep them focused on applicable strategies and goals. A failure to retain and motivate executives and other key employees during the period following the completion of the Acquisition could have an adverse impact on the Company's business.

Risk Factors Specific to CSH

Generally, the risks described in the sections entitled "Description of the Business – Risk Management" and "Description of the Business — Risk Factors" in the AIF, the sections entitled "Risk Management" and "Risk Factors" in the Annual MD&A, and the section entitled "Risks" in the Interim MD&A, each of which is incorporated by reference in this Prospectus, will apply to the business acquired in the Acquisition. In addition, some of the additional risk factors associated with the business acquired through the Acquisition are set forth below.

Depository Receipt Risk

Banks or other financial institutions, known as depositories, issue depository receipts that represent the value of securities issued by foreign companies. These receipts are most often known as American Depository Receipts (ADRs), Global Depository Receipts (GDRs), or European Depository Receipts (EDRs), depending on the location of the depository. The currency of a depository receipt may be different than the currency of the underlying non-local security to which it relates and, for a number of reasons, the value of a depository receipt may not be equal to the value of the underlying non-local security.

The terms of a depository receipt are not within the control of Canaccord. If the depository changes the terms of a depository receipt (including terminating the depository receipt program under which such receipts were originally issued) and Canaccord holds only depository receipts rather than the underlying security, Canaccord may be forced to dispose of the depository receipt at an inopportune time, which could result in a loss. In the alternative, if the depository changes the terms of a depository receipt (including terminating the depository receipt program) and Canaccord holds a position (either long or short) in both the depositary receipt and the underlying security, it may be difficult to unwind both positions which, in turn, could result in a loss.

Derivatives Trading Risk

A derivative is a contract between two parties whose value is based on – or derived from – the market value of an underlying asset. There are many different kinds of derivatives, but they usually take the form of an instrument which reflects a contract to buy or sell an asset, such as a currency, a bond or a basket of equity securities. Derivatives may be used to limit or hedge potential losses associated with underlying positions in such asset classes (a process known as hedging). Derivatives may also be used for non-hedging purposes to reduce transaction costs, achieve greater liquidity, create effective exposure to international financial markets or increase speed and flexibility in making portfolio changes. In addition to the risks that are associated with all investments, Canaccord faces certain derivative specific risks, including, without limitation, the following: derivative prices are affected by several factors other than the price of the underlying security; there is no guarantee a market will exist when Canaccord wants to buy or sell one of these derivative contracts; the other party to the contract may not be able to meet its financial obligations; a derivative hedging strategy to reduce risk may not be effective and the market value of the investment being hedged and the derivative instrument being used may not be perfectly correlated; and investors may speculate in derivatives, driving the price up or down, all of which could result in a loss to Canaccord. Although many derivatives are exchange traded (e.g. equity options and futures) which helps mitigate against counterparty risk via a central clearing house and liquidity risk via standardized contracts with publicly available market prices, Canaccord may also engage in over the counter derivative trading where there is neither a central clearing house nor a public market and, as a result, the counterparty and liquidity risks may be greater.

Risk Factors Specific to the Company

Upcoming Legal Proceedings

Genuity Capital Markets has been named as co-defendant in an action initiated by CIBC World Markets Inc. in 2005 in the Ontario Superior Court of Justice alleging improper solicitation of the plaintiffs' employees, conspiracy, inducing breach of contract, interference with commercial relations, breach of fiduciary duties, misuse of confidential information and misappropriation of corporate opportunities. The claim against Genuity Capital Markets is for general damages to be determined by the court and an accounting of benefits received by all the parties as a result of these alleged activities. There is also a claim against all the parties for $10.0 million for punitive and exemplary damages. Management of the Company believes these claims can be wholly defended and no liability will be determined against Genuity Capital Markets. As Canaccord Genuity Corp. assumed all the assets and liabilities of Genuity Capital Markets, it may be subject to any judgment that may be made against Genuity Capital Markets in connection with this litigation. This litigation is scheduled to come to trial in May of 2012 and there can be no assurance as to the outcome.

ELIGIBILITY FOR INVESTMENT

In the opinion of Goodmans LLP and Torys LLP, the Series C Preferred Shares offered hereby, if issued on the date of this Prospectus, would be qualified investments under the Tax Act for a trust governed by a registered retirement savings plan ("**RRSP**"), a registered retirement income fund ("**RRIF**"), a registered education savings plan, a deferred profit sharing plan, a registered disability savings plan and a tax-free savings account ("**TFSA**").

Notwithstanding the foregoing, if the Series C Preferred Shares are a "prohibited investment" for the purposes of a TFSA, a RRSP or an RRIF, the holder of such TFSA or the annuitant of such RRSP or RRIF, as the case may be, will be subject to a penalty tax as set out in the Tax Act. Provided that for purposes of the Tax Act the holder of a TFSA, or the annuitant of an RRSP or RRIF, as the case may be, deals at arm's length with the Company and does not have a "significant interest" (within the meaning of the Tax Act) in the Company or any person or partnership with which the Company does not deal at arm's length, the Series C Preferred Shares will not be a "prohibited investment" for such TFSA, RRSP or RRIF for the purposes of the Tax Act. Holders of a TFSA and annuitants of an RRSP or RRIF should consult their own tax advisors as to whether Series C Preferred Shares will be a prohibited investment in their particular circumstances.

LEGAL MATTERS

Certain legal matters in connection with the Offering are being reviewed on behalf of the Company by Goodmans LLP and on behalf of the Underwriters by Torys LLP. As at March 30, 2012, the respective partners and associates of each firm beneficially owned, directly or indirectly, less than one percent of the issued and outstanding securities of the Company.

AUDITOR

The auditors of the Company are Ernst & Young LLP, Chartered Accountants, Suite 2300 – 700 W. Georgia Street, Vancouver, British Columbia V7Y 1C7. Ernst & Young LLP is independent of the Company in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Series C Preferred Shares and Series D Preferred Shares is Computershare Investor Services Inc., 510 Burrard Street, Vancouver, British Columbia V6C 3B9.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions to the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions to the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for the particulars of these rights or consult with a legal adviser.

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AUDITORS' CONSENT – CANACCORD FINANCIAL INC.

We have read the short form prospectus of Canaccord Financial Inc. (the "**Company**") dated April 2, 2012 relating to the issue and sale of 4,000,000 Cumulative 5-Year Rate Reset First Preferred Shares, Series C of the Company. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned prospectus of our auditors' report to the shareholders of the Company on the consolidated balance sheets of the Company as at March 31, 2011 and 2010 and the consolidated statements of operations, comprehensive income, changes in shareholders' equity and cash flows for the years then ended. Our report is dated May 17, 2011.

(Signed) "Ernst & Young LLP"
Chartered Accountants

Vancouver, Canada
April 2, 2012

AUDITORS' CONSENT – GENUITY CAPITAL MARKETS

We have read the short form prospectus of Canaccord Financial Inc. (the "**Company**") dated April 2, 2012 relating to the issuance and sale of 4,000,000 Cumulative 5-Year Rate Reset First Preferred Shares, Series C of the Company. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use, through incorporation by reference in the above-mentioned prospectus, of our auditors' report dated March 5, 2010 to the Partners Committee of Genuity Capital Markets on the combined financial statements of Genuity Capital Markets, Genuity Capital Markets USA Corp., Genuity Limited Partnership, Genuity G.P. Inc. and 2054386 Ontario Inc., which comprise the combined balance sheets as at January 31, 2010 and 2009 and the combined statements of operations, changes in partners' equity and cash flows for each of the years in the three-year period ended January 31, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

(Signed) "KPMG LLP"
Chartered Accountants, Licensed Public Accountants

April 2, 2012
Toronto, Canada

CANACCORD FINANCIAL INC.
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(in thousands)
as of December 31, 2011 *(unaudited)*

ASSETS

	Canaccord	CSH	CSH	Reclassifications	Acquisition	Offering	Pro Forma Consolidated
	Note 1	Note 1 £000's	Note 2 Foreign Exchange	Note 2(d)	Note 2	Note 3	
Current							
Cash and cash equivalents	$ 700,914	£ 60,700	35,340	$ -	$(229,954) [b]	$ -	$ 717,000
	-	-	-	-	150,000 [c]	-	-
Securities owned	1,100,470	-	-	146,986	-	-	1,247,456
Accounts receivable	2,215,448	-	-	685,884	-	-	2,901,332
Income taxes receivable	15,565	-	-	2,532	563 [a]	-	18,660
Trade and other receivables	-	433,500	252,384	(685,884)	-	-	-
Current tax assets	-	1,600	932	(2,532)	-	-	-
Trading investments	-	92,900	54,086	(146,986)	-	-	-
Total current assets	4,032,397	588,700	342,741	-	(79,391)	-	4,884,447
Deferred income taxes	2,419	1,900	1,106	-	-	-	5,425
Investment	5,934	-	-	4,114	-	-	10,048
Equipment and leasehold improvements	44,550	6,000	3,493	-	-	-	54,043
Intangible assets	86,380	2,300	1,339	-	(3,639) [b]	-	172,899
	-	-	-	-	86,519 [b]	-	-
Goodwill	268,197	156,300	90,998	-	(247,298) [b]	-	438,735
	-	-	-	-	170,538 [b]	-	
Other financial assets	-	2,200	1,281	(3,481)	-	-	-
Investment in associates	-	400	233	(633)	-	-	-
	$ 4,439,877	**£ 757,800**	**441,191**	**$ -**	**$ (73,271)**	**$ -**	**$ 5,565,597**
LIABILITIES AND SHAREHOLDERS' EQUITY							
Current							
Bank indebtedness	$ -	£ -	-	$ -	$ 150,000 [c]	$ (96,000)	$ 54,000
Securities sold short	952,750	-	-	83,540	-	-	1,036,290
Accounts payable and accrued liabilities	2,582,411	443,000	257,915	2,215	15,500 [a]	-	3,303,171
					2,130 [b]		
Provisions	10,363	-	-	0	-	-	10,363
Income taxes payable	-	-	-	2,690	-	-	2,690
Subordinated debt	15,000	-	-	0	-	-	15,000
Current tax liabilities	-	1,700	990	(2,690)	-	-	-
Other financial liabilities	-	52,800	30,740	(83,540)	-	-	-
Deferred consideration	-	1,400	815	(2,215)	-	-	-
Total current liabilities	3,560,524	498,900	290,460	-	167,630	(96,000)	4,421,514
Deferred income taxes	8,840	-		-	11,698 [b]	-	20,538
Total liabilities	3,569,364	498,900	290,460	-	179,328	(96,000)	4,442,052
Shareholders' Equity							
Preferred shares	110,818	-	-	-	-	96,000	206,818
Common shares	466,295	-	-	99,837	(99,837) [b]	-	630,757
	-	-	-	-	164,462 [b]	-	-
Contributed surplus	51,557	-	-	-	7,508 [b]	-	59,065
Share capital	-	62,100	36,155	(98,255)	-	-	-
Share premium	-	800	466	(1,266)	-	-	-
Capital redemption reserve	-	200	116	(316)	-	-	-
Merger reserve	-	70,900	41,278	-	(112,178) [b]	-	-
Reverse acquisition reserve	-	(275,000)	(160,105)	-	435,105 [b]	-	-
Retained earnings	221,409	399,900	232,822	-	(632,722) [b]	-	206,471
					(15,500) [a]		
					563 [a]		
Accumulated other comprehensive income	2,216	-	-	-	-	-	2,216
Total shareholders' equity	852,295	258,900	150,732	-	(252,599)	96,000	1,105,327
Non-controlling interest	18,218	-	-	-	-	-	18,218
Total shareholders' equity	870,513	258,900	150,732	-	(252,599)	96,000	1,123,546
	$4,439,877	**£ 757,800**	**441,191**	**$ -**	**$ (73,271)**	**$ -**	**$ 5,565,597**

