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CAPITAL MARKETS

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**CANADIAN Financials
& Utilities Split Corp.**
Semi-Annual Report
September 30, 2011

November 28, 2011

Dear Investor,

We are pleased to provide you with the semi-annual report for the CANADIAN Financials and Utilities Split Corp. (the "Company") for the six month period ending September 30, 2011. The Company was established in February of 2007 to provide investors with a low cost, diversified investment in a high quality, passive portfolio comprised of Canadian banks, utilities and pipeline companies and non-bank financial companies, utilizing an innovative split share structure with a unique leveraging and deleveraging mechanism. The Company has invested in an equally weighted portfolio in each of the aforementioned sectors which have a history of strong dividend growth and stable cash flows. The Preferred Shares and Class A shares will be redeemed by the Company on January 31, 2012. The Preferred Shareholders will receive the lesser of \$10.00 per share and the net asset value of the Company. Class A Shareholders will receive the amount by which the net asset value per Share of the Company exceeds the sum of \$10.00. No action will be required by the Shareholders in order to receive these sums.

During the six month period ending September 30, 2011, the Company's Class A Shares outperformed the S&P/TSX 60 Index. During this period, the market price and net asset value of the Class A Shares returned -2.9% and -9.4%, respectively, while the S&P/TSX 60 Index returned -16.4%. Utilities and REITs were the best performing sectors as investors looked for shelter in less volatile equities. During the period, the S&P/TSX Utilities Index and the S&P/TSX REIT Index returned 4.3% and -0.3%, respectively. More economically sensitive sectors, such as banks and insurance companies, experienced significant declines during the period as macroeconomic conditions worsened, particularly in Europe. During the six months ending September 30, 2011, the S&P/TSX Bank Index and the S&P/TSX Insurance Index returned -17.4% and -12.0%, respectively.

The Company employs a leveraging and de-leveraging mechanism which offers the ability to increase leverage when the Company's portfolio appreciates in value and reduce leverage when the portfolio declines in value. With the significant decline in the value of the Company's portfolio in late 2008, under the terms of this unique mechanism, portfolio investments were sold and the proceeds were invested in cash or cash equivalents in order to provide additional assurance that the Company's objective to repay the \$10.00 issue price of the Preferred Shares at maturity would be met and that the Preferred Shares continue to be rated P-1 by DBRS. As a result, the Class A Shares do not have leveraged exposure to the Company's portfolio since each dollar of cash and cash equivalents held has a matching liability, being the Preferred Shares, on the Company's balance sheet. As such, all else being equal, a one percent change in the market value of the equity securities held in the Company's portfolio will result in a corresponding change of approximately one percent in the net asset value of the Class A Shares before accounting for fees and expenses.

The Company has the ability to re-establish leverage as the portfolio's value increases. If the portfolio appreciates in value and the net asset value per Class A Share grows to approximately \$7.37, cash will be reinvested in the names currently held in the portfolio which will restore leverage on the Class A Shares and likely result in the resumption of distributions to holders of Class A Shares. The net asset value per Class A Unit was \$5.17 as at November 18, 2011.

The Preferred Shares pay fixed cumulative preferential quarterly distributions yielding 4.25% per annum on the original issue price and are rated Pfd-1 by Dominion Bond Rating Service ("DBRS"), which reflects both the high quality of the portfolio and the protective leveraging mechanism. The Company made all scheduled quarterly distributions to Preferred Shareholders totalling \$0.425 per Preferred Share during the year.

Please check our website for quarterly investment updates and other timely information. We appreciate your investment in the Company and look forward to better performance as the Company matures.

Yours truly,



W. Neil Murdoch
Chief Executive Officer
CANADIAN Financials & Utilities Split Corp.

Management Report of Fund Performance

This semi-annual management report of fund performance for CANADIAN Financials & Utilities Split Corp. (the “Company”) contains financial highlights but does not contain the complete semi-annual financial statements of the Company. **The semi-annual financial statements and accompanying notes are attached to this report.**

You can obtain a copy of the semi-annual financial statements at no cost by writing to Connor, Clark & Lunn Capital Markets Inc. (the “Manager”) to the following address: Connor, Clark & Lunn Capital Markets Inc., Suite 300, 181 University Avenue, Toronto, Ontario M5H 3M7, or calling (416) 862-2020 or visiting the Manager’s website at www.cclcapitalmarkets.com. You can also obtain the annual financial statements by visiting www.sedar.com.

Shareholders may also contact us using one of these methods to request a copy of the Company’s proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Note that any reference to “Net Assets” or “Net Assets per Unit” means that the value was determined in accordance with the Canadian Generally Accepted Accounting Principles for financial statements purposes. Also, any reference to “Net Asset Value” or “Net Asset Value per Unit” means that the value was determined for valuation and transactional purposes. An explanation of the difference between both values can be found in note 3 to the financial statements.

Investment Objectives and Strategy

The Company is a closed-end mutual fund corporation that is listed on the Toronto Stock Exchange under the symbol CFS for the Class A Shares and CFS.PR.A for the Preferred Shares. Each Unit of the Fund is comprised of one Class A share and one Preferred Share.

Pursuant to a management agreement (“the Management Agreement”) the Company has retained Connor, Clark & Lunn Capital Markets Inc. (“the Manager”) to act as manager.

Investment Rationale

The Company was created to provide investors with a low cost, diversified investment in a high quality portfolio comprised of Canadian banks, Canadian utilities and pipeline issuers and Canadian non-bank financial issuers (the “Portfolio”), utilizing a split share structure.

The Preferred Shares have been rated Pfd-1 by Dominion Bond Rating Service Limited (“DBRS”). The Preferred Shares continued to hold this rating as of September 30, 2011.

Investment Objectives

Investment objectives for the Preferred Shares:

- (i) to provide their holders with quarterly fixed cumulative distributions equal to \$0.10625 per Preferred Share (\$0.425 per year or 4.25% of the Preferred Share offering price); and
- (ii) to repay the original issue price of \$10.00 per Preferred Share on redemption of the Preferred Shares on January 31, 2012.

Investment objectives for the Class A Shares:

To provide their holders with:

- (i) tax-efficient regular monthly distributions, expected to be primarily returns of capital;

- (ii) the opportunity for capital appreciation and dividend growth on a leveraged basis; and
- (iii) low management fees.

The holders of Class A Shares will be entitled to all dividends and distributions received on the Portfolio (net of operating expenses and the Preferred Share distributions). On termination, the Class A Shares will be entitled to the value of the Company in excess of the value of the Preferred Shares.

With significant decline in the value of the Company's portfolio in late 2008, under the terms of leveraging and de-leveraging mechanism, portfolio securities were sold and the proceeds were invested in cash or cash equivalents in order to provide additional assurance that the Company's objective to repay the \$10.00 issue price of the Preferred Shares at maturity will be met and that the Preferred Shares will continue to have a high rating from DBRS. Following the sale of portfolio securities, the Class A Shares continue to have exposure to the Company's equity portfolio on a non-leveraged, or approximately one to one basis before fees and expenses and distributions on the Class A Shares were suspended beginning in December 2008.

The Company has the ability to re-establish leverage as the portfolio's value increases. If the remaining portfolio appreciates in value and the net asset value per Class A Share grows to approximately \$7.37, the cash held in an amount equal to the outstanding Preferred Shares raised will be re-invested in securities of the portfolio which will restore leverage on the Class A Shares and may result in the resumption of distributions to holders of Class A Shares.

Investment Strategy

In order to achieve the Company's investment objectives, the Company invests, on a passive basis, in the equity securities of the six largest Canadian banks, in Canadian utilities and pipeline issuers and in Canadian non-bank financial issuers. Since November 2008, the Company has also held cash and cash equivalents equal to its liability to Preferred Shareholders.

