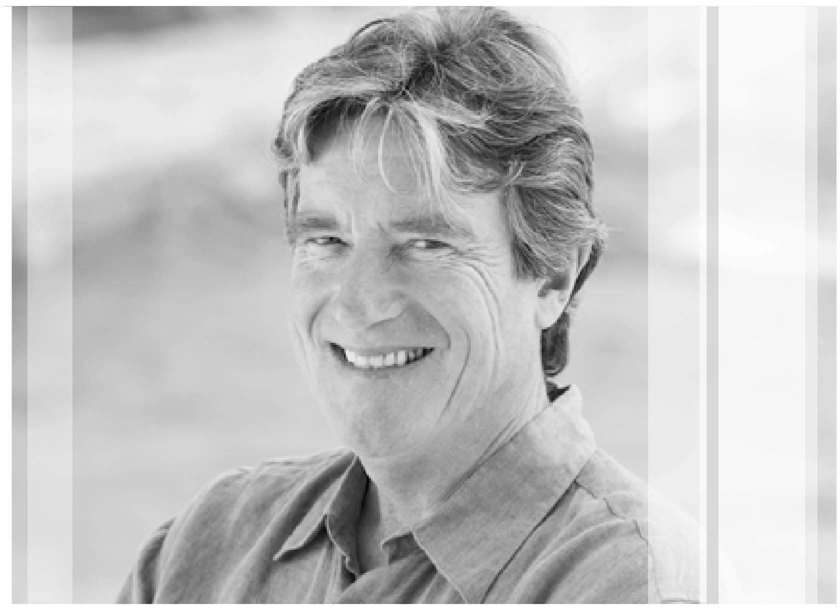
Q1

Quarterly Report March 31, 2011



CI Financial

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Financial Highlights

(in millions of dollars, except per share and share amounts)	As at Mar. 31, 2011	As at Dec. 31, 2010	As at Mar. 31, 2010	% change quarter-over-quarter	% change year-over-year
Assets under management	75,455	72,825	65,684	4	15
Total assets	98,785	95,322	87,371	4	13
Shares outstanding	288,020,070	287,434,257	291,233,731	–	(1)

	For the quarters ended			% change quarter-over-quarter	% change year-over-year
	Mar. 31, 2011	Dec. 31, 2010	Mar. 31, 2010		
Average assets under management	74,114	69,297	64,276	7	15
Gross sales	3,013	2,272	2,864	33	5
Net sales	465	(150)	690	n/a	(33)
Management fees	332.0	315.3	289.7	5	15
Total revenues	386.7	368.6	336.0	5	15
SG&A	73.3	73.0	67.1	–	9
Trailer fees	96.6	91.3	83.9	6	15
Net income	100.1	87.4	75.7	15	32
Earnings per share	0.35	0.30	0.26	17	35
EBITDA*	188.6	177.5	157.5	6	20
EBITDA* per share	0.66	0.62	0.54	6	22
Dividends recorded per share	0.215	0.205	0.180	5	19
Average shares outstanding	287,832,282	287,428,789	291,518,194	–	(1)

**EBITDA (Earnings before interest, taxes, depreciation and amortization) is not a standardized earnings measure prescribed by IFRS; however, management believes that most of its shareholders, creditors, other stakeholders and investment analysts prefer to include the use of this performance measure in analyzing CI's results. CI's method of calculating this measure may not be comparable to similar measures presented by other companies. EBITDA is a measure of operating performance, a facilitator for valuation and a proxy for cash flow.*

Letter to Shareholders

Dear Shareholders,

CI has now enjoyed back-to-back quarters with significant market performance, leading to record highs in assets under management (AUM). First quarter average AUM climbed 7.0% over the level of the fourth quarter of 2010, which was up 7.3% from the level of the third quarter. Over the last six months, CI's AUM grew to $75.5 billion from $66.8 billion, an increase of 13%. Average AUM is up 15.3% since the first quarter of last year.

In the quarter ended March 31, 2011, the S&P/TSX Composite Index advanced 5.6% and the S&P 500 Index and MSCI World Index rose 5.9% and 4.9%, respectively. The Canadian dollar strengthened approximately 2.8% against the U.S. dollar during the quarter, reducing these foreign index returns to 3.3% and 2.3%.

Gross sales of $3.013 billion were up 5% from $2.864 billion in the first quarter of last year. Net sales of funds were $465 million during the quarter, down from $690 million in the quarter ended March 31, 2010. The decline is primarily due to a couple of large institutional account redemptions.

At Assante, dealer revenues were $66.5 million in the three months ended March 31, 2011, up from $61.9 million in the same period last year. This was driven by higher sales commissions and increased service fee revenues as a result of higher assets under administration.

As a result of the strength in both segments of CI's business, CI reported earnings of $100.1 million ($0.35 per share) for the first quarter, up 32% from $75.7 million ($0.26 per share) in the same quarter last year and up 15% from $87.4 million ($0.30 per share) in the previous quarter. EBITDA for the quarter was $188.6 million, an increase of 20% from $157.5 million in the comparable quarter of last year and an increase of 6% from $177.5 million in the quarter ended December 31, 2010.

During the quarter, CI made progress on several important projects, including an expansion of CI's portfolio management teams, the move of a majority of its staff to new, state-of-the-art office facilities, and the commencement of several product development and system improvement initiatives. However, we continued to control expenses so that they grew in line with, or less than, the growth in AUM. SG&A expenses (adjusted for equity-based compensation) grew by 13% year over year compared to an average AUM increase of 15%, while the increase in spending was only 2% from the fourth quarter of 2010, much less than the 7% increase in average AUM during the first quarter of 2011.

Outlook

Assets under management have continued to grow, although at a slower pace, and at the end of April 2011 were up 0.2% from the first quarter's ending assets. While there are still concerns over debt levels in many countries and the ability of governments to combat continued economic weakness with fiscal stimulus, many indicators continue to show steady improvement. Stock markets are excellent indicators of the strength of the world economy and many of them continue to hit multi-year highs. Given this, we are confident that CI's performance will continue to reflect our successful efforts to provide first-rate products and services to Canadian investors.

The Board of Directors declared monthly cash dividends of $0.075 per share payable on June 15, July 15 and August 15, 2011 to shareholders of record on May 31, June 30, and July 31, 2011, respectively.

William T. Holland
Executive Chairman

Stephen A. MacPhail
President and Chief Executive Officer

May 10, 2011

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") dated May 3, 2011 presents an analysis of the financial position of CI Financial Corp. and its subsidiaries ("CI") as at March 31, 2011, compared with December 31, 2010, and the results of operations for the quarter ended March 31, 2011, compared with the quarter ended March 31, 2010 and the quarter ended December 31, 2010.

On January 1, 2011, CI adopted International Financial Reporting Standards ("IFRS") for financial reporting purposes, using a transition date of January 1, 2010. The financial statements for the three months ended March 31, 2011, including required comparative information, have been prepared in accordance with IFRS 1, *First-time Adoption of International Financial Reporting Standards,* and with International Accounting Standard ("IAS") 34, *Interim Financial Reporting,* as issued by the International Accounting Standards Board ("IASB"). Previously, CI prepared its Interim and Annual Consolidated Financial Statements in accordance with Canadian generally accepted accounting principles ("GAAP"). Unless otherwise noted, 2010 comparative information has been prepared in accordance with IFRS.

The adoption of IFRS has not had an impact on CI's operations, strategic decisions and cash flow. Information on the IFRS adjustments is provided in the Notes to Consolidated Financial Statements for the period ended March 31, 2011.

Unless the context otherwise requires, all references to CI are to CI Financial Corp. and, as applicable, its predecessors, CI Financial Income Fund and CI Financial Inc. together with the entities and subsidiaries controlled by it and its predecessors. All references to "shares" refer collectively to common shares subsequent to December 31, 2008 and to units prior to the conversion. All references to "dividends" refer collectively to payments to shareholders subsequent to December 31, 2008 and to payments to unitholders prior to the conversion.

The principal subsidiaries referenced herein include CI Investments Inc. ("CI Investments") and Assante Wealth Management (Canada) Ltd. ("AWM"). The Asset Management segment of the business includes the operating results and financial position of CI Investments and its subsidiaries, including Castlerock Investments Inc. ("Castlerock") and CI Private Counsel LP ("CIPC"). The Asset Administration segment includes the operating results and financial position of AWM and its subsidiaries, including Assante Capital Management Ltd. ("ACM") and Assante Financial Management Ltd. ("AFM").

This MD&A contains forward-looking statements concerning anticipated future events, results, circumstances, performance or expectations with respect to CI and its products and services, including its business operations, strategy and financial performance and condition. When used in this MD&A, such statements use such words as "may", "will", "expect", "believe", and other similar terms. These statements are not historical facts but instead represent management beliefs regarding future events, many of which, by their nature are inherently uncertain and beyond management control. Although management believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, such statements involve risks and uncertainties. Factors that could cause actual results to differ materially from expectations include, among other things, general economic and market conditions, including interest and foreign exchange rates, global financial markets, changes in government regulations or in tax laws, industry competition, technological developments and other factors described under "Risk Factors" or discussed in other materials filed with applicable securities regulatory authorities from time to time. The material factors and assumptions applied in reaching the conclusions contained in these forward-looking statements include that the investment fund industry will remain stable and that interest rates will remain relatively stable. The reader is cautioned against undue reliance on these forward-looking statements. For a more complete discussion of the risk factors that may impact actual results, please refer to the "Risk Factors" section of this MD&A and to the "Risk Factors" section of CI's Annual Information Form dated March 17, 2011, which is available at www.sedar.com.

This MD&A includes several non-IFRS financial measures that do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. However, management believes that most shareholders, creditors, other stakeholders and investment analysts prefer to include the use of these financial measures in analyzing CI's results. These non-IFRS measures and reconciliations to IFRS, where necessary, are shown as highlighted footnotes to the discussion throughout the document.