CANACCORD FINANCIAL INC.
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
(in thousands, except per share amounts)
Six months ended September 30, 2011 (CSH six months ended June 30, 2011)
(unaudited)

	Canaccord	CSH	CSH	Reclassifications	Acquisition and Accounting Policy Adjustments	Pro-Forma Consolidated
	Note 1	Note 1 £000's	Note 2 Foreign Exchange	Note 2(g)	Note 2	
Revenue						
Commission	$ 121,327	£ -	-	$ 82,948	$ -	$ 204,275
Investment banking	89,657	-	-	3,782	-	93,439
Advisory fees	44,195	-	-	36,743	-	80,938
Principal trading	574	-	-	45,553	-	46,127
Interest	15,447	-	-	5,061	-	20,508
Other	8,083	-	-	1,985	-	10,068
Revenue	-	111,100	64,182	(175,282)	-	-
Finance income	-	500	289	(789)	-	-
	279,283	**111,600**	**64,471**	**-**	**-**	**455,354**
Expenses						
Incentive compensation	139,452	-	-	85,817	-	225,269
Salaries and benefits	31,280	-	-	24,062	-	55,342
Trading costs	16,707	-	-	13,792	-	30,499
Premises and equipment	13,559	-	-	9,070	-	22,629
Communication and technology	13,141	-	-	10,889	-	24,030
Interest	4,375	-	-	1,723	-	6,098
General and administrative	32,537	-	-	15,855	-	48,392
Amortization	5,852	-	-	1,609	4,083 (e)	11,544
Development costs	10,571	-	-	-	-	10,571
Acquisition-related costs	2,956	-	-	-	-	2,956
Restructuring costs	-	-	-	-	-	-
Administrative expenses	-	102,200	59,041	(161,241)	-	-
Finance costs	-	1,000	578	(1,578)	-	-
	270,430	**103,200**	**59,619**	**-**	**4,083**	**437,332**
Income (loss) before income taxes	**8,853**	**8,400**	**4,853**	**-**	**(4,083)**	**18,023**
Income taxes (recovery)	936	1,500	867	-	(571)	2,731
Net income (loss)	**$ 7,917**	**£ 6,900**	**3,986**	**$ -**	**$ (3,512)**	**$ 15,291**
Net income per share						
Basic	$ 0.08					$ 0.11
Fully diluted	$ 0.07					$ 0.10
Average shares outstanding						
Basic	75,644,041					93,897,293
Fully diluted	84,175,154					103,843,980

CANACCORD FINANCIAL INC.
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
(in thousands, except per share amounts)
Year ended March 31, 2011 (CSH year ended December 31, 2010)
(unaudited)

	Canaccord	CSH	CSH	Reclassifications	Acquisition and Accounting Policy Adjustments	Pro-forma Consolidated
	Note 1	Note 1 £000's	Note 2 Foreign Exchange	Note 2g	Note 2	
Revenue						
Commission	$ 294,650	£ -	-	$ 158,567	$ -	$ 453,217
Investment banking	327,499	-	-	10,145	-	337,644
Advisory fees	84,914	-	-	87,759	-	172,673
Principal trading	43,644	-	-	77,299	-	120,943
Interest	24,040	-	-	10,028	-	34,068
Other	28,884	-	-	2,491	-	31,375
Revenue	-	215,700	128,514	(344,214)	-	-
Finance income	-	1,300	775	(2,075)	-	-
	803,631	**217,000**	**129,289**	**-**	**-**	**1,149,920**
Expenses						
Incentive compensation	391,050	-	-	171,166	-	562,216
Salaries and benefits	64,420	-	-	43,332	-	107,752
Trading costs	31,507	-	-	23,050	-	54,557
Premises and equipment	27,158	-	-	19,518	-	46,676
Communication and technology	25,466	-	-	20,645	-	46,111
Interest	7,811	-	-	3,881	233 (f)	11,925
General and administrative	67,882	-	-	31,673	-	99,555
Amortization	12,742	-	-	2,703	14,452 (e)	29,897
Development costs	22,409	-	-	-	-	22,409
Acquisition-related costs	12,740	-	-	-	-	12,740
Restructuring costs	-	-	-	-	-	-
Administrative expenses	-	195,500	116,479	(311,979)	-	-
Finance costs	-	2,500	1,490	(3,990)	-	-
	663,185	**198,000**	**117,968**	**-**	**14,685**	**993,838**
Income (loss) before income taxes	**140,446**	**19,000**	**11,320**	**-**	**(14,685)**	**156,082**
Income taxes (recovery)	42,212	4,400	2,622	-	(2,623)	46,611
Net income (loss)	**$ 98,234**	**£ 14,600**	**8,699**	**$ -**	**$ (12,062)**	**$ 109,471**
Net income per share						
Basic	$ 1.35					$ 1.05
Fully diluted	$ 1.20					$ 0.94
Average shares outstanding						
Basic	72,989,655					91,242,907
Fully diluted	81,716,618					101,385,444

CANACCORD FINANCIAL INC.
NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

Unless otherwise defined herein, capitalized terms used in these notes to the *pro forma* consolidated financial statements have the same meanings given to them as in this Prospectus.

1. Basis of presentation

On March 21, 2012, Canaccord Financial Inc. ("**Canaccord**" or the "**Company**") completed its previously announced acquisition of Collins Stewart Hawkpoint plc ("**CSH**"). See "*The Acquisition*" in the Prospectus.

The unaudited pro forma consolidated financial statements give effect to the Acquisition as if it had occurred (i) as at December 31, 2011 for purposes of the *pro forma* consolidated statement of financial position, and (ii) as at April 1, 2010 for purposes of the *pro forma* consolidated statements of operations.

The unaudited *pro forma* consolidated statement of financial position of the Company as at December 31, 2011 combines the Company's financial position as at December 31, 2011 with CSH's financial position as at December 31, 2011 prepared in accordance with IFRS.

The unaudited *pro forma* consolidated statements of operations of the Company:

- for the year ended March 31, 2011 combine the Company's results for the year ended March 31, 2011 with CSH's results for its year ended December 31, 2010 prepared in accordance with Canadian Generally Accepted Accounting Principles; and

- for the six-month period ended September 30, 2011 combine the Company's results for the six months ended September 30, 2011 with CSH's results for the six months ended June 30, 2011 prepared in accordance with IFRS.

The *pro forma* consolidated financial statements have been prepared by management of the Company for illustrative purposes only to show the effect of the Acquisition.

The unaudited *pro forma* consolidated statement of financial position of the Company as at December 31, 2011 and the unaudited *pro forma* consolidated statements of operations for the six months ended September 30, 2011 and for the year ended March 31, 2011 have been prepared using the following information:

(a) Audited consolidated financial statements of the Company for the year ended March 31, 2011 prepared in accordance with Canadian GAAP, which are incorporated by reference in this Prospectus;

(b) Unaudited interim condensed consolidated financial statements of the Company for the nine months ended December 31, 2011 prepared in accordance with IFRS, which are incorporated by reference in this Prospectus;

(c) Unaudited interim condensed consolidated financial statements of the Company for the six months ended September 30, 2011 prepared in accordance with IFRS;

(d) Unaudited consolidated financial statements of CSH for the year ended December 31, 2010 prepared in accordance with IFRS, which are included in this Prospectus, adjusted to comply with Canadian GAAP (with the exception of footnote disclosures) for the purpose of the consolidated *pro forma* statement of operations. The accounting principles applied within the consolidated income statement of CSH for the year ended December 31, 2010 comply in all material aspects with both Canadian GAAP and IFRS. Therefore, there were no adjustments required in these unaudited pro forma consolidated financial statements to adjust the CSH balances to conform to Canadian GAAP;

(e) Audited consolidated financial statements of CSH for the year ended December 31, 2011 prepared in accordance with IFRS which are included in this Prospectus;

(f) Unaudited interim consolidated financial statements of CSH for the six months ended June 30, 2011 prepared in accordance with IFRS; and

(g) Such other supplementary information as was considered necessary to reflect the Acquisition in the *pro forma* consolidated financial statements.

The *pro forma* adjustments reflecting the Acquisition are based on certain estimates and assumptions. The actual adjustments to be recorded in respect of the Acquisition and the allocation of the purchase price of CSH will depend on a number of factors, including additional financial information as it becomes available. Therefore, it is likely that the actual adjustments will differ from the *pro forma* adjustments and it is possible that the differences will be material. The Company's management believes that the estimates and assumptions used herein provide a reasonable basis for presenting all of the significant effects of the Acquisition and that the *pro forma* adjustments give appropriate effect to those adjustments and are properly applied in the unaudited *pro forma* consolidated financial statements.

These unaudited *pro forma* consolidated financial statements are not intended to reflect the results of the operations or the financial position of the Company which would have actually resulted had the Acquisition been effected on the dates indicated. Any potential synergies that may be realized or additional operating costs that may be incurred as a result of the Acquisition have not been reflected in the unaudited *pro forma* consolidated financial information. In addition, the Company expects to incur restructuring and related charges as a result of the Acquisition. These costs have been excluded from the pro forma consolidated financial statements and will be expensed as incurred. Further, the unaudited *pro forma* consolidated financial information is not necessarily indicative of the results of operations that may be achieved in the future.

These unaudited pro forma consolidated financial statements should be read in conjunction with the audited March 31, 2011 consolidated financial statements and unaudited September 30, 2011 and December 31, 2011 interim condensed consolidated financial statements of the Company, the unaudited June 30, 2011 and December 31, 2010 financial statements of CSH, and the audited December 31, 2011 financial statements of CSH.

2. The Acquisition and *Pro forma* Adjustments

The figures under the column entitled "Pro Forma Consolidated" in the unaudited *pro forma* consolidated financial statements have been calculated by taking the arithmetic sum of the corresponding line items from the other columns (including, with respect to the figures from the CSH historical financial statements (which are denominated in British pounds sterling) by adding the figures from the second column (which are the original amounts in British pounds sterling) to the figures from the third column (which are the relevant adjustments necessary to convert the historical CSH results into Canadian dollars, using the applicable exchange rates set out below under the heading "*Foreign currency translation*")).

For the purpose of these unaudited *pro forma* consolidated financial statements, the financial position and the results of operations of the Company and CSH have been combined to give effect to the Acquisition, as follows:

- Issuance of 18.3 million Common Shares at $9.01 per share, being the closing price on March 21, 2012 on the TSX;
- Payment of $230.0 million on closing of the Acquisition; and
- Share consideration in respect of certain replacement stock plan awards in the amount of $7.5 million.

The Acquisition will be accounted for using the acquisition method of accounting. Acquisition method accounting requires that the assets and liabilities be recorded at their fair values as at the date of the Acquisition.