The Portfolio is rebalanced (i) at least annually to adjust for changes in the market value of investments, (ii) to reflect the impact of mergers, acquisitions or other significant corporate actions or events affecting the Portfolio Securities, and (iii) in order to maintain the Interest Coverage Ratio (Interest Coverage Ratio means the quotient obtained by dividing the Net Cash Flow for Distributions received by the Company (distributions, dividends and interest income) in any calendar quarter by the aggregate amount of the distributions payable on the Preferred Shares in such quarter) at greater than 1.5 times. Trades effected to rebalance the Portfolio are subject to the confirmation of DBRS that they will not result in a reduction in the rating of the Preferred Shares.

Risk

The Class A Shares are leveraged investments by virtue of the Preferred Shares, which have priority in payment of any distributions or proceeds upon redemption by the Company. The effects of leverage on the performance of the net asset value of the Class A Shares by virtue of the Preferred Shares have been muted as a consequence of selling portfolio securities and investing in short term notes. No material changes in the risk profile of the Company took place over the period. The risks of investing in the Company's shares are described in the prospectus dated January 30, 2007.

Results of Operations

Manager Commentary

All scheduled distribution payments have been made since inception of the Company to holders of the Preferred Shares. Distributions payable to Class A Share holders have been suspended indefinitely commencing in December 2008.

During the six month period ending September 30, 2011, the Company's Class A Shares outperformed the S&P/TSX 60 Index. During this period, the market price and net asset value of the Class A Shares returned -2.9% and -9.4%, respectively, while the S&P/TSX 60 Index returned -16.4%. Utilities and REITs were the best performing sectors as investors looked for shelter in less volatile equities. During the period, the S&P/TSX Utilities Index and the S&P/TSX

REIT Index returned 4.3% and -0.3%, respectively. More economically sensitive sectors, such as banks and insurance companies, experienced significant declines during the period as macroeconomic conditions worsened, particularly in Europe. During the six months ending September 30, 2011, the S&P/TSX Bank Index and the S&P/TSX Insurance Index returned -17.4% and -12.0%, respectively.

Active Leverage Management

RBC Dominion Securities Inc. acts as the Leverage Agent (the “Leverage Agent”) for the Company pursuant to the leverage management agreement dated February 6, 2007. The Leverage Agent’s duties include identifying when de-leveraging is required, as was the case in December 2008, and monitoring for when leverage can be re-instated.

Additional Leverage

In a typical split share structure, including this structure, initial leverage is provided through the issuance of the Preferred Shares. Further, in a typical split share structure, as the value of the Company’s assets increases, the level of leverage as a percentage of the Company’s assets decreases. In order to maintain the benefits of leverage, the Company has the ability to add additional leverage to restore the leverage to its inception level of 40% of total assets, subject to confirmation at the time from DBRS that the Pfd-1 rating of the Preferred Shares will not be impacted.

De-Leveraging

The Company’s prospectus dated January 30, 2007 states that if the value of the Portfolio declines by 34% or more relative to the value of the initial Portfolio, the Leverage Agent, on behalf of the Company, will sell Portfolio Securities having a minimum value equal to the sum of the subscription amount of the Preferred Shares and the amount of any loan outstanding. Such amount will be used to repay any loan outstanding, with the balance invested in cash and cash equivalents until the earlier of:

- (a) the Maturity Date; and
- (b) the occurrence of a Re-Leveraging Event.

Following the occurrence of a de-leveraging event, the Class A Shares will continue to have exposure to the Portfolio on a non-leveraged basis. If the remaining Portfolio increases in value by the same percentage by which the value of the Portfolio decreased from the inception value (a “Re-Leveraging Event”), the Leverage Agent will, upon instructions from the Manager, sell cash equivalents and the Manager will purchase Portfolio Securities. Thereafter, a de-leveraging event shall occur if the loan to value ratio (“LTV Ratio”) surpasses 65% (LTV Ratio means: the quotient obtained by dividing (i) the sum of the gross proceeds received from the sale of Preferred Shares and the outstanding balance owed by the Company in respect of any loan facility by (ii) the aggregate value of the Portfolio Securities, expressed as a percentage). The loan to value ratio at September 30, 2011 was 63.5%.

A de-leveraging event will also occur in the event that the Interest Coverage Ratio is less than 1.5 for any calendar quarter. The estimated Interest Coverage Ratio at September 30, 2011 was approximately 0.4 times.

Benefits of Active Leverage Management

The de-leveraging mechanism offers benefits to holders of both of the Preferred Shares and Class A Shares. Preferred Shareholders are expected to benefit from: (i) a continued high rating; and (ii) having the subscription price of their Preferred Shares placed in cash and short term investments if the Net Asset Value per Unit declines such that the loan to value ratio exceeds 65% resulting in enhanced assurance that the Company’s objectives with respect to the Preferred Shares will be met.

The Class A Shareholders are expected to benefit from (i) the ability to increase leverage after Portfolio appreciation, (ii) the economic advantage of lower cost leverage through the issue of Preferred Shares with a rating of Pfd-1, (iii) the removal of leverage which would lessen the impact of any further decline in value of the Portfolio in the event that the value of the Portfolio has declined resulting in the loan to value ratio exceeding 65%, a decline of more than 34% from the opening net asset value, and (iv) the ability to re-establish leverage after a de-leveraging event as the Portfolio’s value

increases.

Capital transactions

On February 6, 2007, the Company completed an initial public offering pursuant to the prospectus dated January 30, 2007. \$22,500,000 was raised through the issue of 1.5 million Class A Shares at \$15.00 per Share, and \$15,000,000 was also raised through the issue of 1.5 million Preferred Shares at \$10.00 per Share. On February 22, 2007, the Agents exercised an over-allotment option in respect of 0.11 million Units, raising a further \$1,650,000 from Class A Shares and \$1,100,000 from Preferred Shares. Total proceeds from these two transactions after Agents' fees and issue expenses were \$37,683,000.

The Company is authorized to issue an unlimited number of Preferred Shares, Class A Shares and Class J Shares. The holders of Class J Shares are not entitled to receive distributions. The holders of the Class J Shares will be entitled to one vote per share. The Class J Shares are redeemable and retractable at a price of \$1.00 per share. Holders of Class J Shares are not entitled to distributions (other than returns of capital) on the dissolution, liquidation or winding-up of the Company. CANADIAN Financials & Utilities Split Trust was established for the benefit of the holders from time to time of the Preferred Shares and the Class A Shares and owns all of the issued and outstanding Class J Shares. Each Unit of the Company (the "Unit") consist of one Class A share and one Preferred Share.

There were no redemptions during the six month period ended September 30, 2011 (\$85,586 for 21,000 of Class A shares and \$210,000 for 21,000 of Preferred Shares during the six month period ended September 30, 2010).

Purchase for cancellation

As set out in the Prospectus, the Company may at any time or times purchase Preferred Shares and Class A Shares for cancellation at prices per Unit not exceeding the NAV per Unit on the business day immediately prior to such purchase up to a maximum in any 12-month period of 10% of the outstanding public float of Preferred Shares and Class A Shares.

There were no market repurchases of Class A Units during the six month periods ended September 30, 2011 and 2012.

Distributions

Distributions to Class A Shareholders have been suspended beginning December 2008 (see "Investment Objectives" section above).

The Company made its scheduled quarterly distributions to Preferred Shareholders of \$0.10625 per Preferred Share totalling \$0.2125 for the six month period ended September 30, 2011 (\$0.10625, totalling \$0.2125 per Preferred Share for the six month period ended September 30, 2010).