TABLE 1: SUMMARY OF QUARTERLY RESULTS

(millions of dollars, except per share amounts)	2011	2010				2009 (GAAP)		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
INCOME STATEMENT DATA								
Management fees	332.0	315.3	294.0	294.0	289.7	287.9	273.5	251.0
Administration fees	36.8	33.7	29.6	30.4	33.2	34.4	31.0	29.8
Other revenues	17.9	19.6	12.7	14.4	13.1	11.2	14.2	11.1
Total revenues	386.7	368.6	336.3	338.8	336.0	333.5	318.7	291.9
Selling, general & administrative	73.3	73.0	67.3	56.3	67.1	75.6	72.9	71.4
Trailer fees	96.6	91.3	85.1	85.9	83.9	83.5	79.0	71.5
Investment dealer fees	29.1	25.8	22.9	23.8	25.8	24.6	22.1	20.9
Amortization of deferred sales commissions	41.4	42.3	41.6	41.4	41.0	41.3	40.3	39.5
Interest expense	7.0	5.4	4.1	4.2	4.3	5.9	7.8	6.4
Other expenses	2.5	3.5	2.2	2.2	4.8	7.3	5.9	4.2
Total expenses	249.9	241.3	223.2	213.8	226.9	238.2	228.0	213.9
Income before income taxes	136.8	127.3	113.1	125.0	109.1	95.3	90.7	78.0
Income taxes	36.7	39.9	37.2	35.5	33.4	(20.5)	24.3	25.1
Net income from continuing operations	100.1	87.4	75.9	89.5	75.7	115.8	66.4	52.9
Net income (loss) from discontinued operations	–	–	–	–	–	2.2	(49.0)	(2.3)
Net income	100.1	87.4	75.9	89.5	75.7	118.0	17.4	50.6
Earnings per share from continuing operations	0.35	0.30	0.26	0.31	0.26	0.40	0.23	0.18
Earnings per share	0.35	0.30	0.26	0.31	0.26	0.40	0.06	0.17
Dividends recorded per share	0.215	0.205	0.195	0.190	0.180	0.170	0.150	0.150

Overview

CI is a diversified wealth management firm and one of Canada's largest independent investment management companies. The principal business of CI is the management, marketing, distribution and administration of mutual funds, segregated funds, structured products and other fee-earning investment products for Canadian investors. They are distributed primarily through brokers, independent financial planners and insurance advisors, including ACM and AFM financial advisors. CI operates through two business segments, Asset Management and Asset Administration. The Asset Management segment provides the majority of CI's income and derives its revenue principally from the fees earned on the management of several families of mutual, segregated, pooled and closed-end funds, structured products and discretionary accounts. The Asset Administration segment derives its revenues principally from commissions and fees earned on the sale of mutual funds and other financial products and ongoing service to clients.

CI's average assets under management for the first quarter of 2011 increased 15% from the first quarter of 2010, reflecting the ongoing market recovery from the lows of March 2009. CI's revenues have similarly grown from the levels of a year ago. While some expenses, such as trailer fees and a portion of investment advisor fees, vary directly with the level of assets under management, about half of CI's expenses are fixed in nature. This point is illustrated by the 9% increase in SG&A, which is markedly lower than the increase in average assets.

Sales of investment funds have increased as equity markets improved. CI's gross sales during the first three months of 2011 were up 5% from the same period last year. However, redemptions were up 17% for the same period (primarily due to a couple of large institutional account redemptions), resulting in a 33% decrease in net sales.

CI's market share is approximately 10% and CI continues to be the third-largest investment fund company in Canada with assets under management of $75.5 billion at March 31, 2011.

CI acquired Hartford Investments Canada Corp. ("Hartford") in December 2010 and in January 2011, changed the name of Hartford to Castlerock Investments Inc. and rebranded the funds to Castlerock. In April 2011, Castlerock fund unitholders approved an amalgamation of Castlerock Investments Inc. with CI Investments. This amalgamation is scheduled for June 30, 2011 and will allow CI Investments to more quickly utilize the tax losses acquired with the firm.

In March 2011, CI entered into a new $150 million revolving credit facility agreement with the TD Bank and CIBC, replacing the $150 million facility with the Bank of Nova Scotia.

During the quarter ended March 31, 2011, CI received an insurance settlement towards matters previously expensed. The proceeds, in the amount of $4.9 million ($3.5 million after tax), is recorded in other income. CI sold some of its seed capital in the Castlerock funds and incurred a loss of $0.9 million ($0.7 million after tax).

Assets and Sales

Total assets, which include mutual, segregated and hedge funds, separately managed accounts, structured products, pooled assets, and assets under administration, were $98.8 billion at March 31, 2011, an increase of 13% from $87.4 billion at March 31, 2010. As shown in Table 2, these assets consist of $75.5 billion in assets under management and $23.3 billion in assets under administration.

TABLE 2: TOTAL ASSETS

(in billions)	As at March 31, 2011	As at March 31, 2010	% change
Assets under management	$75.5	$65.7	15
Assets under administration*	23.3	21.7	7
Total assets	$98.8	$87.4	13

*Includes $10.5 billion and $9.7 billion of assets managed in CI's products in 2011 and 2010, respectively.

Assets under management form the majority of CI's total assets and provide most of its revenue and net income. The change in assets under management during the first quarter of each of the past two years is detailed in Table 3.

TABLE 3: CHANGE IN ASSETS UNDER MANAGEMENT

(in billions)	2011	2010
Assets under management at January 1	$72.8	$64.2
Gross sales	3.0	2.9
Redemptions	2.5	2.2
Net sales	0.5	0.7
Market performance	2.2	0.8
Assets under management at March 31	$75.5	$65.7

Table 4 sets out the levels and changes in CI's average assets under management and the gross and net sales for the relevant periods. As most of CI's revenues and expenses are based on assets throughout the year, average asset levels are critical to the analysis of CI's financial results.

TABLE 4: CHANGE IN AVERAGE ASSETS UNDER MANAGEMENT

(in billions)	Quarter ended Mar. 31, 2011	Quarter ended Dec. 31, 2010	Quarter ended Mar. 31, 2010
Average assets under management	$74.114	$69.297	$64.276
Change to March 31, 2011		7.0%	15.3%
Gross sales	$3.0	$2.3	$2.9
Net sales	$0.5	($0.2)	$0.7

The Investment Funds Institute of Canada (IFIC) reported $12.6 billion in industry net sales of mutual funds for the quarter ended March 31, 2011, up $6.1 billion from net sales of $6.5 billion in the same period for 2010. Total industry assets as reported by IFIC at March 31, 2011 of $661.8 billion were up 12% from $589.7 billion at March 31, 2010.

Results of Operations

For the quarter ended March 31, 2011, CI reported net income of $100.1 million ($0.35 per share) an increase of 32% from the $75.7 million ($0.26 per share) for the quarter ended March 31, 2010 and an increase of 15% over the $87.4 million ($0.30 per share) for the quarter ended December 31, 2010. Net of the insurance settlement of $3.5 million and the loss on sale of marketable securities of $0.7 million in the first quarter of 2011, net income was $97.3 million ($0.34 per share).

For the first quarter of 2011, CI recorded $36.8 million in income tax expense for an effective tax rate of 26.9%, compared to $33.4 million in the first quarter of 2010, for an effective tax rate of 30.6%. In the quarter ended December 31, 2010, CI recorded income tax expenses of $39.9 million, for an effective tax rate of 31.4%. CI's statutory rate for 2011 is 28.2% versus 30.9% for 2010.

For the quarter ended March 31, 2011, redemption fee revenue was $7.8 million compared with $7.5 million for the quarter ended March 31, 2010 and $8.4 million for the quarter ended December 31, 2010. The increase compared to the year ago quarter relates to the increase in redemptions.

Amortization of deferred sales commissions and fund contracts was $42.0 million in the first quarter of 2011, down slightly from $42.2 million in the first quarter of 2010 and $42.9 million in the fourth quarter of 2010. This decrease is in line with the decrease in redemptions from the prior quarter. Under IFRS, CI now expenses the remaining unamortized sales commission when a deferred load fund is redeemed; refer to Note 9 of the first quarter 2011 financial statements.

Interest expense of $7.0 million was recorded for the quarter ended March 31, 2011 compared with $4.3 million for the quarter ended March 31, 2010 and $5.4 million for the quarter ended December 31, 2010. The increase in interest expense from the prior-year period reflected higher average debt and borrowing costs, as discussed under "Liquidity and Capital Resources."

TABLE 5: PRE-TAX OPERATING EARNINGS

CI uses pre-tax operating earnings to assess its underlying profitability. CI defines pre-tax operating earnings as income before income taxes less redemption fee revenue, non-recurring items, performance fees and investment gains, plus amortization of deferred sales commissions and fund contracts, and equity-based compensation expense.

(in millions, except per share amounts)	Quarter ended Mar. 31, 2011	Quarter ended Dec. 31, 2010	Quarter ended Mar. 31, 2010
Income before income taxes	$136.8	$127.3	$109.1
Less:			
Redemption fees	7.8	8.4	7.5
Non-recurring item(s)	4.9	3.7	–
Gain (loss) on marketable securities	(0.9)	–	(0.1)
Add:			
Amortization of DSC and fund contracts	42.0	42.9	42.2
Equity-based compensation expense	1.8	2.8	3.6
Pre-tax operating earnings	$168.8	$160.9	$147.5
per share	$0.59	$0.56	$0.51

Pre-tax operating earnings, as set out in Table 5, were $168.8 million in the first quarter of 2011, an increase of 14% from the first quarter of 2010 and 5% from the prior quarter. These changes primarily reflect the change in average assets under management, which were up 15% from the first quarter of 2010 and 7% from the prior quarter.

As illustrated in Table 6, EBITDA for the quarter ended March 31, 2011 was $188.6 million ($0.66 per share) compared with $157.5 million ($0.54 per share) for the quarter ended March 31, 2010 and $177.5 million ($0.62 per share) for the quarter ended December 31, 2010. The 20% year-over-year increase in quarterly EBITDA was primarily due to the 15% increase in average assets under management as well as the insurance settlement discussed earlier.

EBITDA as a percentage of total revenues (EBITDA margin) for the first quarter of 2011 was 48.8%, up from 46.9% in the same quarter last year and 48.2% in the prior quarter. Excluding the $4.9 million insurance settlement in the first quarter of 2011 and the $3.7 million break fee (net of expenses) received in the fourth quarter of 2010, EBITDA margin was 47.5% and 47.2%, respectively. The increase in EBITDA margin from both comparable periods primarily reflected CI's ability to contain SG&A expenses as average asset levels increased.