The Company is currently undergoing a process whereby the fair value of all identifiable assets and liabilities acquired as well as any goodwill, share-based compensation and future income taxes arising from the Acquisition will be determined. The Company has engaged an independent third party valuator to assist with this process. The Company has not yet completed the determination of the fair value of all the identifiable assets and liabilities acquired or the complete impact of applying acquisition method accounting to the consolidated financial statements. The fair values including intangible assets allocated to the asset and liability categories and amounts recorded once the valuation process is complete are likely to differ from those recorded and presented in the unaudited *pro forma* consolidated financial statements and the difference may be material. Upon completion of the valuations, an adjustment to the carrying amounts of any finite life intangible assets on acquisition would impact the amount of intangible asset amortization recorded in the *pro forma* consolidated statements of operations for the periods presented and for the periods after the date of Acquisition.

The purchase price of the Acquisition has been allocated on the basis of management's preliminary estimates of fair values as follows:

Consideration paid

	1000's of Cdn.$
Cash	$229,954
Common shares issued (18.3 million shares @ $9.01 per share)	$164,462
Replacement stock plan awards	$7,508
	$401,924

Net assets acquired

Net tangible assets	$156,565
Identifiable intangible assets	$86,519
Deferred tax liability	$(11,698)
Goodwill	$170,538
	$401,924

Foreign currency translation

CSH financial statements for the year ended December 31, 2010, for the six months ended June 30, 2011, and as at December 31, 2011 were prepared in British pounds sterling. For the purpose of the unaudited *pro forma* consolidated statement of financial position, the CSH figures have been converted into Canadian dollars using an exchange rate of 1.5822. For the purpose of the unaudited *pro forma* consolidated statement of operations for the year ended December 31, 2010, the CSH figures have been converted into Canadian dollars using an average exchange rate of 1.5958. For the purpose of the unaudited *pro forma* consolidated statement of operations for the six months ended June 30, 2011, the CSH figures have been converted into Canadian dollars using an average exchange rate of 1.5777.

The unaudited *pro forma* consolidated statement of financial position as of December 31, 2011 reflects the following adjustments as if the Acquisition had occurred on December 31, 2011:

(a) to reflect estimated Acquisition-related costs of approximately $15.5 million, net of the related tax impact of $0.6 million;

(b) to reflect the fair value of the net assets purchased from CSH and the Acquisition price of $401.9 million, as detailed above, including adjustments to eliminate CSH's shareholders' equity, goodwill and intangible assets as of the Acquisition date;

(c) to reflect the borrowing of $150.0 million under the Acquisition Credit Facility to fund a portion of the cash consideration of the Acquisition; and

(d) certain items in the CSH financial statements have been reclassified to be consistent with the basis of presentation in the Company's consolidated financial statements.

The Acquisition-related costs described in (a) above relate to professional and consulting fees, contract termination, and replacement share-based compensation. In addition, the Company expects to incur restructuring and related charges as a result of the Acquisition. These costs, estimated to be approximately $20.5 million, have been excluded from the *pro forma* consolidated financial statements and will be expensed as incurred.

The unaudited *pro forma* consolidated statements of operations for the year ended March 31, 2011 and for the six months ended September 30, 2011 reflect the following adjustments as if the Acquisition had occurred on April 1, 2010:

(e) to reflect the amortization of intangible assets with finite lives acquired in connection with the Acquisition;

(f) to reflect interest charges on the remaining balance of the Acquisition Credit Facility after partial repayment with the net proceeds from this Offering; and

(g) certain items in the CSH financial statements have been reclassified to be consistent with the basis of presentation in the Company's consolidated financial statements.

3. Preferred Shares Offering

The unaudited *pro forma* consolidated statement of financial position as at December 31, 2011 gives effect to the issue of 4,000,000 Series C Preferred Shares pursuant to this Offering (assuming no exercise of the Over-Allotment Option) for net proceeds of $96.0 million after taking into account the Underwriters' fee, and other fees and expenses related to the Offering which are estimated at $4.0 million.

4. *Pro Forma* Earnings Per Share

The weighted average number of Common Shares for all pro forma earnings per share calculations reflects the issuance of 18.3 million Common Shares as described in Note 2. These calculations also give effect to the issuance of 4,540,000 Series A Preferred Shares, and 4,000,000 Series C Preferred Shares pursuant to this Offering as if issued on April 1, 2010.

Independent Auditor's Report

To the Directors of
Collins Stewart Hawkpoint Limited

We have audited the accompanying consolidated financial statements of Collins Stewart Hawkpoint Limited ("the Company"), which comprise the consolidated balance sheet as at December 31, 2011, and the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended December 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards of Auditing. 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 auditor's 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 auditor considers 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 is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2011 and its financial performance and its cash flows for the year ended December 31, 2011 in accordance with International Financial Reporting Standards.

"*Deloitte LLP*"

Deloitte LLP
Chartered Accountants
27 March 2012
London, United Kingdom

Consolidated Income Statement
For the year ended 31 December 2011

	Notes	2011 £m	2010 £m
Revenue	3	**205.7**	215.7
Administrative expenses		**(198.5)**	(195.5)
Operating profit	3	**7.2**	20.2
Finance income	6	**0.9**	1.3
Finance costs	7	**(2.0)**	(2.5)
		(1.1)	(1.2)
Profit before tax		**6.1**	19.0
Taxation	8	**(1.3)**	(4.4)
Profit for the year	3	**4.8**	14.6

All of the Group's revenue and operating profit was derived from continuing operations.

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2011

	2011 £m	2010 £m
Profit for the year	**4.8**	14.6
Fair value loss on non-current available for sale financial assets, net of tax	**(0.2)**	(0.2)
Foreign exchange translation	**(0.2)**	0.9
Taxation on other items taken directly to equity	**-**	(0.2)
Total comprehensive income for the year	**4.4**	15.1

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Share Capital £m	Share Premium £m	Capital Redemption Reserve £m	Merger Reserve £m	Reverse Acquisition Reserve £m	Retained Earnings £m	Total Equity £m
Balance at 1 January 2010	**62.0**	**0.1**	**-**	**70.9**	**(275.0)**	**395.4**	**253.4**
Profit for the year	-	-	-	-	-	14.6	14.6
Loss on available-for-sale assets	-	-	-	-	-	(0.2)	(0.2)
Foreign exchange translation	-	-	-	-	-	0.9	0.9
Taxation on items taken directly to equity	-	-	-	-	-	(0.2)	(0.2)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**15.1**	**15.1**
Dividends paid in the year	-	-	-	-	-	(6.3)	(6.3)
Purchase of treasury shares	-	-	-	-	-	(0.2)	(0.2)
Purchase of own shares by ESOT	-	-	-	-	-	(4.0)	(4.0)
Settlement of share options	-	-	-	-	-	(0.7)	(0.7)
Credit arising on share options	-	-	-	-	-	5.4	5.4
Balance at 31 December 2010	**62.0**	**0.1**	**-**	**70.9**	**(275.0)**	**404.7**	**262.7**
Balance at 1 January 2011	**62.0**	**0.1**	**-**	**70.9**	**(275.0)**	**404.7**	**262.7**
Profit for the year	-	-	-	-	-	4.8	4.8
Loss on available-for-sale assets	-	-	-	-	-	(0.2)	(0.2)
Foreign exchange translation	-	-	-	-	-	(0.2)	(0.2)
Taxation on items taken directly to equity	-	-	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**4.4**	**4.4**
Dividends paid in the year	-	-	-	-	-	(13.5)	(13.5)
Share issue	0.3	0.7	-	-	-	(1.0)	-
Reclassification of deferred consideration to equity	-	-	-	-	-	4.0	4.0
Purchase & cancellation of shares	(0.2)	-	0.2	-	-	(0.7)	(0.7)
Purchase of own shares by ESOT	-	-	-	-	-	(3.6)	(3.6)
Settlement of share options	-	-	-	-	-	(0.2)	(0.2)
Credit arising on share options	-	-	-	-	-	5.8	5.8
Balance at 31 December 2011	**62.1**	**0.8**	**0.2**	**70.9**	**(275.0)**	**399.9**	**258.9**

Consolidated Balance Sheet
As at 31 December 2011

	Notes	2011 £m	2010 £m
Non-current assets			
Goodwill	10	**156.3**	156.5
Other intangible assets	11	**2.3**	2.6
Property, plant and equipment	12	**6.0**	5.9
Other financial assets	13	**2.2**	2.6
Investment in associates	14	**0.4**	0.4
Deferred tax assets	15	**1.9**	1.8
		169.1	169.8
Current assets			
Trade and other receivables	16	**433.5**	356.8
Current tax assets		**1.6**	0.1
Trading investments		**92.9**	103.5
Cash and cash equivalents	16	**60.7**	104.5
		588.7	564.9
Total assets		**757.8**	734.7
Current liabilities			
Trade and other payables	18	**(443.0)**	(387.4)
Current tax liabilities		**(1.7)**	(4.1)
Other financial liabilities	19	**(52.8)**	(72.9)
Deferred consideration		**(1.4)**	(2.8)
		(498.9)	(467.2)
Net current assets		**89.8**	97.7
Total assets less current liabilities		**258.9**	267.5
Non-current liabilities			
Deferred consideration		**-**	(4.8)
Total liabilities		**(498.9)**	(472.0)
Net assets		**258.9**	262.7
Equity			
Share capital	20	**62.1**	62.0
Share premium		**0.8**	0.1
Capital redemption reserve		**0.2**	-
Merger reserve		**70.9**	70.9
Reverse acquisition reserve		**(275.0)**	(275.0)
Retained earnings		**399.9**	404.7
Total equity		**258.9**	262.7

The consolidated financial statements of Collins Stewart Hawkpoint Limited (registered number 5807587) were approved by the Board of directors and authorised for issue on 22 March 2012 and are signed on its behalf by:

Mark Brown
CHIEF EXECUTIVE

Consolidated Cash Flow Statement
For the year ended 31 December 2011

	Notes	2011 £m	2010 £m
Net cash (used in)/from operating activities	21	**(30.2)**	8.0
Investing activities			
Interest received		**0.1**	2.0
Purchase of intangible fixed assets	11	**(0.4)**	(0.3)
Purchase of property, plant and equipment	12	**(1.4)**	(2.1)
Acquisition of subsidiaries (net of cash acquired)		**-**	(6.0)
Net cash used in investing activities		**(1.7)**	(6.4)
Financing activities			
Dividends paid	9	**(7.2)**	(6.3)
Purchase of own shares		**(4.3)**	(4.0)
Exercise of share options		**-**	(0.7)
Purchase of treasury shares		**-**	(0.2)
Settlement of share options		**(0.2)**	-
Net cash used in financing activities		**(11.7)**	(11.2)
Net decrease in cash and cash equivalents		**(43.6)**	(9.6)
Net cash and cash equivalents at beginning of the year		**104.5**	113.2
Effect of foreign exchange rate movements	22	**(0.2)**	0.9
Net cash and cash equivalents at the end of the year	21, 22	**60.7**	104.5
Cash and cash equivalents		**60.7**	104.5
Overdrafts		**-**	-
Net cash and cash equivalents	21, 22, 23	**60.7**	104.5

Notes to the Consolidated Financial Statements

1. General Information

Collins Stewart Hawkpoint Limited is a company incorporated in Great Britain under the Companies Act 2006. The address of the registered office is given on the Contents page. The nature of the Group's operations and its principal activities are set out in Note 3 and in the Directors' Report.