Related Party Transactions

Management Fees

As compensation for coordinating the organization of and managing the ongoing business and administrative affairs of the Company, the Manager receives an annual management fee in an amount equal to 0.50% per annum of the net asset value of the Company to be calculated and payable monthly in arrears, plus applicable taxes.

The Management Fee may be paid in cash or Units (a "Unit" means one Preferred Share and one Class A Share), at the option of the Manager. To the extent that additional Shares are issued by the Company for this purpose, Units are issued at the net asset value per Unit. The distribution of Units to the Manager as payment of the Management Fee will have the effect of providing additional cash flow for distributions to Shareholders of the Company, while increasing the number of issued and outstanding Units once the distribution is made. The Company has reserved 300,000 Units to be issued to the Manager as payment of the Management Fee. The Manager has agreed that the payment of the Management Fee will be subordinated to the payment of distributions on the Preferred Shares. There were nil Units held by the Manager at six month periods ended September 30, 2011 and 2010.

The total Management Fees charged to the Company for the six month period ended September 30, 2011 were \$40,848 (\$41,550 during the six month period ended September 30, 2010).

Leverage Agent Fee

The Leverage Agent receives a Leverage Agent Fee equal to 0.15% per annum of the Company's net asset value calculated and payable monthly in arrears, plus applicable taxes.

The Leverage Agent Fee may be paid in cash or Units, at the option of the Leverage Agent. To the extent that additional Units are issued by the Company for this purpose, Units are issued at the net asset value per Unit. The distribution of Units to the Leverage Agent as payment of the Leverage Agent Fee will have the effect of providing additional cash flow for distributions to Shareholders of the Company, while increasing the number of issued and outstanding Units once the distribution is made. The Company has reserved 300,000 Units to be issued to the Leverage Agent as payment of the Leverage Agent Fee. The Leverage Agent has agreed that the payment of the Leverage Agent Fee will be subordinated to the payment of distributions on the Preferred Shares.

The total Leverage Agent Fees charged to the Company for the six month period ended September 30, 2011 were \$11,566 (\$12,275 during the six month period ended September 30, 2010). All Leverage Agent fees are payable in Units. There were nil units held by the Leverage Agent at six month period ended September 30, 2011 and 2010.

Recommendations or Reports by the Independent Review Committee

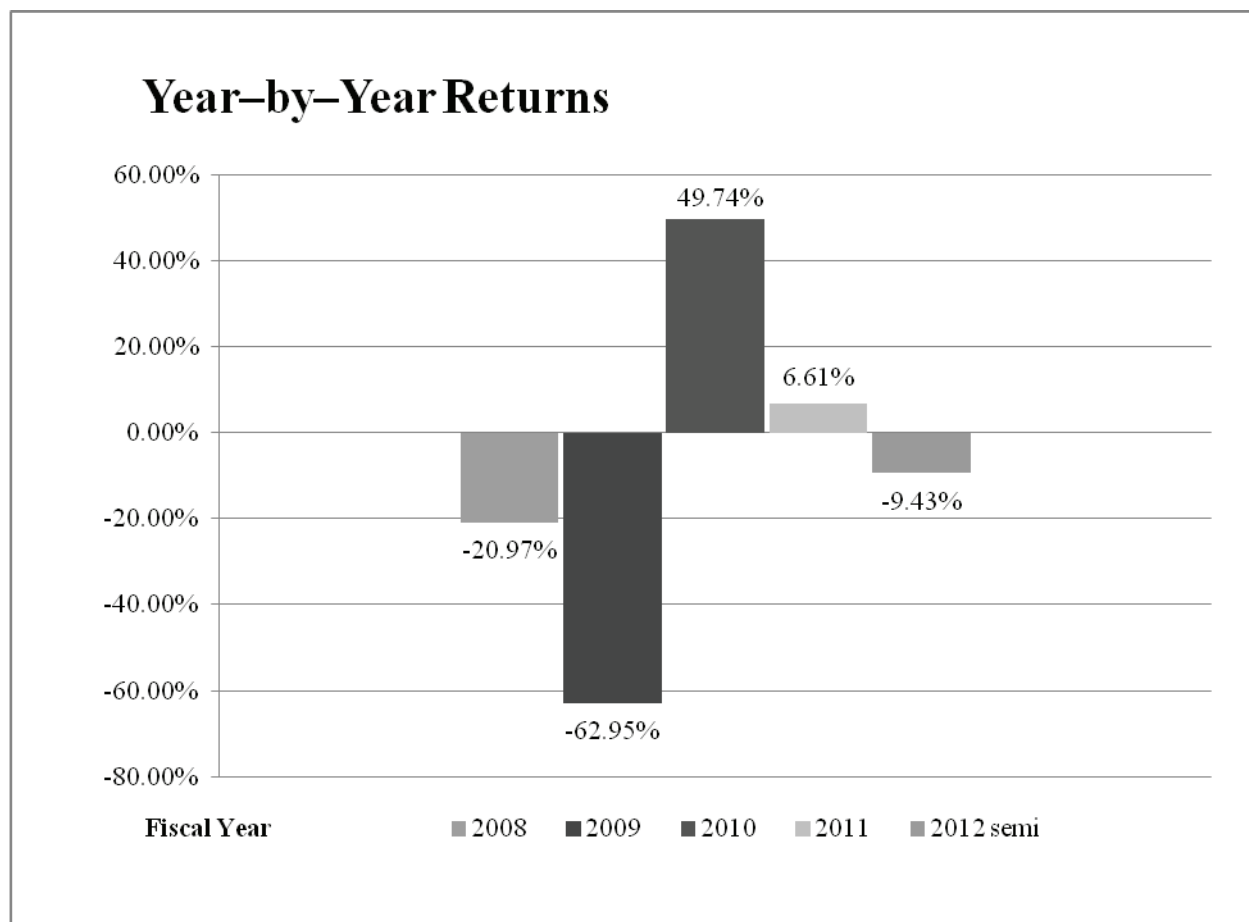
The Independent Review Committee tabled no special reports and made no extraordinary material recommendations to management of the Company during the six month period ended September 30, 2011.

Past Performance

The following bar chart indicates the annual performance of the Class A Shares by showing both annual returns by fiscal year and annualized compound returns from inception assuming all the distributions made by the Company in the periods shown were reinvested. Past performance is not necessarily indicative of future performance.

Year – by –Year Returns

The following bar chart shows Class A Shares' annual performance for the years shown. This bar chart shows, in percentage terms, how much an investment made on the first day of the financial year would have grown or decreased by the last day of the financial year.



Financial Highlights

The following tables show selected key financial information about the Company on a per Unit basis and are intended to aid in understanding the Company's financial performance since commencement of operations. Each Unit of the Company consists of one Class A Share and one Preferred Share. This information is derived from the Company's audited annual financial statements:

The Company's Net Assets per Unit:

	Sep. 30, 2011 ⁽¹⁾	March 31, 2011	March 31, 2010	March 31, 2009	March 31, 2008
Net Assets, beginning of period	15.89	15.50	13.69	20.23	23.24
Increase (decrease) from operations:					
Total revenues	0.19	0.35	0.32	0.78	0.94
Total expenses	(0.17)	(0.31)	(0.24)	(0.28)	(0.33)
Share issue expense	–	–	–	(0.01)	(0.01)
Realized gains (losses) for the period	0.02	–	(0.24)	(7.47)	0.10
Unrealized gains (losses) for the period	(0.39)	0.70	2.40	1.06	(3.01)
Distributions to Preferred Shares	(0.21)	(0.43)	(0.43)	(0.43)	(0.43)
Total increase (decrease) from operations ⁽²⁾	(0.56)	0.31	1.81	(6.35)	(2.74)
Distributions:					
From income (excluding dividends)	–	–	–	–	–
From dividends	–	–	–	(0.07)	(0.12)
From capital gains	–	–	–	–	–
Return of capital	–	–	–	(0.15)	(0.16)
Total Distributions ⁽³⁾	–	–	–	(0.22)	(0.28)
Net Assets, end of period ⁽⁴⁾	15.33	15.89	15.50	13.69	20.23

⁽¹⁾ Results for the six month period ended September 30, 2011.