TABLE 6: EBITDA and EBITDA Margin

CI uses EBITDA (earnings before interest, taxes, depreciation and amortization) to assess its underlying profitability prior to the impact of its financing structure, income taxes and the amortization of deferred sales commissions, fund contracts and capital assets. This also permits comparisons of companies within the industry, before any distortion caused by different financing methods, levels of taxation and mix of business between front-end and back-end sales commission assets under management. EBITDA is a measure of operating performance, a facilitator for valuation and a proxy for cash flow.

(in millions, except per share amounts)	Quarter ended Mar. 31, 2011	Quarter ended Dec. 31, 2010	Quarter ended Mar. 31, 2010
Net income	$100.1	$87.4	$75.7
Add (deduct):			
Interest expense	7.0	5.4	4.3
Income tax expense (recovery)	36.8	39.9	33.4
Amortization of DSC and fund contracts	42.0	42.9	42.2
Amortization of other items	2.7	1.9	1.9
EBITDA	$188.6	$177.5	$157.5
per share	$0.66	$0.62	$0.54
EBITDA margin (as a % of revenue)	48.8%	48.2%	46.9%

Asset Management Segment

The Asset Management segment is CI's principal business segment and includes the operating results and financial position of CI Investments. Table 7 presents the operating results for the Asset Management segment:

TABLE 7: RESULTS OF OPERATIONS – ASSET MANAGEMENT SEGMENT

(in millions)	Quarter ended Mar. 31, 2011	Quarter ended Dec. 31, 2010	Quarter ended Mar. 31, 2010
Management fees	$332.0	$315.3	$289.7
Other revenue	13.9	15.8	9.3
Total revenue	$345.9	$331.1	$299.0
Selling, general and administrative	$58.8	$59.1	$54.0
Trailer fees	100.4	95.0	87.4
Amortization of deferred sales commissions and intangibles	42.7	43.6	42.9
Other expenses	0.9	2.2	2.2
Total expenses	$202.8	$199.9	$186.5
Income before taxes and non-segmented items	$143.1	$131.2	$112.5

Revenues

Revenues from management fees were $332.0 million for the quarter ended March 31, 2011, an increase of 15% from the quarter ended March 31, 2010 and 5% from $315.3 million for the quarter ended December 31, 2010. The changes were mainly attributable to changes in average assets under management, which were up 15% and 7% from the quarters ended March 31, 2010 and December 31, 2010, respectively.

For the quarter ended March 31, 2011, other revenue was $13.9 million versus $9.3 million and $15.8 million for the quarters ended March 31, 2010 and December 31, 2010, respectively. Included in other revenue are redemption fees, which were $7.8 million for the quarter ended March 31, 2011 compared with $7.5 million and $8.4 million for the quarters ended March 31, 2010 and December 31, 2010, respectively. For the fourth quarter ended December 31, 2010 other revenue included a non-recurring fee of $5.0 million ($3.7 million net of expenses). For the quarter ended March 31, 2011, other revenue included the $4.9 million in insurance proceeds and the $0.9 million loss on sale of marketable securities noted earlier.

Expenses

Selling, general and administrative ("SG&A") expenses for the Asset Management segment were $58.8 million for the quarter ended March 31, 2011, an increase from $54.0 million for the first quarter in 2010 and a decrease from $59.1 million for the quarter ended December 31, 2010. Included in SG&A are expenses relating to CI's equity-based compensation plan. The quarter ended March 31, 2011 included an equity-based compensation expense of $1.8 million compared with an expense of $3.6 million in the quarter ended March 31, 2010. The quarter ended December 31, 2010 had an equity-based compensation expense of $2.8 million. SG&A expenses, net of the amount related to equity-based compensation ("net SG&A"), were $57.0 million for the quarter ended March 31, 2011, up from $50.4 million for the comparable quarter in 2010 and from $56.3 million for the prior quarter. The increase in net SG&A is primarily due to the addition of Castlerock expenses for a full quarter as well as increased spending on product development and marketing and the expansion of internal portfolio management teams.

As a percentage of average assets under management, net SG&A expenses were 0.312% for the quarter ended March 31, 2011, down from 0.318% for the quarter ended March 31, 2010 and 0.322% for the quarter ended December 31, 2010. The decrease is a result of a large proportion of CI's costs being fixed.

Trailer fees were $100.4 million for the quarter ended March 31, 2011 compared with $87.4 million for the quarter ended March 31, 2010 and $95.0 million for the quarter ended December 31, 2010. Net of inter-segment amounts, this expense was $96.6 million for the quarter ended March 31, 2011 versus $83.9 million for the first quarter of 2010 and $91.3 million for the fourth quarter of 2010.

Amortization of deferred sales commissions and fund contracts was $42.7 million for the quarter ended March 31, 2011, down from $42.9 million in the same quarter last year and from $43.6 million in the previous quarter. These amounts are consistent with the level in deferred sales commissions paid over the past several years and reflect redemptions in the quarter.

Other expenses were $0.9 million for the quarter ended March 31, 2011 compared to $2.2 million in the quarter ended March 31, 2010 and $2.2 million in the prior quarter. The decrease from the first quarter and fourth quarter of the prior year relates to amortization of debenture costs in 2010.

Income before income taxes and interest expense for CI's principal segment was $143.1 million for the quarter ended March 31, 2011 compared with $112.5 million in the same period in 2010 and $131.2 million in the previous quarter. The increase from the comparable quarters is primarily due to the increase in average assets under management as well as the decrease in SG&A expenses as a percentage of average assets.

Asset Administration Segment

The Asset Administration segment includes the operating results and financial position of AWM and its subsidiaries. Table 8 presents the operating results for the Asset Administration segment.

TABLE 8: RESULTS OF OPERATIONS – ASSET ADMINISTRATION SEGMENT

(in millions)	Quarter ended Mar. 31, 2011	Quarter ended Dec. 31, 2010	Quarter ended Mar. 31, 2010
Administration fees	$62.6	$56.9	$58.1
Other revenue	3.9	3.8	3.8
Total revenue	$66.5	$60.7	$61.9
Selling, general and administrative	$14.5	$13.9	$13.1
Investment dealer fees	49.9	44.5	45.8
Amortization of intangibles	0.4	0.4	0.4
Other expenses	0.8	0.6	1.2
Total expenses	$65.6	$59.4	$60.5
Income before taxes and non-segmented items	$0.9	$1.3	$1.4

Revenues

Administration fees are earned on assets under administration in the AWM business and from the administration of third-party business. Administration fees were $62.6 million for the quarter ended March 31, 2011, an increase of 8% from $58.1 million for the same period last year and an increase of 10% from the prior quarter. Net of inter-segment amounts, administration fee revenue was $36.8 million for the quarter ended March 31, 2011, up from $33.2 million for the quarter ended March 31, 2010 and up from $33.7 million in the previous quarter. The increase from the prior year was mainly attributable to the improvement in assets under administration over the year.

Other revenues earned by the Asset Administration segment are mainly comprised of interest income on cash balances, and foreign exchange gains and losses. For the quarter ended March 31, 2011, other revenues were $3.9 million, increasing from $3.8 million for the first quarter of last year and from $3.8 million in the fourth quarter of 2010.

Expenses

Investment dealer fees, which represent the payout to advisors on revenues they generate, were $49.9 million for the quarter ended March 31, 2011 compared to $45.8 million for the first quarter last year and $44.5 million for the quarter ended December 31, 2010.

As detailed in the Table 9, dealer gross margin was $12.7 million or 20.3% of administration fee revenue for the quarter ended March 31, 2011 compared to $12.3 million or 21.2% for the first quarter of 2010 and $12.5 million or 21.8% for the previous quarter. The decrease in gross margin from the prior year period relates to financial advisors earning a higher average investment dealer fee rate on their administration fees.

Selling, general and administrative ("SG&A") expenses for the segment were $14.5 million for the quarter ended March 31, 2011 compared to $13.1 million in the first quarter in 2010 and $13.9 million in the fourth quarter of 2010.

TABLE 9: DEALER GROSS MARGIN

CI monitors its operating profitability on the revenues earned within its Asset Administration segment by measuring the dealer gross margin, which is calculated as administration fee revenue less investment dealer fees, divided by administration fee revenue. CI uses this measure to assess the margin remaining after the payout to advisors.

(in millions)	Quarter ended Mar. 31, 2011	Quarter ended Dec. 31, 2010	Quarter ended Mar. 31, 2010
Administration fees	$62.6	$56.9	$58.1
Less:			
Investment dealer fees	49.9	44.5	45.8
	$12.7	$12.4	$12.3
Dealer gross margin	20.3%	21.8%	21.2%

The Asset Administration segment before income taxes and non-segmented items was $0.9 million for the quarter ended March 31, 2011, down from income of $1.4 million for the first quarter in 2010 and $1.4 million for the prior quarter. The decrease from the prior year period is due primarily to the increase in SG&A expenses as well as the change in dealer gross margin.

Liquidity and Capital Resources

CI generated $147.5 million of operating cash flow in the quarter ended March 31, 2011 up $24.4 million compared with $123.1 million in the same quarter last year. CI measures its operating cash flow before the change in working capital and the actual cash amount paid for interest and income taxes, as these items often distort the cash flow generated during the period. Working capital is affected by seasonality, interest is primarily paid semi-annually, and tax instalments paid may differ materially from the cash tax accrual. CI's main uses of capital are the financing of deferred sales commissions, the payment of dividends on its shares, the funding of capital expenditures and the repurchase of shares through its normal course issuer bid program. At current levels of cash flow and anticipated dividend payout rates, CI produces sufficient cash to meet its obligations and pay down debt.

CI paid sales commissions of $49.2 million in the quarter ended March 31, 2011. This compares to $54.9 million in the same quarter of 2010. The amount of deferred sales commissions incurred in 2011 relates to back-end load fund sales of approximately $330 million per month.

CI received proceeds of $13.0 million from the disposition of marketable securities during the quarter ended March 31, 2011, resulting in a loss of $0.9 million. The fair value of marketable securities at March 31, 2011 was $25.5 million. Marketable securities are comprised of seed capital investments in its funds and may also include strategic investments.

During the quarter ended March 31, 2011, CI incurred capital expenditures of $11.4 million, of which $6.3 million relates to leasehold improvements. These improvements should be viewed in conjunction with the leasehold inducements of $21.1 million provided in the prior year. The remaining capital expenditure balance relates to purchase of new technology systems and upgrades.