CAPITAL

The capital structure of the Group consists of issued share capital, reserves and retained earnings, as disclosed in the Consolidated Balance Sheet and Statement of Changes in Equity, and therefore forms the basis of the Board's management of capital. As set out in the Directors' Report, the Group is subject to the FSA's consolidated regulatory capital requirements and is therefore required to monitor its compliance with credit, market and operational risk requirements at a Group level, in addition to performing its own assessment of capital requirements as part of the Individual Capital Adequacy Assessment Process. Furthermore, a number of the Company's subsidiaries are individually regulated and are required to maintain capital that is appropriate to the risks entailed in their businesses according to definitions that vary according to each jurisdiction. In each case, it is the Group's policy to maintain capital at levels somewhat higher than the minimum required by regulations. The Company and its subsidiaries have been in compliance with all external regulatory capital requirements during the year.

2. Summary of Significant Accounting Policies

BASIS OF ACCOUNTING

The consolidated financial statements of Collins Stewart Hawkpoint Limited and its subsidiaries have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted for use in the European Union ("EU") and also comply with IFRS as issued by the International Accounting Standards Board.

These financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments.

The financial statements have been presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations have been included in accordance with the policies set out below. The financial statements are rounded to the nearest hundred thousand (expressed as millions to one decimal place - £m), except where otherwise indicated.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IFRS 9, 'Financial instruments'
- IFRS 10, 'Consolidated financial statements'
- IFRS 11, 'Joint arrangements'
- IFRS 12, 'Disclosures of interests in other entities'
- IFRS 13, 'Fair value measurement'

- IAS 19 (revised 2011) 'Employee benefits'
- IAS 27 (revised 2011) 'Separate financial statements'
- IAS 28 (revised 2011) 'Associates and joint ventures'
- Amendment to IAS 12, 'Income taxes' on 'deferred tax'
- Amendment to IFRS 7, 'Financial instruments: Disclosures'
- Amendment to IAS 1, 'Presentation of financial statements' on 'OCI'

The Group is currently reviewing the impact of these new standards, amendments and interpretations but does not intend to adopt them early. Adoption of these standards, amendments and interpretations is not expected to have a material effect on the financial statements of the Group.

GOING CONCERN

Following the proposed acquisition of the Group by Canaccord Financial Inc. ("Canaccord") the Directors have sought, and received, written representation from the Board of Canaccord that it intends to maintain Collins Stewart Hawkpoint Limited as a going concern for a period of not less than 12 months from the date of the signing of these accounts. In view of that representation and other considerations as described in the Directors' Report, the Directors believe it is appropriate to prepare the accounts on a going concern basis.

CHANGES IN ACCOUNTING POLICY

There have been no changes in accounting policy during the year.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (and its subsidiaries) as of 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All material inter-company transactions and balances between Group entities are eliminated on consolidation.

REVENUE

Revenue, which excludes value added tax, includes the profit on buying and selling securities, the profit or loss arising on positions held in securities, gross commissions and brokerage, and fees earned. Dividends and interest arising on long and short positions in securities form part of revenue, and, as they are also reflected in movements in market prices, are not identified separately. Fee income is recognised when the related services are completed and the income is considered receivable.

Revenue also includes the net returns on managing segregated client money accounts, accrued on a time basis.

Dividend income from investments is recognised when the shareholder's right to receive the payment is established.

Operating Profit

Operating profit is stated after interest income directly related to investment business but before other interest income.

Investment in Associates

An associate is an entity over which the Group is in a position to exercise significant influence, but does not control or jointly-control, through participation in the financial and operating policies and decisions of the investee.

The results, assets and liabilities of associates are included in these financial statements using the equity method of accounting. Investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of the associate in excess of the Group's interest in those associates are not recognised.

Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill. Any deficiency of the cost of acquisition below the Group's share of the fair value of identifiable net assets of the associate at the date of acquisition (i.e. discount on acquisition) is credited in the profit and loss in the year of acquisition.

Where a Group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Losses may provide evidence of impairment of the assets transferred in which case appropriate provision is made for impairment.

Investment in Joint Ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control.

Where a Group company undertakes its activities under joint venture arrangements directly, the Group's share of jointly-controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant company and classified according to their nature. Liabilities and expenses incurred in respect of interests in jointly-controlled assets are accounted for on an accruals basis. Income from the sale or use of the Group's share of the output of jointly-controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and the income can be measured reliably.

Joint venture arrangements, which involve the establishment of a separate entity in which each venture has an interest, are referred to as jointly controlled entities. The Group reports its interests in jointly-controlled entities using proportionate consolidation – the Group's share of the assets, liabilities, income and expenses of jointly-controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary or associate at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. It is reviewed for impairment at least annually, or where such other occasions or changes in circumstances indicate that it might be impaired. Any impairment is recognised immediately in the income statement and is not subsequently reversed. Goodwill arising on acquisition is allocated to cash-generating units for the purpose of impairment testing.

Goodwill arising on the acquisition of an associate is included within the carrying value of the associate. Goodwill arising on the acquisition of a subsidiary is presented separately in the balance sheet. On disposal of a subsidiary or associate, the attributed amount of goodwill that has not been subject to impairment is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRSs has been retained at the previous UK GAAP amounts subject to being tested for impairment.

OTHER INTANGIBLE ASSETS

Software and Software Development Costs

An internally generated intangible asset arising from the Group's software development is recognised only if all of the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits; and
- the development costs of the asset can be measured reliably.

Where the above conditions are not met, costs are expensed as incurred.

	Software purchased or developed	**Software licences**
Useful life	Finite	Finite
Method used	Three years straight-line	Amortised over life of licences
Internally generated or acquired	Internally generated and acquired	Acquired
Impairment testing / recoverable amount testing	Method reviewed at each financial year-end	Method reviewed at each financial year-end

Acquired Separately or from a Business Combination

Other intangible assets acquired separately are capitalised at cost. Intangible assets acquired in a business acquisition are capitalised at fair value at the date of acquisition. The useful lives of those intangible assets are assessed to be either finite or indefinite. Where amortisation is charged on finite assets, this is on a straight-line basis over the effective useful life, which ranges between five and ten years, and the expense is taken to the income statement through 'administrative expenses'.

Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged to the income statement in the year in which the expenditure is incurred.

PROPERTY, PLANT AND EQUIPMENT

Freehold land is stated at cost. Buildings, furniture, fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset on a straight-line basis over its expected useful life as follows:

Fixtures and fittings and equipment 10% - 33% p.a.

Leasehold land and buildings	Over the period of the lease
Freehold land	Nil
Freehold buildings	1% p.a.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

IMPAIRMENT

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less any cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately. Where an impairment loss subsequently reverses, as may be the case for assets other than goodwill, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are recognised on trade date and de-recognised on either trade date, if applicable, or on maturity or repayment.

On initial recognition, IAS 39 requires that financial assets be classified into the following categories: at fair value through profit and loss, loans and receivables, held-to-maturity investments or available for sale.

The Group does not hold any assets that are classified as held-to-maturity investments.

Financial Assets at Fair Value Through Profit and Loss ("FVTPL")

This category comprises financial assets held for trading, defined as those primarily acquired for the purpose of selling in the short term. These financial assets are initially recognised at fair value, with the transaction costs recorded immediately in the income statement and are subsequently measured at fair value. Gains and losses arising from changes in fair value or on de-recognition are recognised in the income statement within revenue. Interest and dividend income from financial assets at fair value through profit or loss is recognised in trading income.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active markets. Loans and receivables are initially recorded at fair value, including any transaction costs, and are subsequently measured at amortised cost using the effective interest rate method. (The effective interest rate is that which exactly discounts estimated future cash flows to the net carrying amount.)

Available-for-sale Investments

Available-for-sale investments comprise non-derivative financial assets that are either designated as available for sale on initial recognition or are not classified into the categories described above. Available-for-sale investments include loans that do not meet the criteria for classification as loans and receivables as they are quoted in an active market. They are initially recognised at fair value, including direct and incremental transaction costs, and are subsequently measured at fair value.

Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in equity until the financial asset is sold, at which time the cumulative gain or loss is transferred to the income statement. Interest (determined using the effective interest rate method), impairment losses and translation differences on monetary items are recognised in the income statement as they arise. Dividends on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payment is established.

Determination of Fair Value

The fair value of quoted investments in active markets is based on current bid or offer prices, as appropriate. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the investment or the net asset base.

Financial Liabilities

Except for derivatives and held-for-trading investments, which are classified at fair value through profit and loss on initial recognition, all financial liabilities are carried at amortised cost using the effective interest rate method.

De-recognition of Financial Assets

The Group de-recognises financial assets when:

- the contractual rights to cash flows arising from a financial asset has expired; or
- it transfers the financial asset including substantially all of the risks and rewards of the ownership of the asset; or
- it transfers the financial asset, neither retaining nor transferring substantially all the risks and rewards of the asset, but no longer retains control of the asset.

Impairment of Financial Assets

Available-for-sale assets and those carried at amortised cost are assessed at each balance sheet date to determine whether there is objective evidence that a financial asset or group of financial assets is impaired.

Impairment losses are incurred if there is objective evidence of impairment as a result of one or more events occurring after initial recognition of the asset, and that event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset is impaired includes observable data about the following loss events:

- significant financial difficulty of the issuer;
- a breach of contract, such as a default or delinquency in interest or principal repayment;
- granting to the borrower a concession, for economic or legal reasons relating to the borrower's financial difficulty, that the lender would not otherwise consider; or
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Investments in Securities

Investments in securities are recognised and de-recognised on a trade-date basis where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned. They are measured initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derivatives

Derivatives are measured initially at fair value and subsequently re-measured to fair value. Fair values are obtained from quoted prices prevailing in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models as appropriate. All derivatives are included as assets when their fair value is positive, and liabilities when their fair value is negative.

Settlement Balances

Certain Group companies are involved as principal in the purchase of and simultaneous commitment to sell securities between third parties. Such trades are complete only when both sides of the deal are settled, and the Group is exposed to risk in the event that one side of the transaction remains unmatched. The amounts due to and payable by counterparties in respect of matched principal business are shown gross within trade receivables or trade payables as appropriate.

Securities Borrowing

Securities are borrowed in the ordinary course of business. All such borrowing is collateralised and such collateral is included in trade receivables.

Interest-bearing Loans and Borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. They are subsequently measured at amortised cost using the effective interest method.

Client Money

The Group holds money on behalf of clients in accordance with the client money rules of the Financial Services Authority and other regulatory bodies. Such money and the corresponding liabilities to clients are not shown on the face of the balance sheet, as the Group is not beneficially entitled thereto. The amounts held on behalf of clients at the balance sheet date are stated in Note 27.

Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits, which may be accessed without penalty. Cash equivalents comprise short-term highly-liquid investments with a maturity of less than three months from the date of acquisition. For the purposes of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Equity Instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of any direct issue costs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are classified according to the substance of the contractual arrangements entered into.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated.

Foreign Currencies

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on retranslation are included in the income statement. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity. Such translation differences are recognised as income or expense in the year in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. The Group has elected to treat goodwill and fair value adjustments arising on acquisitions before the date of transition to IFRSs as sterling-denominated assets and liabilities.