⁽²⁾ Net assets and distributions are based on the actual number of shares outstanding at the relevant time. The increase / decrease from operations is based on the weighted average number of shares outstanding over the financial period.

⁽³⁾ Distributions are payable in cash. The rates used to allocate distributions among income, dividends, capital gain and return on capital were estimated and may be different for tax purposes. Distributions to Class A Shareholders have been suspended beginning December 2008.

⁽⁴⁾ This is not a reconciliation between the opening and the closing net assets per unit.

The Class A Shares' Ratios and Supplemental Data:

	Sep 30, 2011 ⁽¹⁾	March 31, 2011	March 31, 2010	March 31, 2009	March 31, 2008
Net asset value, excluding liability for Preferred Shares (\$000's)	13,511	14,000	16,229	16,696	28,284
Net asset value – Class A (\$000's)	4,699	5,188	5,758	4,495	14,300
Number of Units outstanding	881,194	881,194	1,047,038	1,219,597	1,398,474
Base Management expense ratio ⁽²⁾	2.13%	2.02%	1.64%	1.60%	1.42%
Management expense ratio ⁽²⁾⁽³⁾	4.84%	4.77%	4.45%	4.06%	3.37%
Management expense ratio before waivers or absorptions ⁽²⁾⁽³⁾	4.84%	4.77%	4.45%	4.06%	3.37%
Portfolio turnover rate ⁽⁴⁾	0.00%	0.00%	1.11%	1.09%	1.31%
Trading expense ratio ⁽⁵⁾	0.00%	0.00%	0.00%	0.01%	0.00%
Net asset value per Class A share	5.33	5.89	5.50	3.69	10.23
Net asset value per Unit	15.33	15.89	15.50	13.69	20.23
Closing market price (TSX) – Class A Share	5.00	5.15	4.40	3.03	7.86
Closing market price (TSX) – Preferred Share	10.00	10.13	10.35	9.40	10.40

⁽¹⁾ Results for the six month period ended September 30, 2011.

⁽²⁾ A separate base management expense ratio has been presented to include the normal operating expenses of the Company and exclude (a) distributions on preferred shares, and (b) the one time initial share offering issue expenses, and (c) broker commission charges.

⁽³⁾ Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the period. Unit issue expenses, representing all Agents' fees and other offering expenses which are one-time expenses, are not annualized.

⁽⁴⁾ Annualized management expense ratios include distributions paid to holders of Preferred Shares.

⁽⁵⁾ The Company's turnover rate indicates how actively the Company's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Company's buying and selling all of the securities in its portfolio once in the course of the year. There is not necessarily a relationship between turnover rate and the performance of the Company.

⁽⁶⁾ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.

Summary of Investment Portfolio as of September 30, 2011

The summary of investment portfolio may change due to ongoing portfolio transactions of the Company. A quarterly update is available at www.cclcapitalmarkets.com and at www.sedar.com.

	Rate %	Maturity Date	Market Value \$	% of NAV
Portfolio by Category				
Short-term investments			8,778,478	65.0%
Banks			1,992,554	14.7%
Non-Bank Financials			1,794,042	13.3%
Utilities and Pipelines			853,830	6.3%
Energy			361,854	2.7%
Cash			41,469	0.3%
Top 25 Holdings				
Ontario Treasury Bills	0.83%	11/30/2011	2,287,718	16.9%
Bank of Montreal	1.17%	10/25/2011	2,248,200	16.6%
National Bank of Canada	1.17%	10/26/2011	1,748,460	12.9%
Bank of Nova Scotia	1.17%	10/7/2011	997,310	7.4%
Canadian Imperial Bank of Commerce	2.17%	10/7/2011	997,260	7.4%
Bank of Nova Scotia	1.18%	10/3/2011	499,530	3.7%
Canadian Imperial Bank of Commerce			341,470	2.5%
Bank of Montreal			340,880	2.5%
Toronto-Dominion Bank			334,393	2.5%
Bank of Nova Scotia			329,351	2.4%
National Bank of Canada			326,755	2.4%
Royal Bank of Canada			319,705	2.4%
Enbridge Inc.			185,982	1.4%
Canadian Utilities Class A			178,628	1.3%
Transalta Corp.			178,488	1.3%
TransCanada Pipelines Corp.			175,872	1.3%
Emera Inc.			170,435	1.3%
Atco Ltd. Class I			166,385	1.2%
Fortis Inc.			159,894	1.2%
Canadian Apartment Properties Real Estate Investment Trust			137,572	1.0%
Canadian Real Estate Investment Trust			128,376	1.0%
Riocan Real Estate Investment Trust			126,685	0.9%
Calloway Real Estate Investment Trust			123,120	0.9%
Boardwalk Real Estate Investment Trust			120,450	0.9%
IGM Financial Inc.			119,853	0.9%
Net asset value (NAV)			13,510,681	

CANADIAN Financials & Utilities Split Corp.

Financial Statements (Unaudited)
September 30, 2011

Notice to Reader:

These interim financial statements and related notes for the six-month period ending September 30, 2011 have been prepared by Management of Connor, Clark & Lunn Capital Markets Inc. The auditors of the Company have not audited or reviewed these interim financial statements.

CANADIAN Financials & Utilities Split Corp.

Statements of Net Assets (Unaudited)

As at September 30, 2011 and March 31, 2011

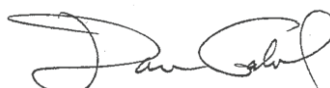
	September 30, 2011	March 31, 2011
	\$	\$
Assets		
Cash	41,469	17,991
Short-term investments	8,778,478	8,799,995
Investments at fair value (cost - \$5,266,656; 2011 - \$5,389,474)	5,002,280	5,466,575
Interest and dividends receivable	36,541	48,178
Prepaid expenses	11,394	27,043
	<u>13,870,162</u>	<u>14,359,782</u>
Liabilities		
Distributions payable to Preferred Shares	108,330	108,330
Accounts payable and accrued liabilities	241,921	244,907
Management fees payable	9,230	6,859
Preferred share capital (note 6)	8,811,940	8,811,940
	<u>9,171,421</u>	<u>9,172,036</u>
Shareholders' Equity		
Class A and Class J share capital (note 6)	11,840,780	11,840,780
Retained earnings (Deficit)	(12,078,264)	(11,589,259)
Contributed surplus	4,936,225	4,936,225
	<u>4,698,741</u>	<u>5,187,746</u>
Total Liabilities and Shareholders' Equity	<u>13,870,162</u>	<u>14,359,782</u>
Number of units ⁽¹⁾ outstanding (note 6)	881,194	881,194
Net assets per unit ⁽¹⁾	15.33	15.89
Net assets per Class A Share outstanding	5.33	5.89
Number of Preferred Shares outstanding (note 6)	881,194	881,194
Net assets per Preferred Share outstanding	10.00	10.00
Number of Class J Shares outstanding (note 6)	100	100
Net assets per Class J Share outstanding	1.00	1.00

⁽¹⁾ One Unit equals one Preferred Share and one Class A Share

Approved by the Manager



Director



Director

CANADIAN Financials & Utilities Split Corp.