The balance sheet for CI at March 31, 2011 reflects total assets of $3.136 billion, a decrease of $70.1 million from $3.206 billion at December 31, 2010. This change can be attributed to a decrease in current assets of $75.7 million and an increase in long-term assets of $5.6 million. CI's cash and cash equivalents decreased by $75.3 million in 2011 primarily due to the payment of income taxes for the 2010 tax year.

Accounts receivable and prepaid expenses decreased to $90.6 million at March 31, 2011 from $95.1 million at December 31, 2010. The decrease relates to a $14.0 million leasehold inducement receivable at December 31, 2010, which was received during the quarter. At March 31, 2011 there was $4.0 million in Castlerock management fees receivable and a $4.0 million receivable related to the disposition of marketable securities.

During the quarter ended March 31, 2011, long-term assets increased primarily as a result of a $9.2 million increase in capital assets and a $7.8 million increase in deferred sales commissions. Capital assets increased during the quarter due in large part to leasehold improvements at CI's recently rented premises located at 15 York Street, Toronto.

Total liabilities decreased by $132.5 million during the first quarter of 2011. The primary contributors to this change were the $85.2 million decrease in income taxes payable and $23.8 million decrease in long-term debt.

At March 31, 2011, CI had $850 million in outstanding debentures at an average interest rate of 3.16% with a carrying value of $846.6 million. At December 31, 2010, CI had $870.4 million of debt outstanding at an average rate of 3.14%. Net of cash and marketable securities, debt was $679.8 million at March 31, 2011, up from $620.5 million at December 31, 2010, as CI paid the balance of its taxes owing for 2010 during the quarter.

Principal repayments on CI's credit facility are only required under the facility should the bank decide not to renew the facility on its anniversary, in which case 6.25% of the principal would be repaid at each calendar quarter-end, with the balance payable at the end of the credit facility term (March 17, 2014). These payments would be payable beginning March 31, 2012 should the bank not renew the facility. The limit on the facility at March 31, 2011 was $150 million.

CI's current ratio of debt to EBITDA is 1.1 to 1. CI has a long-term target of 1 to 1. CI expects that, absent acquisitions in which debt is increased, the amount of excess cash flow generated will pay down debt and the ratio of debt to EBITDA will trend lower. CI is within its financial covenants with respect to its credit facility, which requires that the debt-to-EBITDA ratio remain below 2.5 to 1, and assets under management not fall below $40 billion, based on a rolling 30-day average.

Shareholders' equity increased by $62.3 million in the first quarter of 2011 from December 31, 2010. During the same period, CI did not repurchase any shares under its normal course issuer bid. CI declared dividends of $43.3 million ($60.5 million paid), which was less than net income for the quarter ended March 31, 2011 by $56.8 million. CI's current dividend payments are $0.075 per share per month, or approximately $260 million per fiscal year.

Risk Management

The disclosures below provide an analysis of the risk factors affecting CI's business operations.

Market Risk

Market risk is the risk of a financial loss resulting from adverse changes in underlying market factors, such as interest rates, foreign exchange rates, and equity and commodity prices. A description of each component of market risk is described below:

- Interest rate risk is the risk of gain or loss due to the volatility of interest rates.
- Foreign exchange rate risk is the risk of gain or loss due to volatility of foreign exchange rates.
- Equity risk is the risk of gain or loss due to the changes in prices and volatility of individual equity instruments and equity indexes.

CI's financial performance is indirectly exposed to market risk. Any decline in financial markets or lack of sustained growth in such markets may result in a corresponding decline in performance and may adversely affect CI's assets under management, management fees and revenues, which would reduce cash flow to CI and ultimately impact CI's dividends.

Asset Management Segment

CI is subject to market risk throughout its Asset Management business segment. The following is a description of how CI mitigates the impact this risk has on its financial position and operating earnings.

Management of market risk within CI's assets under management is the responsibility of the Chief Compliance Officer, who reports to CI's senior management. The Compliance group has established a control environment that ensures risks are reviewed regularly and that risk controls throughout CI are operating in accordance with regulatory requirements. The Compliance group carefully reviews the exposure to interest rate risk, foreign currency risk and equity risk by monitoring and identifying any potential market risks to CI's senior management. When a particular market risk is identified, portfolio managers of the funds are directed to mitigate the risk by reducing their exposure.

At March 31, 2011, approximately 17% of CI's assets under management were held in fixed-income securities, which are exposed to interest rate risk. An increase in interest rates causes market prices of fixed-income securities to fall, while a decrease in interest rates causes market prices to rise. CI estimates that a 25 basis point change in interest rates would cause a change of $0.4 million in annual pre-tax earnings in the Asset Management segment.

At March 31, 2011, about 72% of CI's assets under management were based in Canadian currency, which diminishes the exposure to foreign exchange risk. However, at the same time, approximately 12% of CI's assets under management were based in U.S. currency. Any change in the value of the Canadian dollar relative to U.S. currency will cause fluctuations in CI's assets under management upon which CI's management fees are calculated. CI estimates that a 10% change in Canadian/U.S. exchange rates would cause a change of $11.1 million in the Asset Management segment's annual pre-tax earnings.

About 72% of CI's assets under management were held in equity securities at March 31, 2011, which are subject to equity risk. Equity risk is classified into two categories: general equity risk and issuer-specific risk. CI employs internal and external fund managers to take advantage of these individuals' expertise in particular market niches, sectors and products and to reduce issuer-specific risk through diversification. CI estimates that a 10% change in the prices of equity indexes would cause a change of $64.9 million in annual pre-tax earnings.

Asset Administration Segment

CI's Asset Administration business is exposed to market risk. The following is a description of how CI mitigates the impact this risk has on its financial position and results of operations.

Risk management for administered assets is the responsibility of the Chief Compliance Officer and senior management. Responsibilities include ensuring policies, processes and internal controls are in place and in accordance with regulatory requirements. CI's internal audit department reviews CI's adherence to these policies and procedures.

CI's operating results are not materially exposed to market risk impacting the asset administration segment given that this segment usually generates less than 5% of the total income before non-segmented items (this segment broke even before income taxes and non-segmented items for the quarter ended March 31, 2011). Investment advisors regularly review their client portfolios to assess market risk and consult with clients to make appropriate changes to mitigate it. The effect of a 10% change in any component of market risk (comprised of interest rate risk, foreign exchange risk and equity risk) would have resulted in a change of less than $1 million to the Asset Administration segment's pre-tax earnings.

Credit Risk

Credit risk is the risk of loss associated with the inability of a third party to fulfill its payment obligations. CI is exposed to the risk that third parties that owe it money, securities or other assets will not perform their obligations. These parties include trading counterparties, customers, clearing agents, exchanges, clearing houses and other financial intermediaries, as well as issuers whose securities are held by CI. These parties may default on their obligations due to bankruptcy, lack of liquidity, operational failure or other reasons. CI does not have a significant exposure to any individual counterparty. Credit risk is mitigated by regularly monitoring the credit performance of each individual counterparty and holding collateral where appropriate.

One of the primary sources of credit risk arises when CI extends credit to clients to purchase securities by way of margin lending. Margin loans are due on demand and are collateralized by the financial instruments in the client's account. CI faces a risk of financial loss in the event a client fails to meet a margin call if market prices for securities held as collateral decline and if CI is unable to recover sufficient value from the collateral held. The credit extended is limited by regulatory requirements and by CI's internal credit policy. Credit risk is managed by dealing with counterparties CI believes to be creditworthy and by actively monitoring credit and margin exposure and the financial health of the counterparties. CI has concluded that current economic and credit conditions have not significantly impacted its financial assets.

Changes in Economic, Political and Market Conditions

CI's performance is directly affected by financial market and political conditions, including the legislation and policies of governments. The financial markets and businesses operating in the securities industry are volatile and are directly affected by, among other factors, domestic and foreign economic conditions and general trends in business and finance, all of which are beyond the control of CI. There can be no assurance that financial market performance will be favorable in the future. Any decline in financial markets or lack of sustained growth in such markets may result in a corresponding decline in performance and may adversely affect CI's assets under management, fees and/or revenues, which would reduce cash flow to CI.

Current Financial Conditions

Financial markets globally have been subject to unprecedented volatility and numerous financial institutions have gone into bankruptcy or have had to be rescued by governmental authorities. Access to financing has been negatively impacted by both sub-prime mortgages and the liquidity crisis affecting the asset-backed commercial paper market. These factors may impact the ability of CI to obtain loans and make other arrangements on terms favourable to CI. While these unprecedented levels of volatility and market turmoil appear to have stabilized, CI's financial results could be materially impacted by any reversal in this stability.

Investment Performance of the Funds

If the funds managed by CI are unable to achieve investment returns that are competitive with or superior to those achieved by other comparable investment products offered by CI's competitors, such funds may not attract assets through gross sales or may experience redemptions, which may have a negative impact on CI's assets under management. This would have a negative impact on CI's revenue and profitability.

Dependence on Senior Management

The success of CI and its strategic focus is dependent to a significant degree upon the contributions of senior management. The loss of any of these individuals, or an inability to attract, retain and motivate sufficient numbers of qualified senior management personnel on the part of CI, could adversely affect CI's business. CI has not purchased any "key man" insurance with respect to any of its directors, officers or key employees and has no current plans to do so.

Competition

CI operates in a highly competitive environment, with competition based on a variety of factors, including the range of products offered, brand recognition, investment performance, business reputation, financing strength, the strength and continuity of institutional, management and sales relationships, quality of service, level of fees charged and level of commissions and other compensation paid. CI competes with a large number of mutual fund companies and other providers of investment products, investment management firms, broker-dealers, banks, insurance companies and other financial institutions. Some of these competitors have greater capital and other resources, and offer more comprehensive lines of products and services than CI. The trend toward greater consolidation within the investment management industry has increased the strength of a number of CI's competitors. Additionally, there are few barriers to entry by new investment management firms, and the successful efforts of new entrants have resulted in increased competition. CI's competitors seek to expand market share by offering different products and services than those offered by CI. There can be no assurance that CI will maintain its current standing or market share, and that may adversely affect the business, financial condition or operating results of CI.