TAXATION

The tax expense represents the sum of tax currently payable and movements in deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences may be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of other assets and liabilities in a transaction, which affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amounts of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the rates that are expected to apply when the asset or liability is settled or when the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Operating Leases

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Staff Costs

Defined contributions made to employees' personal pension plans are charged to the profit and loss as and when incurred.

Short-term employee benefits, such as bonuses, are included in the profit and loss account where the Group has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

Share-based Payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments are expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

The fair value of share options issued is determined using either a Black Scholes or Monte Carlo valuation model. The expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Employee Share Ownership Trusts ("ESOTs")

Dividends have been waived by the trustees of the Collins Stewart Limited ESOT, Collins Stewart 360 Ltd ESOT and the Collins Stewart (CI) Limited ESOT, but not the Hawkpoint ESOT, on shares that have not yet vested unconditionally pursuant to employee awards.

CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Impairment of Goodwill

In the process of applying the Group's accounting policies, which are described above, a further principal area of judgment that has a significant effect on the amounts recognised in the financial statements is the carrying value of goodwill. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value. Due to the impact of historically low interest rates on the risk free element of the Group's Weighted Average Cost of Capital ("WACC"), the discount rate applied has been the average of the Group's WACC for the period 2008 - 2010 as this is thought by management to represent a more prudent and appropriate discount rate. As disclosed in Note 10 to the Consolidated Financial Statements, this calculation has not resulted in any impairment in 2011 (2010: £nil).

3. Segmental Information

Twelve months end 31 December 2011	Wealth Management £m	Securities £m	Corporate Broking £m	Hawkpoint £m	Total £m
Revenue	53.8	96.3	12.7	42.9	**205.7**
Operating profit before share-based payment charges	10.8	(5.3)	1.4	6.1	**13.0**
Share-based payment charges	(1.2)	(2.7)	(0.4)	(1.5)	**(5.8)**
Operating Profit	**9.6**	**(8.0)**	**1.0**	**4.6**	**7.2**
Finance income					0.9
Finance costs					(2.0)
Profit before tax					**6.1**
Taxation					(1.3)
Profit after tax					**4.8**

Twelve months end 31 December 2010	Wealth Management £m	Securities £m	Corporate Broking £m	Hawkpoint £m	Total £m
Revenue	48.3	106.5	21.8	39.1	**215.7**
Operating profit before share-based payment charges	9.3	4.5	6.4	5.4	**25.6**
Share-based payment charges	(2.3)	(1.4)	(0.3)	(1.4)	**(5.4)**
Operating Profit	**7.0**	**3.1**	**6.1**	**4.0**	**20.2**
Finance income					1.3
Finance costs					(2.5)
Profit before tax					**19.0**
Taxation					(4.4)
Profit after tax					**14.6**

All revenue and operating profit is derived from external customers.

The accounting policies of the reportable segments are the same as the Group's accounting policies which are described in Note 2. Segmental results represent the operating profit earned by each segment before net interest and taxation. This is the measure reported to the Group Chief Executive for the purposes of resource allocation and assessment of segmental performance.

Segmental Assets	2011 £m	2010 £m
Wealth Management	67.2	69.1
Securities	494.1	425.6
Corporate Broking	1.8	4.2
Hawkpoint	126.1	124.7
Total segmental assets	**689.2**	**623.6**
Unallocated assets	68.6	111.1
Consolidated total assets	**757.8**	**734.7**

For the purposes of monitoring segmental performance and allocation of resources between segments, the Group Chief Executive monitors the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments, with the exception of available for sale assets, current and deferred tax assets, cash and cash equivalents and accrued interest.

	Depreciation & amortisation		Additions to non-current assts	
	2011	2010	2011	2010
	£m	£m	£m	£m
Wealth Management	0.7	0.6	0.1	2.7
Securities	0.8	0.6	0.9	1.2
Corporate Broking	0.2	0.1	0.1	0.3
Hawkpoint	0.4	0.3	0.5	0.3
Total	**2.1**	1.6	**1.6**	4.5

The following table shows revenue and non-current assets (excluding deferred tax, investments in associates and available for sale financial assets) in the UK and other material countries in which the Group operates.

No individual customer accounts for more than 10% of the Group's revenue.

	Revenue from external customers		Non-current assets	
	2011	2010	2011	2010
	£m	£m	£m	£m
UK (country of domicile)	81.3	97.9	142.5	141.7
North America	60.4	58.9	1.3	1.4
Channel Isles	36.5	34.8	21.2	22.2
Other	27.5	24.1	-	0.1
Total	**205.7**	**215.7**	**165.0**	**165.4**

4. Profit for the Year

Profit for the year has been arrived at after crediting/(charging):

	2011 £m	2010 £m
Income		
Fees earned on financial assets or liabilities not held for trading nor designated at fair value, other than fees included in effective interest rate calculations on these types of assets and liabilities	**78.8**	81.0
Fees earned on trust and other fiduciary activities where the Group holds or invests assets on behalf of its customers.	**26.4**	22.8
Net gains on financial instruments that are carried at fair value through profit and loss: - held for trading	**41.5**	48.4
Expense		
Fees payable on trust and other fiduciary activities where the Group holds or invests assets on behalf of its customers.	**(1.4)**	(1.3)
Impairment loss on financial instruments	**(0.2)**	(0.5)
Net foreign exchange losses	**(0.1)**	(0.1)
Depreciation of property, plant and equipment (Note 12)	**(1.4)**	(1.2)
Amortisation of intangible assets (Note 11)	**(0.7)**	(0.4)
Staff costs (Note 5)	**(129.5)**	(131.9)
Release of provision for deferred consideration	**2.3**	-
Auditors' remuneration for audit services	**(0.9)**	(0.7)

A more detailed analysis of auditor's remuneration is provided below:

	2011 £m	2011 %	2010 £m	2010 %
Audit of the Company	**0.2**	**22**	0.2	29
Audit of subsidiaries	**0.4**	**45**	0.4	57
Audit-related assurance services	**0.1**	**11**	0.1	14
Tax compliance services	**0.1**	**11**	-	-
Services related to corporate finance transactions	**0.1**	**11**	-	-
	0.9	**100**	0.7	100

5. Staff Costs

The average number of employees and directors of the Group, all of whom were employed in financial services, was:

	2011 No.	2010 No.
EU	**487**	426
Channel Islands	**183**	171
North America	**160**	150
Asia	**12**	10
	842	**757**

The aggregate employment costs of staff and directors were:

	2011 £m	2010 £m
Wages, salaries, and other fixed compensation costs	**64.2**	59.9
Variable compensation and incentive payments	**48.1**	55.8
Social security costs	**9.1**	9.1
Pension costs	**2.3**	1.7
Share-based payment expense	**5.8**	5.4
	129.5	131.9

6. Finance Income

	2011 £m	2010 £m
Interest receivable and similar income	**0.9**	1.3

7. Finance Costs

	2011 £m	2010 £m
Interest payable on bank loans and overdrafts	**0.2**	0.3
Interest payable on inventory financing and stock borrowing	**1.8**	2.2
	2.0	2.5

8. Taxation

	2011 £m	2010 £m
Current tax		
UK corporation tax	-	5.5
Double tax relief	(0.7)	(0.9)
	(0.7)	4.6
Overseas tax	2.5	1.7
Prior year UK corporation tax under/(over)-provided	0.1	(0.3)
Prior year overseas tax over-provided	(0.6)	(0.1)
	1.3	5.9
Deferred tax		
Current year	-	(1.5)
	1.3	4.4

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The charge for the year can be reconciled to the profit per the income statement as follows:

	2011 £m	2010 £m
Profit before tax	**6.1**	19.0
Tax on profit at the effective UK statutory rate of 26.5% (2010: 28%)	**1.6**	5.3
Factors affecting the charge for the year:		
Disallowable expenditure	**1.6**	1.0
Tax effect of stock options	**0.3**	0.2
Unrecognised losses	**2.6**	1.4
Re-measurement of deferred tax balances	**0.1**	0.1
Effect of different tax rates of subsidiaries	**(3.7)**	(3.4)
Non taxable income	**(0.6)**	-
Adjustments in respect of prior years	**(0.6)**	(0.2)
	1.3	4.4

9. Dividends

	2011 £m	2010 £m
Final dividend of 1.7p (2010: 1.3p)	**4.1**	3.1
Interim dividend of 1.3p (2010: 1.3p)	**3.1**	3.2
	7.2	6.3

In addition, the Board declared a second interim dividend of 2.6p per share which was paid on 31 January 2012 to shareholders on the register on 30 December 2011.

10. Goodwill

	2011 £m	2010 £m
Cost		
As at 1 January	**156.5**	143.8
Additions	**-**	12.7
Disposals	**(0.2)**	-
As at 31 December	**156.3**	156.5

Goodwill acquired through business combinations has been allocated to individual cash-generating units for impairment testing as follows:

	2011 £m	2010 £m
Corporate Broking	**-**	0.2
Wealth Management	**42.1**	42.1
Hawkpoint	**114.2**	114.2
	156.3	156.5

The recoverable amount of goodwill for the individual cash-generating units shown above has been determined based on a value-in-use calculation. To calculate this, cash flow projections are based on financial budgets approved by senior management covering the next financial year, extrapolated for a period not exceeding five years. Growth and inflation rates thereafter are projected at 2% and 3% respectively. The discount rate applied to cash flow projections is 8.5% (2010: 8.1%) based on the Group's pre-tax weighted average cost of capital.

Key sensitivities in the goodwill impairment calculation are the discount rate and future cash flows. In the case of the discount rate, the carrying value of goodwill attributable to Hawkpoint and Wealth Management is supported at rates up to 9.4% and 22.9% respectively, assuming all other variables are held constant. The carrying value of goodwill is supported with a decline in operating cash flows of 19.5% and 79.1% for Hawkpoint and Wealth Management respectively, assuming all other variables are held constant.