Statements of Operations (Unaudited)

For the six month periods ended September 30, 2011 and 2010

	2011	2010
	\$	\$
Income		
Dividends	117,219	135,558
Interest	51,975	35,412
	<u>169,194</u>	<u>170,970</u>
Expenses		
Management fees (note 8)	40,848	41,550
Custodial and other unitholders' fees (note 4)	14,720	10,460
Leverage agent fee (note 10)	11,566	12,275
Audit fees	11,503	11,789
Service fees (note 9)	10,407	11,281
Board of Directors fees	10,266	10,110
Rating agency fees	10,122	10,374
Other	8,613	5,622
Administration fees	8,091	10,440
Transfer agent fees	6,962	7,904
Listing fees	5,527	5,664
Filing fees	5,336	5,564
Printing fees	1,350	1,407
Insurance premium fees	1,169	2,199
Transaction costs (note 12)	42	94
Other fees	-	824
	<u>146,522</u>	<u>147,557</u>
Net investment income before distributions on Preferred Shares	22,672	23,413
Distributions on Preferred Shares	<u>(187,254)</u>	<u>(214,524)</u>
Net investment income (loss)	(164,582)	(191,111)
Net realized gain (loss) on investments	17,054	(17,191)
Change in unrealized gain (loss) on investments	<u>(341,477)</u>	<u>197,245</u>
Increase (decrease) in net assets from operations	<u>(489,005)</u>	<u>(11,057)</u>
Increase (decrease) in net assets from operations per unit *	<u>(0.55)</u>	<u>(0.01)</u>

* (based on weighted number of units outstanding during the year)

CANADIAN Financials & Utilities Split Corp.

Statements of Changes in Shareholders' Equity, Deficit and Contributed surplus (Unaudited)

For the six month periods ended September 30, 2011 and 2010

	2011	2010
	\$	\$
Changes in shareholders' equity		
Class A and Class J share capital - beginning of period	11,840,780	14,069,259
Payments on redemption of class A shares	-	(85,586)
Cost of shares repurchased at less than the original issue price	-	(147,234)
Class A and Class J share capital - end of period	<u>11,840,780</u>	<u>13,836,439</u>
Changes in Deficit		
Deficit - beginning of period	(11,589,259)	(11,911,204)
Increase (decrease) in net assets from operations	<u>(489,005)</u>	<u>(11,057)</u>
Deficit - end of period	<u>(12,078,264)</u>	<u>(11,922,261)</u>
Contributed surplus		
Contributed surplus, beginning of period	4,936,225	3,600,353
Cost of shares repurchased at less than the original issue price	-	147,234
Contributed surplus, end of period	<u>4,936,225</u>	<u>3,747,587</u>

(See accompanying notes to financial statements)

CANADIAN Financials & Utilities Split Corp.

Statements of Cash Flow (Unaudited)

For the six month periods ended September 30, 2011 and 2010

	2011	2010
	\$	\$
Operating Activities		
Increase (decrease) in net assets from operations	(489,005)	(11,057)
Items not affecting cash:		
Net realized (gain) loss on investments	(17,054)	17,191
Change in unrealized (gain) loss on investments	341,477	(197,245)
Changes in non-cash working capital		
(Increase) decrease in interest and dividends receivable	11,637	1,288
(Increase) decrease in prepaid expenses	15,649	17,236
Increase (decrease) in accounts payable and accrued liabilities	(2,986)	(53,432)
Increase (decrease) in management fees payable	2,371	(449)
Cost of investments purchased	-	(21,117)
Proceeds from investments sold	139,872	289,587
Net cash flow provided by (used in) operating activities	<u>1,961</u>	<u>42,002</u>
Financing Activities		
Payments on redemptions of Preferred Shares	-	(210,000)
Payments on redemptions of Class A Shares	-	(85,586)
Increase (decrease) in distributions payable to Preferred Shares	-	(6,739)
Net cash flow provided by (used in) financing activities	<u>-</u>	<u>(302,325)</u>
Net increase (decrease) in cash and short-term investments	1,961	(260,323)
Cash and short-term investments - beginning of period	<u>8,817,986</u>	<u>10,532,264</u>
Cash and short-term investments - end of period	<u>8,819,947</u>	<u>10,271,941</u>

(See accompanying notes to financial statements)

CANADIAN Financials & Utilities Split Corp.

Statement of Investment Portfolio (Unaudited)

As at September 30, 2011

	Rate %	Maturity Date	Par Value / Quantity	Average Cost \$	Fair Value \$	% of Portfolio
Short-Term Investments						
Bankers Acceptance						
Bank of Nova Scotia	1.17%	10/7/2011	1,000,000	997,310	997,310	11.4%
Canadian Imperial Bank of Commerce	2.17%	10/7/2011	1,000,000	997,260	997,260	11.4%
Bank of Montreal	1.17%	10/25/2011	2,250,000	2,248,200	2,248,200	25.6%
National Bank of Canada	1.17%	10/26/2011	1,750,000	1,748,460	1,748,460	19.9%
Bearer deposit notes						
Bank of Nova Scotia	1.18%	10/3/2011	500,000	499,530	499,530	5.7%
Treasury notes						
Ontario Treasury Bills	0.83%	11/30/2011	2,300,000	2,287,718	2,287,718	26.1%
				<u>8,778,478</u>	<u>8,778,478</u>	<u>100.0%</u>
Investments						
Canadian Common stock						
Energy						
Enbridge Inc.			5,560	108,245	185,982	3.7%
TransCanada Pipelines Corp.			4,145	157,573	175,872	3.5%
				<u>265,818</u>	<u>361,854</u>	<u>7.2%</u>
Utilities and Pipelines						
Atco Ltd. Class I			2,705	131,025	166,385	3.3%
Canadian Utilities Class A			2,876	125,095	178,628	3.6%
Emera Inc.			5,275	114,016	170,435	3.4%
Fortis Inc.			4,860	131,375	159,894	3.2%
Transalta Corp.			7,825	190,061	178,488	3.6%
				<u>691,572</u>	<u>853,830</u>	<u>17.1%</u>
Banks						
Bank of Montreal			5,827	406,669	340,880	6.8%
Bank of Nova Scotia			6,265	312,247	329,351	6.6%
Canadian Imperial Bank of Commerce			4,670	464,416	341,470	6.8%
National Bank of Canada			4,686	291,625	326,755	6.5%
Royal Bank of Canada			6,680	333,856	319,705	6.4%
Toronto-Dominion Bank			4,503	302,620	334,393	6.7%
				<u>2,111,433</u>	<u>1,992,554</u>	<u>39.8%</u>
Non-Bank Financials						
CI Financial Corp.			5,200	136,906	107,432	2.1%
IGM Financial Inc.			2,700	137,958	119,853	2.4%
Great West Lifeco			4,325	139,461	89,138	1.8%
Manulife Financial Corp.			6,200	227,844	73,780	1.5%
Sun Life Financial Inc.			3,520	178,873	87,718	1.8%
Artis Real Estate Investment Trust			8,600	141,511	105,780	2.1%
Boardwalk Real Estate Investment Trust			2,500	110,065	120,450	2.4%
Calloway Real Estate Investment Trust			4,800	138,633	123,120	2.5%
Canadian Apartment Properties Real Estate Investment Trust			6,520	121,554	137,572	2.8%
Canadian Real Estate Investment Trust			3,600	114,607	128,376	2.6%

(See accompanying notes to financial statements)

CANADIAN Financials & Utilities Split Corp.