Management Fees and Other Costs

CI's ability to maintain its management fee structure will be dependent on its ability to provide investors with products and services that are competitive. There can be no assurance that CI will not come under competitive pressure to lower the fees charged or that it will be able to retain the current fee structure, or with such fee structure, retain its investors in the future. Changes to management fees, commission rates, structures or service fees related to the sale of mutual funds and closed-end funds could have an adverse effect on CI's operating results. By reason of CI's implementation in 2005 of fixed administration fees for its mutual funds, a significant decrease in the value of the relevant funds, in combination with the fixed administration fees, could reduce margins and have an adverse effect on CI's operating results.

Risks of Significant Redemptions of CI's Assets Under Management

CI earns revenue primarily from management fees earned for advising and managing pools of assets. These revenues depend largely on the value and composition of mutual fund assets under management. The level of assets under management is influenced by three factors: (i) sales; (ii) redemption rates; and (iii) investment performance. Sales and redemptions may fluctuate depending on market and economic conditions, investment performance, and other factors. Recent market volatility has contributed to redemptions and diminished sales for participants in the Canadian wealth management industry.

Changes in Tax Laws

The introduction of a Harmonized Sales Tax (HST) to combine the Goods and Services Tax (GST) and Provincial Sales Tax (PST) into a single sales tax, effectively subjects investment fund management fees to provincial taxation for the first time. Increased taxation of investment fund management fees could result in changes to current fee structures or negatively impact the ability of investment funds, including CI, to retain investors. This could adversely impact the competitiveness of the investment fund industry as compared to other products or services that are not subject to GST and will not be subject to HST.

Administration Vulnerability and Error

The administrative services provided by CI depend on software supplied by third-party suppliers. Failure of a key supplier, the loss of these suppliers' products, or problems or errors related to such products would have a material adverse effect on the ability of CI to provide these administrative services. Changes to the pricing arrangement with such third-party suppliers because of upgrades or other circumstances could have an adverse effect upon the profitability of CI. There can be no assurances that CI's systems will operate or that CI will be able to prevent an extended systems failure in the event of a subsystem component or software failure or in the event of an earthquake, fire or any other natural disaster, or a power or telecommunications failure. Any systems failure that causes interruptions in the operations of CI could have a material adverse effect on its business, financial condition and operating results. CI may also experience losses in connection with employee errors. Although expenses incurred by CI in connection with employee errors have not been significant in the past, there can be no assurances that these expenses will not increase in the future.

Sufficiency of Insurance

Members of CI maintain various types of insurance which may include financial institution bonds, errors and omissions insurance, directors', trustees' and officers' liability insurance, agents' insurance and general commercial liability insurance. There can be no assurance that a claim or claims will not exceed the limits of available insurance coverage, that any insurer will remain solvent or willing to continue providing insurance coverage with sufficient limits or at a reasonable cost or that any insurer will not dispute coverage of certain claims due to ambiguities in the relevant policies. A judgment against any member of CI in excess of available coverage could have a material adverse effect on CI both in terms of damages awarded and the impact on the reputation of CI.

Regulation of CI

Certain subsidiaries of CI are heavily regulated in all jurisdictions where they carry on business. Laws and regulations applied at the national and provincial level generally grant governmental agencies and self-regulatory bodies broad administrative discretion over the activities of CI, including the power to limit or restrict business activities as well as impose additional disclosure requirements on CI products and services. Possible sanctions include the revocation or imposition of conditions on licenses to operate certain businesses, the suspension or expulsion from a particular market or jurisdiction of any of CI's business segments or its key personnel or financial advisors, and the imposition of fines and censures. It is also possible that the laws and regulations governing a subsidiary's operations or particular investment products or services could be amended or interpreted in a manner that is adverse to CI. To the extent that existing or future regulations affecting the sale or offering of CI's product or services or CI's investment strategies cause or contribute to reduced sales of CI's products or lower margins or impair the investment performance of CI's products, CI's aggregate assets under management and its revenues may be adversely affected.

General Business Risk and Liability

Given the nature of CI's business, CI may from time to time be subject to claims or complaints from investors or others in the normal course of business. The legal risks facing CI, its directors, officers, employees or agents in this respect include potential liability for violations of securities laws, breach of fiduciary duty and misuse of investors' funds. Some violations of securities laws and breach of fiduciary duty could result in civil liability, fines, sanctions, or expulsion from a self-regulatory organization or the suspension or revocation of CI's subsidiaries' right to carry on their existing business. CI may incur significant costs in connection with such potential liabilities.

Leverage and Restrictive Covenants

The ability of CI to pay dividends or make other payments is subject to applicable laws and contractual restrictions contained in the instruments governing any indebtedness of CI and its subsidiaries (including CI's credit facility). The degree to which CI is leveraged could have important consequences to shareholders, including: CI's ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; CI may be unable to refinance indebtedness on terms acceptable to it or at all; and a significant portion of CI's cash flow from operations may be dedicated to the payment of the principal and interest on its indebtedness, thereby reducing the funds available for future operations. The credit facility contains a number of financial covenants that require CI to meet certain financial ratios and financial condition tests. A failure to comply with the obligations in CI's credit facility could result in a default which, if not cured or waived, could result in a termination of dividends by CI and permit acceleration of the relevant indebtedness. If the indebtedness under CI's current credit facility were to be accelerated, there can be no assurance that CI's assets would be sufficient to repay in full that indebtedness. In addition, CI's current credit facility matures no later than the fourth anniversary thereof (unless the bank elects to extend the term at its annual renewal). There can be no assurance that future borrowings or equity financing will be available to CI, or available on acceptable terms, in an amount sufficient to fund CI's needs.

Fluctuation of Cash Dividends

Although CI intends to distribute some portion of the income it earns, there can be no assurance regarding the amount of cash dividends distributed upstream from its subsidiaries. The actual amount of dividends paid depends upon numerous factors, all of which are susceptible to a number of risks and other factors beyond the control of CI. Dividends are not guaranteed and will fluctuate with the performance of the business.

Share Price Risk

Share price risk arises from the potential adverse impact on CI's earnings due to movements in CI's share price. Prior to July 1, 2010, CI was affected by share price risk as CI's equity-based compensation liability fluctuated based on the market value of CI's share price. CI is no longer affected by share price risk as CI's equity-based compensation is accounted for using the fair value method which is not adjusted for future fluctuations in CI's share price.

Commitment of Financial Advisors and Other Key Personnel

The market for financial advisors is extremely competitive and is increasingly characterized by frequent movement by financial advisors among different firms. Individual financial advisors of AWM have regular direct contact with clients, which can lead to a strong and personal client relationship based on the client's trust in the individual financial advisor. The loss of a significant number of financial advisors could lead to the loss of client accounts which could have a material adverse effect on the results of operations and prospects of AWM, and, in turn, CI. Although AWM uses or has used a combination of competitive compensation structures and equity with vesting provisions as a means of seeking to retain financial advisors, there can be no assurance that financial advisors will remain with AWM.

The success of CI is also dependent upon, among other things, the skills and expertise of its human resources including the management and investment personnel and its personnel with skills related to, among other things, marketing, risk management, credit, information technology, accounting, administrative operations and legal affairs. These individuals play an important role in developing, implementing, operating, managing and distributing CI's products and services. Accordingly, the recruitment of competent personnel, continuous training and transfer of knowledge are key activities that are essential to CI's performance. In addition, the growth in total assets under management in the industry and the reliance on investment performance to sell financial products have increased the demand for experienced and high-performing portfolio managers. Compensation packages for these managers may increase at a rate well in excess of inflation and well above the rates of increase observed in other industries and the rest of the labour market. CI believes that it has the resources necessary for the operation of CI's business. The loss of these individuals or an inability to attract, retain and motivate a sufficient number of qualified personnel could adversely affect CI's business.

Capital Requirements

Certain subsidiaries of CI are subject to minimum regulatory capital requirements. This may require CI to keep sufficient cash and other liquid assets on hand to maintain capital requirements rather than using them in connection with its business. Failure to maintain required regulatory capital by CI may subject it to fines, suspension or revocation of registration by the relevant securities regulator. A significant operating loss by a registrant subsidiary or an unusually large charge against regulatory capital could adversely affect the ability of CI to expand or even maintain its present level of business, which could have a material adverse effect on CI's business, results of operations, financial condition and prospects.

Risks Specific to the Common Shares

Unpredictability and Volatility of Market Price

Shares of a publicly traded company do not necessarily trade at values determined by reference to the underlying value of the business. The prices at which the common shares of the Corporation will trade cannot be predicted. The market price of CI's common shares could be subject to significant fluctuations in response to variations in quarterly operating results, distributions and other factors. The market price for the common shares may be adversely affected by changes in general market conditions, fluctuations in the market for equity or debt securities and numerous other factors beyond the control of CI.

Dilution

Pursuant to its articles of incorporation, as amended, the Corporation is authorized to issue an unlimited number of common shares for the consideration and on those terms and conditions as are established by the Directors without the approval of any shareholders. Any further issuance of common shares may dilute the interests of existing shareholders.

Changes in Legislation and Administrative Policy

There can be no assurance that certain laws applicable to CI and its subsidiaries, including income tax laws, will not be changed in a manner that could adversely affect the value of CI. In addition, there can be no assurance that the administrative policies and assessing practices of the Canada Revenue Agency will not be changed in a manner that adversely affects the holders of common shares. CI may also be affected by changes in regulatory requirements, or other taxes in Canada or foreign jurisdictions. Such changes could, depending on their nature, benefit or adversely affect CI.

Risk Specific to the Debentures

Changes in Creditworthiness

There can be no assurance that the creditworthiness of CI or CI Investments and any credit rating assigned to the debentures issued by CI ("Debentures") or CI Investments ("CI Investment Debentures") will remain in effect for any given period of time or that the rating will not be lowered or withdrawn entirely by the relevant rating agency. A lowering or withdrawal of such rating may have an adverse effect on the market price or value and the liquidity of the Debentures and the CI Investment Debentures.

Market Value Risk

Prevailing interest rates will affect the market value of the Debentures and the CI Investment Debentures. The price or market value of the Debentures and the CI Investment Debentures will decline as prevailing interest rates for comparable securities rise. CI may choose to redeem Debentures and the CI Investment Debentures from time to time, in accordance with its rights, including when prevailing interest rates are lower than the yield borne by the Debentures or the CI Investment Debentures. If prevailing rates are lower at the time of redemption, a holder may not be able to reinvest the redemption proceeds in a comparable security at an effective yield as high as the yield on the Debentures or the CI Investment Debentures being redeemed.