11. Other Intangible Assets

Developed software	2011 £m	2010 £m
Cost		
As at 1 January	**2.5**	2.2
Additions	**0.4**	0.3
As at 31 December	**2.9**	2.5
Amortisation		
As at 1 January	**(1.8)**	(1.5)
Charged during the year	**(0.4)**	(0.3)
As at 31 December	**(2.2)**	(1.8)
Carrying amount	**0.7**	**0.7**

Customer related	2011 £m	2010 £m
Cost		
As at 1 January	**2.0**	-
Acquired on acquisition of subsidiaries	**-**	2.0
As at 31 December	**2.0**	2.0
Amortisation		
As at 1 January	**(0.1)**	-
Charged during the year	**(0.3)**	(0.1)
As at 31 December	**(0.4)**	(0.1)
Carrying amount	**1.6**	**1.9**

Other intangible assets	2011 £m	2010 £m
Cost		
As at 1 January	**1.8**	1.8
As at 31 December	**1.8**	1.8
Amortisation		
As at 1 January	**(0.3)**	(0.3)
As at 31 December	**(0.3)**	(0.3)
Impairment		
As at 1 January	**(1.5)**	(1.5)
As at 31 December	**(1.5)**	(1.5)
Carrying amount	**-**	-
Total	**2.3**	2.6

12. Property, Plant and Equipment

	Land, buildings and leasehold improvements	Equipment, fixtures and fittings	Total
	£m	£m	£m
Cost			
As at 1 January 2010	4.9	9.9	**14.8**
Additions	0.6	1.5	**2.1**
Acquired on acquisition	-	0.1	**0.1**
Disposals	-	(0.2)	**(0.2)**
As at 31 December 2010	5.5	11.3	**16.8**
Additions	0.2	1.2	**1.4**
Disposals	-	(0.4)	**(0.4)**
As at 31 December 2011	**5.7**	**12.1**	**17.8**
Depreciation			
As at 1 January 2010	(3.5)	(6.4)	**(9.9)**
Disposals	-	0.2	**0.2**
Charge for the year	(0.2)	(1.0)	**(1.2)**
As at 31 December 2010	(3.7)	(7.2)	**(10.9)**
Disposals	-	0.5	**0.5**
Charge for the year	(0.2)	(1.2)	**(1.4)**
As at 31 December 2011	**(3.9)**	**(7.9)**	**(11.8)**
Carrying Amount			
As at 31 December 2010	1.8	4.1	**5.9**
As at 31 December 2011	**1.8**	**4.2**	**6.0**

13. Other Financial Assets

	2011	2010
	£m	£m
Available for sale investment	**2.2**	2.6

14. Investments in Associates

	2011	2010
Associates	£m	£m
Total assets	**0.4**	0.4
Total liabilities	**-**	-
Net assets	**0.4**	0.4
Revenue	**-**	-
Operating loss	**-**	-

15. Deferred Tax

	2011 £m	2010 £m
Deferred tax assets	**1.9**	**1.8**
	1.9	**1.8**

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

	2011 £m	2010 £m
As at 1 January	**1.8**	0.2
Acquired with subsidiary undertaking	**-**	0.1
Credit/(charge) to income for the year	**-**	1.5
Credit/(charge) to equity for the year	**0.1**	-
As at 31 December	**1.9**	**1.8**

The following were the deferred tax liabilities and assets recognised by the Group and movements thereon during the year.

	Consolidated balance sheet		Consolidated income statement	
	2011 £m	2010 £m	2011 £m	2011 £m
Losses available for offset against future taxable income	**-**	0.1	**(0.1)**	-
Differences between depreciation and capital allowances	**0.2**	0.2	**-**	-
Employee compensation	**2.4**	1.2	**-**	0.5
Other timing differences	**(0.7)**	0.3	**0.1**	1.0
	1.9	1.8	**-**	**1.5**

At the balance sheet date, the aggregate amount of temporary differences in respect of corporation tax losses of overseas subsidiaries for which a deferred tax asset has not been recognised was £14.6m (2010 £11.8m). No asset has been recognised as the likelihood of future economic benefit is not sufficiently assured.

16. Other Current Assets

TRADE AND OTHER RECEIVABLES

	2011 £m	2010 £m
Trade receivables	**420.0**	338.2
Other receivables	**4.6**	10.5
Prepayments and accrued income	**8.9**	8.1
	433.5	356.8

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

CASH AND CASH EQUIVALENTS

	2011 £m	2010 £m
Cash and cash equivalents	**60.7**	104.5

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

17. Financial Instruments

The following table indicates the classification of financial instruments:

	Loans and receivables £m	FVTPL £m	Available for sale £m	Amortised cost £m	Non-financial instruments £m	Total £m
As at 31 December 2011						
Goodwill	-	-	-	-	156.3	**156.3**
Other intangible assets	-	-	-	-	2.3	**2.3**
Property, plant and equipment	-	-	-	-	6.0	**6.0**
Other financial assets	-	-	2.2	-	-	**2.2**
Investment in associates	-	-	-	-	0.4	**0.4**
Deferred tax assets	-	-	-	-	1.9	**1.9**
Trade and other receivables	428.3	-	-	-	5.2	**433.5**
Current tax assets	.	-	-	-	1.6	**1.6**
Trading investments	-	92.9	-	-	-	**92.9**
Cash and cash equivalents	60.7	-	-	-	-	**60.7**
Trade and other payables	-	-	-	(439.2)	(3.8)	**(443.0)**
Current tax liabilities	-	-	-	-	(1.7)	**(1.7)**
Other financial liabilities	-	(52.8)	-	-	-	**(52.8)**
Interest-bearing loans and borrowings	-	-	-	-	-	**-**
Deferred consideration	-	(1.4)	-	-	-	**(1.4)**
	489.0	**38.7**	**2.2**	**(439.2)**	**168.2**	**258.9**

	Loans and receivables £m	FVTPL £m	Available for sale £m	Amortised cost £m	Non-financial instruments £m	Total £m
As at 31 December 2010						
Goodwill	-	-	-	-	156.5	156.5
Other intangible assets	-	-	-	-	2.6	2.6
Property, plant and equipment	-	-	-	-	5.9	5.9
Other financial assets	-	-	2.6	-	-	2.6
Investment in associates	-	-	-	-	0.4	0.4
Deferred tax assets	-	-	-	-	1.8	1.8
Trade and other receivables	349.6	-	-	-	7.2	356.8
Current tax assets	-	-	-	-	0.1	0.1
Trading investments	-	103.5	-	-	-	103.5
Cash and cash equivalents	104.5	-	-	-	-	104.5
Trade and other payables	-	-	-	(383.9)	(3.5)	(387.4)
Current tax liabilities	-	-	-	-	(4.1)	(4.1)
Other financial liabilities	-	(72.9)	-	-	-	(72.9)
Interest-bearing loans and borrowings	-	-	-	-	-	-
Deferred consideration	-	(7.6)	-	-	-	(7.6)
	454.1	23.0	2.6	(383.9)	166.9	262.7

The directors consider that the carrying amount of the above approximates to their fair value.

17.1 CREDIT RISK

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

As a large proportion of the Group's business is contracted on a matched principal basis, the main credit risk is more akin to market risk, as the exposure in such cases is to movements in security prices.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The following table discloses the maximum exposure to credit risk on financial assets.

	Trade and other receivables						
	Delivery versus payment	Other trade receivables	Other receivables and accrued income	Other financial assets	Trading investments	Cash and cash equivalents	Total
	£m	£m	£m	£m	£m	£m	£m
As at 31 December 2011	**389.0**	**30.1**	**9.2**	**2.2**	**92.9**	**60.7**	**584.1**
As at 31 December 2010	300.7	39.4	9.5	2.6	103.5	104.5	560.2

The Group is exposed to credit risk from counterparties to a securities transaction during the period between the trade date and the settlement date. This period is generally three business days but can differ in some markets. In addition, the Group has credit exposure that extends beyond the original settlement date if the counterparty fails either to make payment or to deliver securities. The majority of these transactions are with financial institutions.

Settlement risk is substantially mitigated as a result of the delivery versus payment mechanism whereby if a counterparty fails to make payment, the securities would not be delivered to the counterparty. They could however be sold in the market and therefore the economic substance of the transaction is that securities serve as collateral in the case of delivery versus payment trade receivables. Consequently the risk exposure is effectively to an adverse movement in market prices from the time of purchase and sale respectively.

Risk exposure in relation to cash and cash equivalents is mitigated by placing deposits across a number of large banks with strong credit ratings.

An aged analysis of financial assets that are past due at reporting date but not impaired is set out below.

	Delivery versus payment	Other trade receivables	Other receivables and accrued income	Total
	£m	£m	£m	£m
As at 31 December 2011				
Neither impaired nor past due on reporting date	355.5	21.6	4.9	**382.0**
Past due less than 30 days	31.7	5.3	3.7	**40.7**
Between 30 and 60 days	0.9	1.2	0.1	**2.2**
Between 61 and 90 days	0.3	1.4	-	**1.7**
Between 91 and 180 days	0.6	0.3	0.1	**1.0**
Between 181 and 360 days	0.1	0.1	0.1	**0.3**
More than 360 days	-	0.1	0.3	**0.4**
	389.1	**30.0**	**9.2**	**428.3**

	Delivery	Other trade	Other receivables	Total

	versus payment	receivables	and accrued income	
	£m	£m	£m	£m
As at 31 December 2010				
Neither impaired nor past due on reporting date	287.6	30.0	5.8	323.4
Past due less than 30 days	12.5	5.6	2.6	20.7
Between 30 and 60 days	0.5	1.6	0.4	2.5
Between 61 and 90 days	0.1	0.5	0.6	1.2
Between 91 and 180 days	-	1.2	-	1.2
Between 181 and 360 days	-	0.5	-	0.5
More than 360 days	-	-	0.1	0.1
	300.7	39.4	9.5	349.6

The movements on credit provisions were as follows:

	2011	2010
	£m	£m
Opening credit provision	**1.6**	1.1
Charge to income during the year	**1.0**	0.8
Released from income during the year	**(0.9)**	(0.2)
Profit impact for the year	**0.1**	0.6
Written off to provision in year	**0.2**	0.6
Charged against underlying asset during the year	**(1.5)**	(0.7)
Closing credit provision	**0.4**	1.6

Outstanding receivables are individually assessed for impairment and provisions are made as required.

17.1 LIQUIDITY RISK

The Group holds significant liquid assets. Overdrafts are used for foreign failed trades where our settlement agent funds the trade for which it holds the stock as collateral. Additionally, the Group has a £25m two-year committed facility, which was agreed in July 2010. The facility was undrawn throughout the period to 31 December 2011 and remains undrawn at the date of the signing of these accounts.

Maturity Analysis

The table below analyses the contractual undiscounted cash flows of financial liabilities in relevant groupings based on the remaining period, the balance sheet date, and the contractual maturity date.

	Repayable on demand	3 months or less but not repayable on demand	1 year or less but over 3 months	More than 1 year	Total
	£m	£m	£m	£m	£m
As at 31 December 2011					
Trade and other payables	385.0	51.1	1.5	1.6	**439.2**
Other financial liabilities	52.8	-	-	-	**52.8**
Deferred consideration	-	-	1.4	-	**1.4**
Cash flows arising from financial liabilities	**437.8**	**51.1**	**2.9**	**1.6**	**493.4**

	Repayable on demand	3 months or less but not repayable on demand	1 year or less but over 3 months	More than 1 year	Total
	£m	£m	£m	£m	£m
As at 31 December 2010					
Trade and other payables	323.7	59.3	0.4	0.5	383.9
Other financial liabilities	72.9	-	-	-	72.9
Deferred consideration	-	-	2.8	4.8	7.6
Cash flows arising from financial liabilities	396.6	59.3	3.2	5.3	464.4

17.2 **MARKET RISK**

The Group is exposed to market risk in respect of both its trading in equities and debt instruments and in its role as an intermediary between buyers and sellers of financial instruments. The Group makes markets in smaller company stocks, investment trusts and fixed-income securities, primarily in order to facilitate liquidity in the securities of clients to whom it acts as market maker, broker or adviser. These positions are carried in current assets and liabilities at fair value. Limits are set on the size of individual and aggregate positions. Senior management undertakes day-to-day risk monitoring.

In addition, as an intermediary, the Group acts on an agency or matched principal basis so its exposure to market price movements in this capacity is limited to when there is a trade mismatch or error, or if one matched counterparty fails to fulfil its obligations. The impact of these risks is minimised by strict limits and monitoring controls.