Statement of Investment Portfolio (Unaudited), Continued

As at September 30, 2011

	Par Value / Quantity	Average Cost \$	Fair Value \$	% of Portfolio
Non-Bank Financials, Continued				
Cominar Real Estate Investment Trust	5,300	123,525	113,897	2.3%
Dundee Real Estate Investment Trust	3,740	150,510	118,633	2.4%
H&R Real Estate Investment Trust	5,450	136,494	114,232	2.3%
Morguard Real Estate Investment Trust	7,700	112,135	112,805	2.3%
Primaris Retail Real Estate Investment Trust	5,630	103,157	114,571	2.4%
Riocan Real Estate Investment Trust	4,880	124,841	126,685	2.5%
		<u>2,198,074</u>	<u>1,794,042</u>	<u>36.2%</u>
Total investments (before transaction costs)		<u>5,266,897</u>	<u>5,002,280</u>	<u>100.3%</u>
Transaction costs (note 3)		<u>(241)</u>	<u>-</u>	<u>0.0%</u>
Total investments		<u>5,266,656</u>	<u>5,002,280</u>	<u>100.3%</u>

(See accompanying notes to financial statements)

CANADIAN Financials & Utilities Split Corp.

Notes to Financial Statements (Unaudited)

September 30, 2011

1 Formation of Company

CANADIAN Financials & Utilities Split Corp. (the "Company") is a mutual fund corporation established under the laws of the Province of Ontario on October 26, 2006, began investment operations on February 06, 2007 and will be terminated on January 31, 2012. The Manager of the Company is Connor, Clark & Lunn Capital Markets Inc. (the "Manager").

2 Investment objectives

Preferred Shares

- (i) to provide their holders with quarterly fixed cumulative distributions equal to \$0.10625 per Preferred Share (\$0.425 per year or 4.25% of the Preferred Share offering price); and
- (ii) to repay the original issue price of \$10.00 per Preferred Share on redemption of the Preferred Shares on January 31, 2012.

Class A Shares

- (i) to provide their holders with tax-efficient regular monthly distributions, expected to be primarily returns of capital;
- (ii) the opportunity for capital appreciation and dividend growth on a leveraged basis; and
- (iii) low management fees.

In order to meet its investment objectives, the Company invested the net proceeds in a portfolio comprised of Canadian banks, Canadian utilities and pipeline issuers and Canadian non-bank financial issuers (the "Portfolio"), utilizing a split share structure.

The holders of Class A Shares will be entitled to all dividends and distributions received on the Portfolio (net of operating expenses and the Preferred Share distributions). On termination, the Class A Shares will be entitled to the value of the Company in excess of the value of the Preferred Shares.

3 Summary of significant accounting policies

Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, which require the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses during the reporting period. Actual results could differ from these estimates.

Valuation of investments

Investments are deemed to be categorized as "held for trading" in accordance with CICA 3855, Financial Instruments – Recognition and Measurement ("Section 3855") and therefore are recorded at fair value, established by the closing bid price for a security on the recognized exchange on which it is principally traded ("GAAP Net Assets"). Should the quoted value for a security, in the opinion of the Manager, be inaccurate, unreliable or not readily available, the fair value of the security is estimated based on valuation techniques. Fair value is determined by the Manager on the basis of the most recently reported information for the security, similar securities and the markets in which the security is active. Investment purchase and sale transactions are recorded as of the trade date and realized and unrealized gains and losses on investments are determined using average cost. Brokers' commissions and other transaction charges are immediately charged to net income in the period incurred. Should the quoted value for a security, in the opinion of the Managers, be inaccurate, unreliable or not readily available, the fair value of the security is estimated based on valuation techniques. The Canadian Securities Administrators allow investment fund to calculate the daily net asset value for the purpose of processing unitholder transactions using the last traded price for the day as fair value of financial instruments traded in an active market, which is referred to as a "Transactional NAV". The Company processes unitholder transactions using Transactional NAV.

The following schedule shows the reconciliation between the Transactional NAV and GAAP Net assets as of September 30, 2011 and March 31, 2011. The Company accounts for Preferred Share capital and retained earnings attributable to preferred shareholders as a financial liability which represents the difference between the Transactional NAV and the GAAP Net assets.

	September 2011	March 2011
	\$	\$
Transactional NAV	13,510,681	13,999,686
Less: Preferred Share capital	(8,811,940)	(8,811,940)
GAAP Net assets	4,698,741	5,187,746

Cash and short-term investments

Cash includes cash and cash equivalents with maturities of less than 90 days from the date of acquisition.

Valuation of other assets and liabilities

Other assets and liabilities are valued at amortized cost.

Income recognition

Interest income is recorded on the accrual basis. Dividend income and distributions from income trusts are recorded on the ex-dividend date. Distributions received from income trusts are recorded as income, capital gains or a return on capital based on the best information available to the trustee.

CANADIAN Financials & Utilities Split Corp.

Notes to Financial Statements (Unaudited)

September 30, 2011

Expense recognition

Expenses that are directly attributable to the Company are recorded on an accrual basis as incurred.

Increase (decrease) in net assets from operation per share

This calculation is based on the increase (decrease) in net assets from operations divided by the weighted average number of Units outstanding during the period.

Preferred share capital

The Company accounts for preferred share capital in accordance with the recommendations contained in EIC 87 and CICA Section 3863, Financial Instruments – Presentation.

Value per preferred share

The value per preferred share presented in the statement of net assets represents the assets of the Company less its liabilities (excluding preferred share capital) and the value of Class A Shares outstanding, divided by the number of preferred shares outstanding.

4 Fund administration

The Company has retained RBC Dexia to act as custodian of the assets of the Company. The Custodian is also responsible for certain aspects of the Company's day-to-day operations. In consideration for these services, the Company pays a fee to the Custodian.

5 Purchase for cancellation

In accordance with the Company's prospectus, and to enhance liquidity and to provide support to the units, the Company may at any time or times purchase Preferred Shares and Class A Shares for cancellation at prices per Unit not exceeding the NAV per Unit on the business day immediately prior to such purchase up to a maximum in any 12-month period of 10% of the outstanding public float of Preferred Shares and Class A Shares.

There were no market repurchases of Class A Units during the six month periods ended September 30, 2011 and 2012.

6 Units of the Company

The Company is authorized to issue an unlimited number of Preferred Shares, Class A Shares and Class J Shares of which the holders of Class J Shares are not entitled to receive distributions. The holders of the Class J Shares will be entitled to one vote per share. The Class J Shares are redeemable and retractable at a price of \$1.00 per share. Holders of Class J Shares are not entitled to distributions (other than returns of capital) on the dissolution, liquidation or winding-up of the Company. CANADIAN Financials & Utilities Split Trust established for the benefit of the holders from time to time of the Preferred Shares and the Class A Shares owns all of the issued and outstanding Class J Shares. Each Unit of the Company (the "Unit") consist of one Class A share and one Preferred Share.

Preferred Shares and Class A Shares

The holders of Preferred Shares are entitled to receive quarterly fixed cumulative preferential quarterly distributions of \$0.10625 per Preferred Share on the last business day of December, March, June and September.

Preferred Shares and Class A Shares will be redeemed by the Company on January 31, 2012. The redemption price payable by the Company for a Preferred Share on that date will be equal to the lesser of (i) \$10.00 plus any accrued and unpaid distributions in respect of the Preferred Shares, and (ii) the NAV of the Company on that date divided by the number of Preferred Shares then outstanding. The redemption price payable by the Company for a Class A Share on that date will be equal to the greater of (i) the NAV per Unit minus the sum of \$10.00 and any accrued and unpaid distributions on the Preferred Shares, and (ii) nil.