Liquidity Risk

Each of the Debentures and the CI Investment Debentures constitute a new issue of securities with no established trading market. In addition, the Debentures and the CI Investment Debentures are not listed on any exchange. As a result, the trading market for the Debentures and the CI Investment Debentures may not be active or liquid. There can be no assurance that an active market for the Debentures or the CI Investment Debentures will develop or be sustained or that holders of the Debentures or the CI Investment Debentures will be able to sell their debentures at any particular price or at all.

Ranking of the Debentures

The Debentures are unsecured obligations of CI, unconditionally guaranteed by CI Investments and may be guaranteed by certain other subsidaries of CI. Therefore, holders of secured indebtedness of CI or of its subsidiaries will have a claim on the assets securing such indebtedness that ranks in priority to the claims of holders of the Debentures and will have a claim that ranks equally with the claims of holders of Debentures to the extent that such security is insufficient to satisfy the secured indebtedness. Furthermore, although covenants given by CI or its subsidiaries in certain agreements may restrict incurring secured indebtedness, such indebtedness may, subject to certain conditions, be incurred.

The CI Investment Debentures are unsecured obligations of CI Investments, unconditionally guaranteed by CI. Therefore, holders of secured indebtedness of CI Investments will have a claim on the assets securing such indebtedness that ranks in priority to the claims of holders of the CI Investment Debentures and will have a claim that ranks equally with the claims of holders of CI Investment Debentures to the extent that such security is insufficient to satisfy the secured indebtedness. Furthermore, CI Investments is not precluded from incurring additional debt.

Information Regarding Guarantors

The following tables provide unaudited consolidated financial information for CI, CI Investments and non-guarantor subsidiaries for the periods identified below, presented with a separate column for: (i) CI; (ii) CI Investments, (iii) the non-guarantor subsidiaries of CI on a combined basis [the "Other Subsidiaries"); (iv) consolidating adjustments; and (v) the total consolidated amounts.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31

(Unaudited)

	CI Financial		CI Investments		Other Subsidiaries		Consolidating Adjustments		Total Consolidated	
(in millions of dollars)	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Revenue	2.8	2.8	328.4	292.8	116.6	96.7	(61.1)	(56.3)	386.7	336.0
Net income	(1.1)	(2.1)	87.4	65.4	12.4	8.5	1.4	3.9	100.1	75.7

BALANCE SHEET DATA AS AT MARCH 31, 2011 AND DECEMBER 31, 2010*

	CI Financial		CI Investments		Other Subsidiaries		Consolidating Adjustments		Total Consolidated	
(in millions of dollars)	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Current assets	244.4	262.4	178.9	268.1	213.1	199.8	(258.4)	(276.6)	378.0	453.7
Non-current assets	1,823.1	1,746.2	3,242.8	3,166.5	191.7	181.6	(2,499.3)	(2,341.6)	2,758.3	2,752.7
Current liabilities	146.9	164.2	107.2	195.4	162.2	179.6	(32.0)	(43.5)	384.3	495.7
Non-current liabilities	446.5	467.7	1,491.5	1,493.2	12.1	19.3	(826.5)	(835.5)	1,123.6	1,144.7

*Some comparative figures have been reclassified to conform to the presentation in the current year.

Related Party Transactions

The Bank of Nova Scotia ("Scotiabank") owns approximately 36.4% of the common shares of CI, and is therefore considered a related party. CI has entered into transactions related to the advisory and distribution of its mutual funds with Scotiabank. These transactions are in the normal course of operations and are recorded at the agreed upon exchange amounts. During the three months ended March 31, 2011, CI incurred charges for deferred sales commissions of $0.5 million [three months ended March 31, 2010 – $0.9 million] and trailer fees of $1.9 million [three months ended March 31, 2010 – $1.8 million] which were paid or payable to Scotiabank. The balance payable to Scotiabank as at March 31, 2011 of $0.7 million [March 31, 2010 – $0.6 million] is included in accounts payable and accrued liabilities.

Share Capital

As at March 31, 2011, CI had 288,020,070 shares outstanding.

At March 31, 2011, 6.8 million options to purchase shares were outstanding, of which 1.6 million options were exercisable.

Contractual Obligations

The table that follows summarizes CI's contractual obligations at March 31, 2011.

PAYMENTS DUE BY YEAR

(millions)	Total	Less than 1 year	2	3	4	5	5 or more years
Credit facility	$–	$–	$–	$–	$–	$–	$–
Debentures	850.0	100.0	250.0	–	200.0	–	300.0
Operating leases	116.0	12.4	9.9	9.0	8.3	7.8	68.6
Total	$966.0	$112.4	$259.9	$9.0	208.3	$7.8	$368.6

Significant Accounting Estimates

The March 31, 2011 Interim Consolidated Financial Statements have been prepared in accordance with IFRS. For a discussion of all significant accounting policies, refer to Note 1 of the Notes to the Interim Consolidated Financial Statements. Also included in the Interim Consolidated Financial Statements is Note 11 which includes a discussion regarding the recoverable amount of CI's goodwill and intangible assets compared to its carrying value.

CI carries significant goodwill and intangible assets on its balance sheet. CI uses valuation models that use estimates of future market returns and sales and redemptions of investment products as the primary determinants of fair value. CI also uses a valuation approach based on a multiple of assets under administration for the Asset Administration Segment. The multiple used by CI reflects recent transactions and research reports by independent equity research analysts. CI has reassessed these key variables in light of the current economic climate. Estimates of sales and redemptions are very likely to change as economic conditions either improve or deteriorate, whereas estimates of future market returns are less likely to do so. The models are most sensitive to current levels of assets under management and administration as well as estimates of future market returns. While these balances are not currently impaired, a decline of 20% in the fair value of certain models may result in an impairment of goodwill or other intangibles recorded on the balance sheet.

Adoption of International Financial Reporting Standards

CI adopted IFRS effective January 1, 2011 with a transition date of January 1, 2010. The adoption of IFRS has not had a material impact on CI's operations, strategic decisions and cash flow. CI's IFRS accounting policies are provided in Note 1 to the Interim Consolidated Financial Statements. In addition, Note 9 to the Interim Consolidated Financial Statements presents reconciliations between CI's 2010 GAAP results and the 2010 IFRS results and explanations of the adjustments to transition to IFRS. The reconciliations include the Consolidated Statement of Earnings, Comprehensive Income, Changes in Shareholders' Equity and Cash Flows for the three months ended March 31, 2010 and for the twelve months ended December 31, 2010.

Highlights of the Impact of IFRS

Deferred sales commissions

Net income and earnings per share under IFRS will generally be slightly higher than under GAAP for the next six years due to the $59.2 million reduction in deferred sales commissions on the balance sheet on January 1, 2010. This reduces the amount to be amortized over the next six years. This effect will be most pronounced in the first year under IFRS and will subside each year. The pre-tax effect was approximately $4 million in 2010 and would be about $1 million in the first quarter of 2011.

EBITDA will not be impacted by the change to deferred sales commissions, as this measure reports income before this type of charge.

Legal provisions

As well, CI recorded legal provisions of $12.1 million upon the adoption of IFRS, and, as these obligations are settled or reversed, net income and earnings per share will be greater than they would have been under GAAP by the after-tax amount of the reduction to this balance. The timing of this is not certain and could take many years to be realized.

EBITDA will also be positively impacted by the legal provisions, eventually in the full amount of the initial provision as this is a pre-tax measure of income.

Impact of IFRS on earnings volatility

In periods where redemptions of CI's funds fluctuate significantly, CI's earnings will become less volatile under IFRS than under GAAP, as any increase (decrease) in redemption fee revenue will be substantially offset by a decrease (increase) in the amortization of deferred sales commissions.

In periods where CI faces an increase in legal claims or litigation, CI's earnings will become more volatile. This is primarily as a result of recording changes to contingent liabilities each quarter, where IFRS has a lower probability threshold for recording a provision.

Alternatives and policy choices under IFRS

CI elected to use certain optional exemptions from full retrospective application of IFRS for business combinations and share-based payments. CI did not restate the purchase equations for acquisitions that occurred prior to January 1, 2010 as the amount of goodwill and intangibles recorded would not have materially changed. Similarly, CI did not revalue vested options under IFRS methodology as at the January 1, 2010 transition date, but instead only revalued unvested options. As CI used the intrinsic value method prior to July 1, 2010, an appropriate amount had already been expensed with respect to these vested options.

Disclosure Controls and Internal Controls over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer have designed or caused the design of the Internal Controls over Financial Reporting ("ICFR") and Disclosure Controls and Procedures. There has been no material weaknesses identified relating to the design of the ICFR and there has been no changes to CI's internal controls for the quarter ended March 31, 2011 that has materially affected or is reasonably likely to materially affect the internal controls over financial reporting.

Management, under the supervision and participation of the CEO and the CFO evaluated the impact of the conversion from Canadian GAAP to IFRS on internal controls over financial reporting and conclude that there are no changes that have materially affected, or reasonably likely to affect internal controls over financial reporting.

Additional information relating to CI, including the most recent audited financial statements, management information circular and annual information form are available on SEDAR at www.sedar.com.