Sensitivity Analysis

Interest Rate Risk

The table below shows the effect on finance costs, profit and equity after tax as at 31 December from a 10 per cent adverse/favourable movement in interest rates at that date on a net asset basis with all other variables held constant.

	Finance costs		Net profit		Equity	
	Year ended 31 December		As at 31 December		As at 31 December	
	2011	2010	2011	2010	2011	2010
	£m	£m	£m	£m	£m	£m
If interest rates were 10 per cent higher with all other variables held constant - increase/(decrease)	**(0.2)**	(0.3)	**(0.1)**	(0.1)	**(0.1)**	(0.1)
If interest rates were 10 per cent lower with all other variables held constant - increase/(decrease)	**0.2**	0.3	**0.1**	0.1	**0.1**	0.1

The table below analyses financial instruments between non-interest bearing and interest-bearing at 31 December.

	Non-interest bearing	Floating	Fixed	Non financial assets / liabilities	Total
	£m	£m	£m	£m	£m
2011					
Cash and cash equivalents	11.8	48.9	-	-	**60.7**
Interest-bearing loans and borrowings	-	-	-	-	**-**
Other financial investments:					
- Available-for-sale	2.2	-	-	-	**2.2**
- Trading investments at fair value through profit and loss	69.0	-	23.9	-	**92.9**
Trade and other receivables:					
- Loans and receivables	410.7	17.6	-	5.2	**433.5**
Financial liabilities at fair value through profit and loss	(30.9)	-	(21.9)	-	**(52.8)**
Trade and other payables	(433.5)	(5.8)	-	(3.7)	**(443.0)**
Deferred consideration	(1.4)	-	-	-	**(1.4)**
	27.9	**60.7**	**2.0**	**1.5**	**92.1**

	Non-interest bearing	Floating	Fixed	Non financial assets / liabilities	Total
	£m	£m	£m	£m	£m
2010					
Cash and cash equivalents	4.8	99.7	-	-	104.5
Interest-bearing loans and borrowings	-	-	-	-	-
Other financial investments:					
- Available-for-sale	2.6	-	-	-	2.6
- Trading investments at fair value through profit and loss	77.0	-	26.5	-	103.5
Trade and other receivables:					
- Loans and receivables	323.3	26.3	-	7.2	356.8
Financial liabilities at fair value through profit and loss	(52.2)	-	(20.7)	-	(72.9)
Trade and other payables	(354.2)	(29.7)	-	(3.5)	(387.4)
Deferred consideration	(7.6)	-	-	-	(7.6)
	(6.3)	96.3	5.8	3.7	99.5

Foreign Currency Risk

Foreign currency balances are held to meet the settlement obligations of clients who bear the currency risk in accordance with the terms and conditions of trading. Foreign currency is bought and sold at the time of trading. Where possible the Group deals in foreign currencies on a matched basis on behalf of clients, limiting foreign exchange exposure.

The following table shows the effect on profit and equity after tax as at 31 December from a 10 per cent adverse/favourable movement in exchange rates (principally US Dollars and Euros) at that date on a net asset basis with all other variables held constant.

	Net profit		Equity	
	As at 31 December		As at 31 December	
	2011	2010	2011	2010
	£m	£m	£m	£m
If exchange rates were 10 per cent higher with all other variables held constant - increase/(decrease)	**2.7**	2.7	**2.7**	2.7
If exchange rates were 10 per cent lower with all other variables held constant - increase/(decrease)	**(2.7)**	(2.7)	**(2.7)**	(2.7)

A sensitivity of 10% represents a reasonable movement given the level of volatility observed in respect of the main foreign currencies the Group is normally exposed to in its day-to-day operations.

The following table summarises exposure to foreign currency exchange rate risk. Included in the table are financial assets and liabilities at carrying amounts, categorised by currency.

	GBP	Euro	USD	Other	Total
2011					
Cash and cash equivalents	45.2	1.6	11.9	2.0	**60.7**
Interest bearing loans and borrowings	-	-	-	-	**-**
Trading investments	37.8	2.5	52.1	0.5	**92.9**
Available-for-sale assets	-	2.2	-	-	**2.2**
Trade and other receivables	71.8	16.5	330.2	9.8	**428.3**
Other financial liabilities	(23.1)	(1.0)	(28.7)	-	**(52.8)**
Trade and other payables	(74.2)	(16.0)	(346.4)	(2.6)	**(439.2)**
Deferred consideration	(1.4)	-	-	-	**(1.4)**
Net exposure	**56.1**	**5.8**	**19.1**	**9.7**	**90.7**

	GBP	Euro	USD	Other	Total
2010					
Cash and cash equivalents	71.0	2.5	25.6	5.4	104.5
Interest bearing loans and borrowings	-	-	-	-	-
Trading investments	45.5	6.6	49.3	2.1	103.5
Available-for-sale assets	-	2.6	-	-	2.6
Trade and other receivables	77.2	5.5	256.1	10.8	349.6
Other financial liabilities	(33.2)	(0.1)	(38.9)	(0.7)	(72.9)
Trade and other payables	(95.5)	(9.9)	(262.0)	(16.5)	(383.9)
Deferred consideration	(7.6)	-	-	-	(7.6)
Net exposure	57.4	7.2	30.1	1.1	95.8

Other Price Risk

Trading investments during the year were:

	Highest Exposure £m	Lowest Exposure £m	Average Exposure £m	Exposure as at 31 December Total
2011				
Long	126.3	72.4	95.4	**92.9**
Short	(79.5)	(35.9)	(53.8)	**(52.8)**
	46.8	**36.5**	**41.6**	**40.1**

	Highest Exposure £m	Lowest Exposure £m	Average Exposure £m	Exposure as at 31 December Total
2010				
Long	103.5	32.7	70.0	103.5
Short	(72.9)	(23.0)	(45.7)	(72.9)
Net exposure	30.6	9.7	24.3	30.6

Fair value of financial instruments

The following table shows financial instruments recognised at fair value, analysed between those whose fair value is based on:

- Quoted prices in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
2011				
Long				
Non-derivative financial assets held for trading	**66.0**	**25.8**	**1.1**	**92.9**
Available-for-sale assets	**-**	**2.2**	**-**	**2.2**
	66.0	**28.0**	**1.1**	**95.1**
Short				
Non-derivative financial assets held for trading	**(33.3)**	**(19.5)**	**-**	**(52.8)**
Net	**32.7**	**8.5**	**1.1**	**42.3**

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
2010				
Long				
Non-derivative financial assets held for trading	103.5	-	-	103.5
Available-for-sale assets	-	2.6	-	2.6
	103.5	2.6	-	106.1
Short				
Non-derivative financial assets held for trading	(72.9)	-	-	(72.9)
Net	30.6	2.6	-	33.2

There were no transfers between any levels during the current or previous year. Level 3 amounts in 2011 relate to purchases made during the year and consist of unquoted equities which are valued at cost as an approximate estimate of fair value.

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.

Financial instruments measured at fair value on an ongoing basis include trading assets and liabilities and financial investments classified as available-for-sale.

18. Trade and Other Payables

	2011 £m	2010 £m
Trade creditors	**389.5**	328.5
Tax and social security	**3.2**	3.3
Other creditors	**9.0**	3.0
Accruals and deferred income	**35.0**	52.6
Accrued dividend	**6.3**	-
	443.0	387.4

The directors consider that the carrying amount of trade payables approximates to their fair value.

19. Other Financial Liabilities

	2011 £m	2010 £m
Fair value through profit and loss:		
- held for trading	**52.8**	72.9
	52.8	72.9

20. Share Capital

	2011 No. (m)	2010 No. (m)
Authorised		
Ordinary shares of 25p	**319.8**	319.8
Redeemable shares of £1	**0.1**	0.1
	319.9	319.9
Allotted, issued and fully paid		
Ordinary shares of 25p	**248.3**	248.1
Redeemable shares of £1	**-**	-
	248.3	248.1

	2011 £m	2010 £m
Authorised		
Ordinary shares of 25p	**80.0**	80.0
Redeemable shares of £1	**0.1**	0.1
	80.1	80.1
Allotted, issued and fully paid		
Ordinary shares of 25p	**62.1**	62.0
Redeemable shares of £1	**-**	-
	62.1	62.0

During the year 1,174,558 shares were issued to satisfy the first tranche of deferred consideration in respect of the 2010 acquisition of Corazon. Additionally, the Company made market purchases of 981,000 shares that were subsequently cancelled.

21. Statement of Cash Flows

RECONCILIATION OF OPERATING PROFIT TO NET CASH FROM OPERATING ACTIVITIES

	2011 £m	2010 £m
Operating profit	**7.2**	20.2
Adjust for:		
Expense arising from share option plans	**5.8**	5.4
Depreciation of property, plant and equipment	**1.4**	1.2
Amortisation of intangible assets	**0.7**	0.4
Disposal of goodwill	**0.2**	-
Decrease in provisions for liabilities and charges	**(2.3)**	-
Operating cash flows before movement in working capital	**13.0**	27.2
Increase in trade and other receivables	**(75.9)**	(40.6)
Increase in net long and short positions	**(9.4)**	(20.7)
Increase in trade and other payables	**55.6**	48.9
Cash generated from operations	**(16.7)**	14.8
Income tax paid	**(5.2)**	(4.4)
Interest paid	**(2.0)**	(2.4)
Dividend impact on increase in payables	**(6.3)**	-
Net cash flows (used in)/from operating activities	**(30.2)**	8.0

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and other short-term highly-liquid investments with maturity of three months or less. Cash at bank earns interest principally at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and ninety days depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprised the following at 31 December.

	2011	2010
	£m	£m
Cash and cash equivalents	**60.7**	104.5
Bank overdrafts	**-**	-
	60.7	104.5

22. Reconciliation of Net Cash Flow to Movements in Net Funds

	2011	2010
	£m	£m
Net decrease in cash and cash equivalents during the year	**(43.6)**	(9.6)
Decrease in net funds resulting from cash flows	**(43.6)**	(9.6)
Currency translation differences	**(0.2)**	0.9
Decrease in net funds	**(43.8)**	(8.7)
Net funds at the end of the year	**60.7**	104.5

23. Analysis of Net Funds

	As at 1 January 2011	Cash flow	Exchange differences	As at 31 December 2011
	£m	£m	£m	£m
Cash in hand and at bank	79.5	(25.4)	(0.2)	**53.9**
Cash equivalents	23.3	(18.5)	-	**4.8**
Client settlement monies	1.7	0.3	-	**2.0**
Total net funds	104.5	(43.6)	(0.2)	**60.7**

24. Contingent Liabilities

The Group is subject to litigation in respect of a number of claims. The Group believes the basis of these claims to be without foundation and will if necessary mount robust defences. After taking legal advice, the directors are of the opinion that there will be no significant financial impact other than the legal costs involved for which accrual has been made in the financial statements.

In the ordinary course of business the Group has given letters of indemnity in respect of lost share certificates and stock transfers. Although the contingent liability arising therefrom cannot be precisely quantified, it is not believed to be material.

25. Operating Lease Commitments

The Group leases various office properties under non-cancellable operating lease arrangements. With such operating lease arrangements, the asset is kept on the lessor's balance sheet and the Group reports the future minimum lease payments as an expense over the lease term. The leases have various terms, escalation and renewal rights. There are no contingent rents payable. Operating lease rentals of £8.3m (2010: £8.4m) have been included in administrative expenses.