Preferred Shares and Class A Shares may be surrendered at any time for retraction by the Company but are retracted only on a monthly Retraction Date. Preferred Shares and Class A Shares surrendered for retraction by a Shareholder at least 10 business days prior to a Retraction Date are retracted on such Retraction Date and such Shareholder is paid on or before the 15th day of the following month. Shareholders whose Preferred Shares are retracted on a Retraction Date is entitled to receive a retraction price per share equal to 96% of the lesser of (i) the NAV per Unit determined as of the relevant Retraction Date less the cost to the Company of the purchase of Class A Share for cancellation, and (ii) \$10.00. Shareholders whose Class A Shares are retracted on a Retraction Date is entitled to receive a retraction price per Class A Share equal to 96% of the difference between (i) NAV per Unit determined as of the relevant Retraction Date, and (ii) the cost to the Company of the purchase of a Preferred Share for cancellation. On any monthly retraction of Preferred Shares the Company will purchase for cancellation an equal number of Class A Shares in the market so that there is an equal number of Preferred Shares and Class A Shares outstanding at all times. Likewise, on any monthly retraction of Class A Shares the Company will purchase for cancellation an equal number of Preferred Shares in the market so that there is an equal number of Class A Shares and Preferred Shares outstanding at all times.

If the redemption price is lower than the par value, the difference is included in Contributed Surplus on the Statements of Net Assets. If the price is greater than the par value, the difference is first charged to Contributed Surplus until the balance in Contributed Surplus is eliminated, and the remaining amount is charged to deficit.

A holder of a Preferred Shares and / or Class A Shares may concurrently retract an equal number of Preferred Shares and /or Class A Shares on the Annual Retraction Date of each year, commencing in January 2008, at a retraction price equal to the NAV per Unit on that date, less any costs associated with the retraction, including commissions and other such costs, if any, related to the liquidation of any portion of the Portfolio required to fund such retraction.

Preferred Shares rank in priority to the Class A Shares with respect to the payment of distributions and the repayment of capital in the dissolution, liquidation or winding up of the Company.

CANADIAN Financials & Utilities Split Corp.

Notes to Financial Statements (Unaudited)

September 30, 2011

On February 6, 2007, the Company issued 100 Class J Shares for cash consideration of \$100 and 1,500,000 Units at a price of \$25.00 (\$15.00 per Class A Share and \$10 per Preferred Share) for aggregate gross proceeds of \$37,500,000. On February 22, 2007, the Agents exercised an over-allotment option in respect of 110,000 Units, raising a further \$2,750,000 (\$1,650,000 from Class A Shares and \$1,100,000 from Preferred Shares). Issue costs of \$2,567,000 incurred in connection with the unit issuance have been charged against capital leaving net proceeds of \$37,683,000.

There were no redemptions during the six month period ended September 30, 2011 (\$85,586 for 21,000 of Class A shares and \$210,000 for 21,000 of Preferred Shares during the six month period ended September 30, 2010).

Changes in outstanding units are summarized as follows:

	September 30, 2011			September 30, 2010		
	Class A Shares	Preferred Shares	Class J Shares	Class A Shares	Preferred Shares	Class J Shares
Balance – Beginning of period	881,194	881,194	100	1,047,038	1,047,038	100
Shares issued	-	-	-	-	-	-
Shares redeemed / retracted	-	-	-	(21,000)	(21,000)	-
Balance – End of period	881,194	881,194	100	1,026,038	1,026,038	100

The Company considers capital to include shareholders equity and preferred shares. The Company manages their capital in accordance with the objectives outlined in Note 2.

7 Distributions

Distributions to Class A Shareholders were suspended commencing in December 2008 (see Note 2 “Investment objectives”).

The Company has made its scheduled quarterly distributions to Preferred Shareholders of \$0.10625, totalling \$0.2125 per Preferred Share for the six month period ended September 30, 2011 (\$0.10625, totalling \$0.2125 per Preferred Share for the six month period ended September 30, 2010).

8 Management fees

Pursuant to a management agreement (“the Management Agreement”) the Company has retained Connor, Clark & Lunn Capital Markets Inc. (“the Manager”) to act as a manager. As compensation for coordinating the organization of and managing the ongoing business and administrative affairs of the Company, the Manager receives an annual management fee in an amount equal to 0.50% per annum of the net asset value of the Company to be calculated and payable monthly in arrears, plus applicable taxes.

The Management Fee may be paid in cash or Units, at the option of the Manager. To the extent that additional Shares are issued by the Company for this purpose, Units are issued at the net asset value per Unit. The distribution of Units to the Manager as payment of the Management Fee will have the effect of providing additional cash flow for distributions to Shareholders of the Company, while increasing the number of issued and outstanding Units once the distribution is made. The Company has reserved 300,000 Units to be issued to the Manager as payment of the Management Fee. During January 2009, the Manager redeemed all Units issued to them by the Company for the payment of management fees. There were nil Units issued or held by the Manager at the six month period ended September 30, 2011 and 2010.

The total management fees charged to the Company for the six month period ended September 30, 2011 were \$40,848 (\$41,550 for the six month period ended September 30, 2010).

9 Service fees

The Company pays a service fee to dealers whose clients hold Class A Shares. The service fee is calculated and payable each calendar quarter in arrears and is equal to 0.40% annually of the net asset value of the Class A Shares held by clients of the dealers.

The service fees charged to the Company during the six month period ended September 30, 2011 were \$10,407 (\$11,281 during the six month period ended September 30, 2010).

10 Leverage agent fee

RBC Dominion Securities Inc. acts as a Leverage Agent (the “Leverage Agent”) for the Company pursuant to the leverage management agreement dated February 6, 2007. The Leverage Agent receives a Leverage Agent Fee equal to 0.15% per annum of the Company’s net asset value calculated and payable monthly in arrears, plus applicable taxes. The Leverage Agent Fee may be paid in cash or Units, at the option of the Leverage Agent. To the extent that additional Shares are issued by the Company for this purpose, Units are issued at the net asset value per Unit. The distribution of Units to the Leverage Agent as payment of the Leverage Agent Fee will have the effect of providing additional cash flow for distributions to Shareholders of the Company, while increasing the number of issued and outstanding Units once the distribution is made. The Company has reserved 300,000 Units to be issued to the Leverage Agent as payment of the Leverage Agent Fee. As at March 31, 2010, the Company has not paid any Leverage Agent Fee through issuance of units.

CANADIAN Financials & Utilities Split Corp.

Notes to Financial Statements (Unaudited)

September 30, 2011

The total Leverage Agent Fees charged to the Company for the six month period ended September 30, 2011 (payable in units) were \$11,566 (\$12,275 for the six month period ended September 30, 2010).

11 Income taxes

The Corporation qualifies as a mutual fund corporations under the Income Tax Act (Canada) (the "Tax Act") and it is subject to income tax in each taxation year on the amount of its net income for the taxation year, including net taxable capital gains, if any, at the rate applicable to mutual fund corporations. Taxes payable on net realized capital gains are refundable on a formula basis when its shares are redeemed or when it pays capital gains dividends out of its capital dividend account to its shareholders. Taxable dividends received by the Corporation from certain taxable Canadian corporations will not be included in its taxable income but may be subject to a 33 1/3% income tax under Part IV of the Tax Act, which is refundable at a rate of \$1 for every \$3 of taxable dividends (other than capital gains dividends) paid to its shareholders.

Temporary differences between the tax basis of asset and liability and its carrying amount may be either taxable or deductible. Taxable temporary differences give rise to future income tax liabilities and deductible temporary differences give rise to future income tax assets. When fair value of investments greater than its tax basis, a future income tax liability arises and this future tax liability is offset by refundable taxes generated by payment of capital gains dividends. When fair value of investments less than its tax basis, a future income tax asset arises and due to the uncertainty of such future income tax assets ultimately being realized, a full valuation allowance is applied to offset. Future income tax liabilities or assets are calculated using substantively enacted tax rates expected to apply in the period that the temporary differences are expected to reverse.