Financial Statements

Consolidated Statements of Financial Position (unaudited)

[in thousands of Canadian dollars]	As at March 31, 2011 $	As at Dec. 31, 2010 $	As at Jan. 1, 2010 $
ASSETS			
Current			
Cash and cash equivalents	**141,280**	216,537	77,120
Client and trust funds on deposit	**120,624**	108,726	109,004
Marketable securities	**25,522**	33,300	6,460
Accounts receivable and prepaid expenses	**90,576**	95,137	93,358
Total current assets	**378,002**	453,700	285,942
Capital assets, net	**47,175**	37,994	17,634
Deferred sales commissions, net of accumulated amortization of $724,344 [December 31, 2010 – $723,467, January 1, 2010 – $649,999] *[note 6]*	**522,252**	514,415	522,971
Intangibles *[note 11]*	**2,158,140**	2,158,757	2,061,966
Other assets	**30,728**	41,568	47,760
Deferred income taxes *[note 14]*	**–**	–	4,669
	3,136,297	3,206,434	2,940,942
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities *[note 6]*	**113,699**	131,917	111,045
Provisions for other liabilities *[note 12]*	**2,313**	2,275	16,918
Dividends payable *[note 8]*	**43,115**	60,320	35,096
Client and trust funds payable	**119,724**	107,673	108,004
Income taxes payable	**5,646**	90,813	8,727
Equity-based compensation *[note 4(b)]*	**—**	—	35,104
Preferred shares issued by subsidiary	**—**	—	20,662
Current portion of long-term debt *[notes 3 and 6]*	**99,790**	102,747	8,063
Total current liabilities	**384,287**	495,745	343,619
Deferred lease inducement	**19,201**	19,072	—
Long-term debt *[notes 3 and 6]*	**746,774**	767,615	668,462
Provisions for other liabilities *[note 12]*	**8,686**	9,153	9,675
Deferred income taxes *[note 14]*	**348,960**	348,775	359,270
Total liabilities	**1,507,908**	1,640,360	1,381,026
Shareholders' equity			
Share capital *[note 4(a)]*	**1,993,159**	1,984,488	2,008,846
Contributed surplus	**17,584**	21,846	11,445
Deficit	**(383,654)**	(440,404)	(460,105)
Accumulated other comprehensive income (loss)	**1,300**	144	(270)
Total shareholders' equity	**1,628,389**	1,566,074	1,559,916
	3,136,297	3,206,434	2,940,942

(see accompanying notes)

On behalf of the Board of Directors:

William T. Holland
Director

G. Raymond Chang
Director

Consolidated Statements of Income and Comprehensive Income (unaudited)

For the three-month period ended March 31

[in thousands of Canadian dollars, except per share amounts]	**2011** **$**	2010 $
REVENUE		
Management fees	**331,974**	289,706
Administration fees	**36,843**	33,215
Redemption fees	**7,785**	7,513
Loss on marketable securities	**(859)**	(154)
Other income	**10,997**	5,728
	386,740	336,008
EXPENSES		
Selling, general and administrative	**73,266**	67,055
Trailer fees *[note 6]*	**96,638**	83,905
Investment dealer fees	**29,118**	25,820
Amortization of deferred sales commissions	**41,411**	40,988
Amortization of intangibles	**617**	1,362
Interest *[notes 3 and 6]*	**7,031**	4,334
Other	**1,842**	3,404
	249,923	226,868
Income before income taxes	**136,817**	109,140
Provision for income taxes *[note 14]*		
Current	**36,770**	24,622
Deferred	**(6)**	8,795
	36,764	33,417
Net income for the period	**100,053**	75,723
Other comprehensive income, net of tax		
Unrealized income on available-for-sale financial assets, net of income taxes of $93 [2010 – $5]	**628**	31
Reversal of losses to net income on available-for-sale financial assets, net of income taxes of $97 [2010 – $17]	**528**	100
Total other comprehensive income, net of tax	**1,156**	131
Comprehensive income	**101,209**	75,854
Basic earnings per share *[note 4(c)]*	**$0.35**	$0.26
Diluted earnings per share *[note 4(c)]*	**$0.35**	$0.26

(see accompanying notes)

Consolidated Statements of Changes in Shareholders' Equity (unaudited)

For the three-month period ended March 31

[in thousands of Canadian dollars]	Share capital *[note 4(a)]* $	Contributed surplus $	Deficit $	Accumulated other comprehensive income (loss) $	Total $
Balance, January 1, 2011	**1,984,488**	**21,846**	**(440,404)**	**144**	**1,566,074**
Comprehensive income	**—**	**—**	**100,053**	**1,156**	**101,209**
Dividends declared *[note 8]*	**—**	**—**	**(43,303)**	**—**	**(43,303)**
Issuance of share capital on exercise of options					
and vesting of deferred equity units	**8,671**	**(6,042)**	**—**	**—**	**2,629**
Compensation expense for equity-based plans	**—**	**1,780**	**—**	**—**	**1,780**
Change during the period	**8,671**	**(4,262)**	**56,750**	**1,156**	**62,315**
Balance, March 31, 2011	**1,993,159**	**17,584**	**(383,654)**	**1,300**	**1,628,389**
Balance, January 1, 2010	2,008,846	11,445	(460,105)	(270)	1,559,916
Comprehensive income	—	—	75,723	131	75,854
Dividends declared *[note 8]*	—	—	(52,405)	—	(52,405)
Shares repurchased	(5,321)	—	(11,072)	—	(16,393)
Issuance of share capital on exercise of options					
and vesting of deferred equity units	3,911	(5,585)	—	—	(1,674)
Compensation expense for equity-based plans		697			697
Change during the period	(1,410)	(4,888)	12,246	131	6,079
Balance, March 31, 2010	2,007,436	6,557	(447,859)	(139)	1,565,995

(see accompanying notes)

Consolidated Statements of Cash Flows (unaudited)

For the three-month period ended March 31

[in thousands of Canadian dollars]	**2011 $**	2010 $
OPERATING ACTIVITIES		
Net income	**100,053**	75,723
Add (deduct) items not involving cash		
Loss on marketable securities	**859**	154
Equity-based compensation	**1,780**	(5,546)
Amortization of deferred sales commissions	**41,411**	40,988
Amortization of intangibles	**617**	1,362
Amortization of other	**2,750**	1,670
Future income taxes	**(6)**	8,795
Cash provided by operating activities before changes in operating assets and liabilities	**147,464**	123,146
Net change in non-cash working capital balances related to continuing operations	**23,606**	(5,200)
Income taxes paid	**(121,937)**	(17,584)
Interest paid	**(1,031)**	(876)
Cash provided by operating activities	**48,102**	99,486
INVESTING ACTIVITIES		
Purchase of marketable securities	**(4,711)**	—
Proceeds on sale of marketable securities	**12,976**	1,046
Additions to capital assets	**(11,438)**	(637)
Deferred sales commissions paid	**(49,250)**	(54,900)
Increase in other assets	**10,840**	2,035
Cash used in investing activities	**(41,583)**	(52,456)
FINANCING ACTIVITIES		
Decrease in long-term debt	**(23,908)**	(22,076)
Repurchase of share capital *[note 4(a)]*	**—**	(16,393)
Issuance of share capital *[note 4(a)]*	**2,640**	15
Dividends paid to shareholders *[note 8]*	**(60,508)**	(52,558)
Cash used in financing activities	**(81,776)**	(91,012)
Net decrease in cash and cash equivalents during the period	**(75,257)**	(43,982)
Cash and cash equivalents, beginning of period	**216,537**	77,120
Cash and cash equivalents, end of period	**141,280**	33,138

(see accompanying notes)

CI Financial Corp. ["CI"] is incorporated under the laws of the Province of Ontario. CI's primary business is the management and distribution of a broad range of financial products and services, including mutual funds, segregated funds, financial planning, insurance, investment advice, wealth management and estate and succession planning.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These interim consolidated financial statements of CI have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies CI expects to adopt in its financial statements as at and for the year ending December 31, 2011. CI will ultimately prepare its opening balance sheet and financial statements for 2010 and 2011 by applying existing IFRS with an effective date of December 31, 2011 or prior. Accordingly, the opening balance sheet and financial statements for 2010 and 2011 may differ from these financial statements.

As these interim consolidated financial statements are CI's first financial statements prepared using International Financial Reporting Standards ("IFRS"), certain disclosures that are required to be included in annual financial statements prepared in accordance with IFRS that were not included in CI's most recent annual financial statements prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP") have been included in these financial statements for the comparative annual period.

These interim consolidated financial statements should be read in conjunction with CI's 2010 annual financial statements and in consideration of the IFRS transition disclosures included in Note 9 to these financial statements and the additional annual disclosures included herein.

These interim consolidated financial statements were authorized for issuance by the Board of Directors of CI on May 10, 2011.

Basis of presentation

The interim consolidated financial statements of CI have been prepared on a going concern basis and on the historical cost basis, except for certain financial instruments that have been measured at fair value. CI's presentation currency is the Canadian dollar. The functional currency of CI and its subsidiaries is also the Canadian dollar.

Basis of consolidation

The consolidated financial statements include the accounts of CI, CI Investments Inc. ["CI Investments"] and Assante Wealth Management (Canada) Ltd. ["AWM"] and their subsidiaries, which are entities over which CI has control. Control exists when CI has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Hereinafter, CI and its subsidiaries are referred to as CI.

Revenue recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to CI and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. In addition to these general principles, CI applies the following specific revenue recognition policies:

Management fees are based upon the net asset value of the funds managed by CI and are recognized on an accrual basis.

Administration fees and other income are recognized as services are provided under contractual arrangements. Administration fees include commission revenue, which is recorded on a trade date basis and advisory fees, which are recorded when the services related to the underlying engagements are completed.

Redemption fees payable by securityholders of deferred sales charge mutual funds, the sales commission of which was financed by CI, are recognized as revenue on the trade date of the redemption of the applicable mutual fund securities.

Financial instruments

Financial assets may be classified as held-for-trading ["HFT"], available-for-sale ["AFS"], held-to-maturity ["HTM"] or loans and receivables. Financial liabilities may be classified as either HFT or other. All financial instruments are initially measured at fair value. After initial recognition, financial instruments classified as HFT or AFS are measured at fair value using quoted market prices in an active market. For AFS investments where there is no active market, the fair value is determined using valuation techniques. Changes in fair value of financial assets classified as AFS are reflected in other comprehensive income until the financial asset is disposed of or becomes impaired. Changes in fair value of financial instruments, other than those classified as AFS, are reflected in net income. All other financial instruments, which include those classified as HTM investments, loans and receivables and other financial liabilities, are measured at amortized cost using the effective interest rate method.

Financial instruments included in CI's accounts have the following classifications:

- Cash and cash equivalents and derivative financial instruments are classified as HFT.
- Client and trust funds on deposit and accounts receivable are classified as loans and receivables.
- Marketable securities are classified as AFS.
- Other assets are classified as loans and receivables.
- Accounts payable and accrued liabilities, dividends payable, client and trust funds payable, provisions and long-term debt are classified as other financial liabilities.

All financial instruments recognized at fair value in the consolidated balance sheet are classified into three fair value hierarchy levels as follows:

- Level 1 – valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities.
- Level 2 – valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived from or corroborated by observable market data by correlation or other means.
- Level 3 – valuation techniques with significant unobservable market inputs.