Where the Group is the lessee the future minimum lease payment under non-cancellable operating leases are as follows:

	2011 £m	2010 £m
- within one year	**6.8**	8.4
- within two to five years	**26.5**	30.7
- over five years	**22.8**	17.9
	56.1	57.0

26. Share-based Payments

The Group has a number of share incentive plans for granting of non-transferable options to certain employees and executives. Options granted under the plans normally vest on the first day on which they become exercisable, which is typically three to four years after grant date. The maximum life of an option is 10 years. These options are normally settled in equity once exercised and, dependent on the option scheme, are settled either with new shares issued or shares purchased in the market.

The following table summarises the share option schemes that existed during the 12 months to 31 December 2011 and 12 months to 31 December 2010 respectively and the estimated fair values of the options granted.

	2011 No.	2010 No.	Estimated fair value
As at 31 December			
Unapproved Share Option Schemes [1]	2,541,022	2,628,638	17p - 24p
Long Term Incentive Plan & ABED awards [1]	17,040,422	13,902,847	62p - 115p
Management Incentive Arrangement	1,161,942	-	62p
Hawkpoint Share Option Plan	230,000	410,391	73p - 83p
	20,973,386	16,941,876	
As at 31 December			
2010 LTIP units	840	626	£7,080 - £8,655
	840	626	

The weighted average contractual life for the share options outstanding at 31 December 2011 was 7.1 years (2010: 6.7 years). The weighted average contractual life of the LTIP Units outstanding at 31 December 2011 (assuming that they are subsequently converted into LTIP Options) was 8.8 years (2010: 9.3 years).

The estimated fair value of each option granted was calculated by applying a Black Scholes or Monte Carlo option-pricing model. The model inputs were the weighted average share price at grant date, weighted average exercise price, expected volatility, expected dividends, expected life of the option until exercise and a risk-free interest rate based on government securities with a similar maturity profile.

	2011	2010
Weighted average share price at date of grant	63 - 87p	82 - 86p
Weighted average exercise price	nil	nil
Expected volatility	41%	42%
Expected life (years)	3	3
Risk free rate	1.3%	3.6%
Expected dividend yield	3.5%	3.4%
Likelihood of ceasing employment before vesting	0%	0%
Proportion meeting performance criteria	100%	100%

Grants within these schemes occurred on several dates and therefore input ranges reflect the rates and terms applicable at grant date.

The following table shows the number and weighted average exercise price for all share options outstanding.

Share options	**Weighted average exercise price (p)**	**Year to 31 December 2011 No.**	**Weighted average exercise price (p)**	**Year to 31 December 2010 No.**
Outstanding as at 1 January	16	**16,941,876**	16	18,108,723
Granted in the year	-	**10,651,157**	-	3,501,641
Forfeited	-	**(2,607,460)**	-	(1,479,434)
Exercised in the year	-	**(4,012,187)**	-	(3,189,054)
	13	**20,973,386**	16	16,941,876
Exercisable at end of the year	111	**2,541,022**	93	2,628,638

2010 LTIP units	**Weighted average exercise price (p)**	**Year to 31 December 2011 No.**	**Weighted average exercise price (p)**	**Year to 31 December 2010 No.**
Outstanding as at 1 January	-	**626**	-	-
Granted in the year	-	**304**	-	626
Forfeited	-	**(90)**	-	-
Exercised in the year	-	**-**	-	-
	-	**840**	-	626
Exercisable at end of the year	-	**-**	-	-

The weighted average share price at the date of exercise for share options exercised during the period was 79p (2010: 84p). During the year, 2,685,315 options with an exercise price of nil lapsed due to the failure to satisfy relevant performance conditions.

	2011 £m	**2010 £m**
Expense arising under share plans	**5.8**	5.4

27. Client Money

Client money, held in segregated accounts, at 31 December 2011 was £723.0m (2010: £643.3m). This comprised £2.0m (2010: £1.7m) of balances held by the Group on behalf of clients to settle outstanding bargains and £721.0m (2010: £641.6m) of segregated deposits, held on behalf of clients, which are not reflected on the balance sheet. Movements in settlement balances are reflected in operating cash flows.

28. Events After the Balance Sheet Date

On 21 March 2012, the entire issued and to be issued share capital of the Company was acquired by Canaccord Financial Inc. As a consequence of the Scheme becoming effective, the Company was re-registered as a private limited company and renamed Collins Stewart Hawkpoint Limited. There have not been any other material events since the balance sheet date.

29. Related Party Transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Tullett Prebon plc is no longer considered a related party as no member of the management team of Collins Stewart Hawkpoint Limited has participated in the financial and operating decisions of that company since the retirement from the Board of Terry Smith on 6 December 2010. There have been no material changes in the nature or value of related party transactions in the year ended 31 December 2011.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

IAS 24: 'Related Parties Disclosures' requires remuneration of key management personnel of the Group to be separated into specified categories. The Board considers that the key management personnel comprise the directors whose individual remuneration is disclosed in the Remuneration Report. The aggregate remuneration in the year ended 31 December 2011 (or from the date of appointment, if later) was £2.6m (2010: £3.0m), comprising £2.5m (2010: £2.7m) of short-term benefits and £0.1m (2010: £0.3m) in respect of share-based payments.

30. Principal Subsidiary Undertakings, Joint Ventures and Associates

At 31 December 2011, the following were the Group's principal trading subsidiary undertakings and intermediate holding companies.

Subsidiary undertakings	Country of incorporation	Principal activities	Issued ordinary shares held, all voting
Collins Stewart 360 Limited	Great Britain	Wealth Management	100%
Collins Stewart Europe Limited	Great Britain	Stockbroking	100%
Collins Stewart Fund Management Limited	Guernsey	Investment fund management	100%
Collins Stewart Inc. & Subsidiaries	USA	Stockbroking	100%
Collins Stewart Portfolio Management Limited	Guernsey	Investment fund management	100%
Collins Stewart Pte. Limited	Singapore	Stockbroking	100%
Collins Stewart (CI) Limited	Guernsey	Stockbroking	100%
Collins Stewart (Offshore) Limited	Jersey	Stockbroking	100%
Hawkpoint Partners Limited	Great Britain	Corporate advisory	100%

With the exception of Collins Stewart 360 Limited and Collins Stewart Europe Limited, all of the above subsidiary undertakings are held indirectly.

The assets and liabilities of the Collins Stewart Limited ESOT, Collins Stewart 360 Limited ESOT, Collins Stewart (CI) Limited ESOT and the Hawkpoint ESOT are included in the Group's balance sheet.

31. Ultimate Parent Company

With effect from 21 March 2012, the date on which the Scheme of Arrangement became effective, the immediate and ultimate parent company of the Company is Canaccord Financial Inc., a public corporation incorporated under the laws of the Province of British Columbia, Canada, with its registered office at Suite 1000-840 Howe Street, Vancouver, British Columbia, Canada V6Z 2MI.

32. Differences between Canadian Generally Accepted Accounting Principles and International Financial Reporting Standards (Unaudited)

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Material variations in the accounting principles, practices and methods used in preparing these financial statements from Canadian Generally Accepted Accounting Principles ("CGAAP") are described and quantified below.

Consolidated Income Statement	
Year ended	**2010**
	£m
Net income - IFRS	14.6
No reconciling items affecting net income	-
Net income - CGAAP	14.6
Other comprehensive income - IFRS	15.1
Fair value loss on non-current available-for-sale financial assets, net of tax	0.2
Comprehensive income for the year - CGAAP	15.3
Basic earnings per share - CGAAP	6.1p
Diluted earnings per share - CGAAP	5.8p

Consolidated Balance Sheet

	31 December 2010 £m
Total assets - IFRS	734.7
Change in valuation of available-for-sale asset to cost basis (a)	(2.4)
Future income tax impact on change in valuation of available-for-sale asset to cost basis (b)	0.2
Change in future income tax impact due to transition to Canadian GAAP (c)	0.9
Total assets - CGAAP	733.4
Total liabilities - IFRS	472.0
Change in future income tax impact due to transition to Canadian GAAP (c)	0.9
Total liabilities - CGAAP	472.9
Total equity - IFRS	262.7
Change in valuation of available-for-sale asset to cost basis (a)	(2.4)
Future income tax impact on change in valuation of available-for-sale asset to cost basis (b)	0.2
Total equity - CGAAP	260.5

a) Collins Stewart Hawkpoint plc holds shares in Euroclear and this equity instrument is classified as available-for-sale asset under IFRS and CGAAP. Under IFRS, financial assets classified as available-for-sale asset and the related tax impact are carried at fair value with changes in fair value being recognized through accumulated other comprehensive income. Under CGAAP, the valuation of investments in equity instruments that do not have a quoted market price in an active market should be measured at cost, unless it is classified as held-for-trading. As a result, adjustments have been made to record the shareholders of Euroclear to a cost basis in accordance with CGAAP.

b) Future income tax impact has been calculated based on an enacted statutory rate of 27%. This tax impact relates to the difference in the valuation impact of the available-for-sale asset from fair value per IFRS to cost basis per CGAAP.

c) Future income taxes have been reclassified to be presented on a gross basis because the requirements for offsetting have not been satisfied under CGAAP.

d) There has been no impact on the operating, investing, and financing activities in the cash flow statement based on the differences recognized between IFRS and CGAAP.

CERTIFICATE OF THE COMPANY

Dated: April 2, 2012

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces and territories of Canada.

(Signed)	"PAUL REYNOLDS" President and Chief Executive Officer	(Signed)	"BRAD KOTUSH" Executive Vice President and Chief Financial Officer

On behalf of the Board of Directors

(Signed)	"TERRY LYONS" Director	(Signed)	"DAVID KASSIE" Director

CERTIFICATE OF THE UNDERWRITERS

Date: April 2, 2012

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces and territories of Canada.

CIBC WORLD MARKETS INC.	**CANACCORD GENUITY CORP.**	**RBC DOMINION SECURITIES INC.**
By: (Signed) "SHANNAN LEVERE"	By: (Signed) "DANIEL DAVIAU"	By: (Signed) "RAJIV BAHL"
BMO NESBITT BURNS INC.	**NATIONAL BANK FINANCIAL INC.**	**SCOTIA CAPITAL INC.**
By: (Signed) "BRADLEY J. HARDIE"	By: (Signed) "DARIN E. DESCHAMPS"	By: (Signed) "BURHAN KHAN"

GMP SECURITIES L.P.	**MACQUARIE CAPITAL MARKETS CANADA LTD.**
By: (Signed) "NEIL SELFE"	By: (Signed) "STANLEY HARTT"
RAYMOND JAMES LTD.	**CORMARK SECURITIES INC.**
By: (Signed) "J. GRAHAM FELL"	By: (Signed) "ROBERT PENTELIUK"
DESJARDINS SECURITIES INC.	**DUNDEE SECURITIES LTD.**
By: (Signed) "A. THOMAS LITTLE"	By: (Signed) "AARON UNGER"
MACKIE RESEARCH CAPITAL CORPORATION	**MANULIFE SECURITIES INCORPORATED**
By: (Signed) "DAVID KEATING"	By: (Signed) "DAVID MACLEOD"