As at March 31, 2011, the Company had net capital losses of \$10,575,033 (March 31, 2010 - \$10,288,786), which may be carried forward indefinitely to reduce future realized capital gains and non-capital losses of \$1,837,706 (March 31, 2010 - \$1,349,919), which expire within the next twenty years as shown in the following table:

<u>Year of the realized non-capital tax loss</u>	<u>Amount of tax loss</u>	<u>Expiry date</u>
2008	257,660	2027
2009	883,741	2028
2010	696,305	2029
Total	1,837,706	

12 Broker commission charges and soft dollar services

There were \$42 in broker commissions paid during the six month period ended September 30, 2011 (\$94 for the six month period ended September 30, 2010) in connection with portfolio transactions. No contractual arrangements for soft dollar services exist in the broker commission charges.

13 Financial instruments

<u>Assets</u>	<u>September 2011</u>	<u>March 2011</u>
	\$	\$
Cash	41,469	17,991
Held for trading	13,780,758	14,266,570
Loans and receivables	47,935	75,221
Total assets	13,870,162	14,359,782
<u>Liabilities</u>		
Financial liabilities at amortized cost	9,171,421	9,172,036
Total liabilities	9,171,421	9,172,036

For the purposes of categorization in accordance with CICA Section 3862, interest and dividends receivable are deemed to be loans and receivables and recorded at cost or amortized cost. Similarly, distributions payable to Preferred Shares, accounts payable and accrued liabilities, management fees payable and preferred share capital are deemed to be financial liabilities and reported at amortized cost.

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at September 30, 2011 and March 31, 2011:

<u>Assets at fair value as at September 30, 2011</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	5,002,280	–	–	5,002,280
Short term investments	–	8,778,478	–	8,778,478
Total	5,002,280	8,778,478	–	13,780,758

CANADIAN Financials & Utilities Split Corp.

Notes to Financial Statements (Unaudited)

September 30, 2011

Assets at fair value as at March 31, 2011	Level 1	Level 2	Level 3	Total
Equities	5,466,575	–	–	5,466,575
Short term investments	–	8,799,995	–	8,799,995
Total	5,466,575	8,799,995	–	14,266,570

Fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Instruments classified into Level 3 are using valuation models that employ unobservable inputs.

Equities: The Company's long equity positions are classified as Level 1 as all these securities are actively traded and a reliable quote is observable.

Short term investments: Short term investments are classified as Level 2 as they are valued using observable inputs, including interest rate curves, credit spreads and volatilities.

There were no transfers among the three levels during the six month period ended September 30, 2011 and during the year ended March 31, 2011.

14 Financial instrument risk

The Company may be exposed to a variety of financial risks which are described below. The Company's exposure to these risks is concentrated in its investment holdings. In determining the risks that apply, and the extent to which they apply, reference should be made to the Statement of Investment Portfolio that groups securities by asset class and market segment. The Manager is limited to the extent it can mitigate the potential effects of these financial risks on the Company's performance because of restrictions imposed by its prospectus. On at least an annual basis, the Manager is required to rebalance the weights of the securities in the Portfolio to their weights at inception. All rebalancing trades require the confirmation of DBRS, the rating agency that rates the Preferred Shares. Investments are restricted to securities issued by one of the six largest Canadian banks, one of the Canadian utilities or pipeline issuers included in the S&P/TSX Composite Index and Canadian non-bank financial issuers.

Interest rate risk

Interest rate risk is the risk that the fair value of the Company's interest-bearing investments will fluctuate due to changes in prevailing interest rates. The Company's exposure to interest rate risk is concentrated in its investment in debt securities (typically short-term investments). Other assets and liabilities are short-term in nature and non-interest bearing. The table below summarizes the Company's exposure to interest rate risks. It includes the Company's assets and trading liabilities at fair values, categorized by the earlier of contractual re-pricing or maturity dates.

As at September 30, 2011:

	Less than 1 year	1 - 3 years	3 - 5 years	> 5 years	Non-interest bearing	Total
Investments	–	–	–	–	5,002,280	5,002,280
Cash and short term notes	8,778,478	–	–	–	41,469	8,819,947
Other assets	–	–	–	–	47,935	47,935
Liabilities	–	–	–	–	(9,171,421)	(9,171,421)
Net assets						4,698,741

As at March 31, 2011:

	Less than 1 year	1 - 3 years	3 - 5 years	> 5 years	Non-interest bearing	Total
Investments	–	–	–	–	5,466,575	5,466,575
Cash and short term notes	8,817,986	–	–	–	–	8,817,986
Other assets	–	–	–	–	75,221	75,221
Liabilities	–	–	–	–	(9,172,036)	(9,172,036)
Net assets						5,187,746

As at September 30, 2011, had prevailing interest rates raised or lowered by 1.0%, with all other variables held constant, net assets would have decreased or increased, respectively, by approximately \$7,000 (March 31, 2011 - \$17,000). In practise, actual results may differ from this sensitivity analysis and the difference could be material.

Credit risk

Credit risk is the risk that a loss could arise when a security issuer or counterparty to a financial instrument is unable to meet its financial obligations. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. The credit exposure of cash, short term investments and other assets is represented by their carrying amount.

As at September 30, 2011, the Company was exposed to credit risk through its investment in short-term debt instruments. All of the short-term investments were rated "A-1" or better by Standard & Poor's.

Currency risk

Currency risk is the risk that the value of monetary assets and liabilities denominated in currencies other than the Canadian dollar (the functional currency of the Company) will fluctuate due to changes in foreign exchange rates.

As at September 30, 2011, currency risk was negligible as the Company had no exposure to foreign currencies.

CANADIAN Financials & Utilities Split Corp.

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Other market risk

Other market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. The Investment Manager moderates this risk through a careful selection of securities and other financial instruments within the parameters of the investment strategy. The maximum risk resulting from financial instruments is equivalent to their fair value. The Company's equity investments are susceptible to market price risk arising from uncertainties about future prices of the instruments.

If equity prices had increased or decreased by 10% on September 30, 2011, all other variables held constant, the net assets of the Company would have increased or decreased, respectively, by approximately \$500,000 (March 31, 2011 - \$547,000). In practise, actual results may differ from this sensitivity analysis and the difference could be material.

Liquidity risk

Liquidity risk is the risk that the Company may not be able to settle or meet its obligations on time or at a reasonable price. The Company's exposure to liquidity risk is concentrated in the quarterly distributions on its Preferred Shares, monthly distributions on its Class A Shares and retraction of its Preferred Shares and Class A Shares on a monthly basis and unlimited concurrent retractions on annual basis in January of each year. The Company invests primarily in securities that are traded in active markets and can be readily disposed for working capital purposes. In addition, the Company retains sufficient cash and short term investments to maintain minimum liquidity. In the event liquidity is compromised, the Leverage Agent is required to sell Portfolio securities and invest the proceeds in cash or short term investments to be used to fund distributions to, and eventual redemption of, the Preferred Shares. The manager may also suspend distributions on the Class A shares. During December 2008, these mechanisms were utilized to maintain liquidity (See Note 2 "Investment objectives"). All liabilities are due within three months.

Concentration risk

The investments of the Company are concentrated in the in the Financial sector, and will be especially affected by factors particular to this sector. Factors influencing this sector may include changes in government policy, fluctuations in the capital markets and conditions of the overall economy. Changes that specifically affect the provision of financial services may cause the Net Assets of the Company to be more volatile than the value of a more broadly diversified portfolio.

The Statement of Investments summarizes the Company's exposure to the concentration risk.