Transaction costs on Debentures

Transaction costs and the discount associated with the issuance of long-term debt classified as other financial liabilities are included in the carrying amount of the liability and amortized over the term of the Debentures.

Derivatives and hedging

CI may enter into interest rate swap agreements to reduce its exposure to interest rate risk on its long-term debt. CI does not enter into derivative financial instruments for trading or speculative purposes. At the inception of the swap agreement, CI formally documents the hedging relationship, detailing the risk management objective and the hedging strategy of the hedge. The documentation specifies the asset, liability or cash flows being hedged, the related hedging item, the nature of the specific risk exposure or exposures being hedged, the intended term of the hedging relationship, the method for assessing the effectiveness of the hedging relationship, and the method for measuring the ineffectiveness of the hedging relationship. Derivative financial instruments that have been designated and qualify for hedge accounting are classified as either cash flow or fair value hedges. Effective December 16, 2009, CI entered into interest rate swap agreements which are designated as fair value hedges. No other derivative financial instruments were entered into in 2011 or 2010.

Changes in the fair value of the interest rate swaps are recognized in the consolidated statement of income and comprehensive income as other income. Similarly, changes in the fair value of the hedged item attributable to the hedged risk are also recognized in the consolidated statement of income and comprehensive income as other income, with a corresponding adjustment to the long-term debt in the consolidated balance sheet. Hedge accounting is discontinued prospectively if the hedging relationship no longer qualifies as an effective hedge or if the hedging item is settled. The hedged item is no longer adjusted to reflect changes in fair value. Amounts previously recorded as cumulative adjustments to the effective portion of gains and losses attributable to the hedged risk are amortized using the effective interest rate method and recognized in the consolidated statement of income and comprehensive income over the remaining useful life of the hedged item. Hedge accounting is also discontinued if the hedged item is sold or terminated before maturity. In such a situation, the cumulative adjustments with respect to the effective portion of gains and losses attributable to the hedged risk are immediately recorded in the consolidated statement of income and comprehensive income.

Cash and cash equivalents

Cash and cash equivalents include cash on deposit, highly liquid investments and interest bearing deposits with original maturities of 90 days or less.

Client and trust funds

Client and trust funds on deposit include amounts representing cash held in trust with Canadian financial institutions for clients in respect of self-administered Registered Retirement Savings Plans and Registered Retirement Income Funds, and amounts received from clients for which the settlement date on the purchase of securities has not occurred or accounts in which the clients maintain a cash balance. Client and trust funds on deposit also include amounts for client transactions that are entered into on either a cash or margin basis and recorded on the trade date of the transaction. Amounts are due from clients on the settlement date of the transaction for cash accounts. For margin accounts, CI extends credit to a client for the purchase of securities, collateralized by the financial instruments in the client's account. Amounts loaned are limited by margin regulations of the Investment Industry Regulatory Organization of Canada ["IIROC"] and other regulatory authorities, and are subject to CI's credit review and daily monitoring procedures.

The corresponding liabilities related to the above accounts and transactions are included in client and trust funds payable.

Marketable securities

Marketable securities consist of investments in mutual fund securities. Marketable securities are measured at fair value and recognized on trade date. Mutual fund securities are valued using the net asset value per unit of each fund. Realized and unrealized gains and losses are recognized using average cost. Except for impairment losses, gains and losses in the fair value of marketable securities are recorded as other comprehensive income (loss) until disposed of, at which time any gain or loss is recorded in net income. When a decline in fair value is other than temporary and there is objective evidence of impairment, the cumulative loss that had been recognized directly in other comprehensive income (loss) is removed and recognized in net income, even though the financial asset has not been derecognized. Distributions from mutual fund securities are recorded as other income. Distributions that are reinvested increase the cost base of the marketable securities.

Capital assets

Capital assets are recorded at cost less accumulated amortization. These assets are amortized over their estimated useful lives as follows:

Computer hardware	Straight-line over three to four years
Office equipment	Straight-line over five years
Leasehold improvements	Straight-line over the term of the lease

Deferred sales commissions

Commissions paid on sales of deferred sales charge mutual funds represent commissions paid by CI to brokers and dealers, and are recorded on the trade date of the sale of the applicable mutual fund securities. Deferred sales commissions are amortized over the expected investment period of 36 to 84 months on a straight-line basis from the date recorded. When redemptions occur, the actual investment period is shorter than expected, and the unamortized deferred sales commission related to the original investment in the mutual funds is charged to net income and included in the amortization of deferred sales commissions.

Intangible assets

Fund contracts

Fund administration contracts and fund management contracts [collectively, "fund contracts"] are recorded net of any write-down for impairment. CI evaluates the carrying value of fund contracts for potential impairment by comparing the recoverable amount with their carrying value. These evaluations are performed on an annual basis or more frequently if events or changes in circumstances indicate a potential impairment. Any impairment would be written off to income.

Fund administration contracts are amortized on a straight-line basis over 25 years. Fund management contracts with a finite life are amortized on a straight-line basis over a period of up to 20 years, depending on the contractual terms of such agreements and management's best estimate of their useful lives. Fund management contracts with an indefinite life are not amortized.

Goodwill

Goodwill is recorded as the excess of purchase price over identifiable assets acquired. Following initial recognition, goodwill is stated at cost less any accumulated impairment losses. Goodwill is evaluated for impairment at least annually and any impairment is recognized immediately in income and not subsequently reversed. Goodwill is allocated to the appropriate cash-generating unit for the purpose of impairment testing.

Software

The costs of purchasing computer software are capitalized where it is probable that future economic benefits that are attributable to the assets will flow to CI and the cost of the assets can be measured reliably. Computer software is recorded initially at cost and amortized over its expected useful life of two to four years on a straight-line basis.

Provisions

A provision is recognized if, as a result of a past event, CI has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. In the event that the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects a current market assessment of the time value of money and the risks specific to the liability.

Equity-based compensation

Employee incentive share options

CI uses the fair value method to account for equity-settled employee incentive share options. The value of the equity-based compensation, as at the date of grant, is recognized over the applicable vesting period as compensation expense with a corresponding increase in contributed surplus. When options are exercised, the proceeds received, together with the amount in contributed surplus, are credited to share capital.

Employee incentive share options that include a cash-settlement option are recognized as compensation expense and recorded as a liability based upon the fair value of outstanding share options at the balance sheet date and the proportion of the expired vesting period. On the exercise of these share options for cash, the liability recorded with respect to the options is reduced for settlement. If these options are settled with shares, the liability recorded with respect to the options and consideration paid by the option holders are credited to share capital.

The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service condition at the vesting date.

Deferred equity units

CI has a deferred equity unit plan for senior executives and other key employees whereby deferred equity units ["DEU Awards"] are granted in lieu of compensation. Compensation expense is recognized and recorded as contributed surplus based upon the market value of DEU Awards at the grant date. Forfeitures of DEU Awards are recognized as they occur and reduce compensation expense to the extent contributed surplus was previously recorded for such awards. On vesting of DEU Awards, share capital is credited for the amounts initially recorded as contributed surplus to reflect the issuance of share capital.

Deferred lease inducements

Lease inducements are deferred and amortized on a straight-line basis over the term of the lease.

Income taxes

Current income tax liabilities are measured at the amount expected to be paid to tax authorities, net of recoveries based on the tax rates and laws enacted or substantively enacted at the balance sheet date.

The balance sheet liability method of tax allocation is used in accounting for income taxes. Under this method, deferred income tax assets and liabilities are determined based on differences between the carrying amount and tax basis of assets and liabilities and measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Deferred tax liabilities are generally recognized for all taxable temporary differences.

Deferred tax liabilities are recognized for taxable temporary differences arising in investments in subsidiaries and joint ventures except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future. Deferred tax liabilities are not recognized on temporary differences that arise from goodwill which is not deductible for tax purposes. Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than a business combination.

Earnings per share

Basic earnings per share is determined by dividing net income by the weighted average number of shares outstanding during the period. Diluted earnings per share is calculated using the treasury stock method, adjusting the weighted average number of shares for the dilutive effect of DEU Awards and employee incentive share options.

Foreign currency translation

Monetary assets and liabilities are translated into Canadian dollars using the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated into Canadian dollars using historical exchange rates. Revenue and expenses are translated at average rates prevailing during the period. Other foreign currency transactions are translated into Canadian dollars using the exchange rate in effect on the transaction date. Translation exchange gains and losses are included in other income in the period in which they occur.

Critical accounting estimates and judgements

In the process of applying CI's accounting policies, management has made significant judgements involving estimates and assumptions which are summarized as follows:

(i) Impairment of intangible assets

Intangible assets are reviewed for impairment annually or more frequently if changes in circumstances indicate that the carrying value may be impaired. The values associated with intangibles involve significant estimates and assumptions, including those with respect to future cash inflows and outflows, discount rates and asset lives. These significant estimates require considerable judgement regarding market growth rates, fund flow assumptions, expected margins and costs which could affect CI's future results if the current estimates of future performance and fair values change. These determinations also affect the amount of amortization expense on fund contracts with finite lives recognized in future periods.

[in thousands of dollars, except per share amounts]

(ii) Deferred tax assets

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(iii) Provisions

Due to the nature of provisions, a considerable part of their determination is based on estimates and judgements, including assumptions concerning the future. The actual outcome of these uncertain factors may be materially different from the estimates, causing differences with the estimated provisions. Further details are provided in Note 12.

(iv) Share-based payments

The cost of employee services received (compensation expense) in exchange for awards of equity instruments recognized is estimated using a Black-Scholes option valuation model which requires the use of assumptions. Further details regarding the assumptions used in the option pricing model are provided in Note 4 [b].

2. BUSINESS ACQUISITION

On December 15, 2010, CI acquired control of Hartford Investments Canada Corp. ["Hartford"], a mutual fund company, for cash consideration of $115,000. CI accounted for the acquisition using the purchase method and the results of operations have been consolidated from the date of the transaction.

Details of the net assets acquired, at fair value, are as follows:

	$
Cash and cash equivalents	5,947
Other assets	132
Deferred income taxes	12,362
Fund management contracts	32,000
Accounts payable and accrued liabilities	(4,082)
Goodwill on acquisition	68,641
	115,000

The acquired fund management contracts with a fair value of $32,000 have an indefinite life. The goodwill acquired of $68,641 which is not tax deductible, has been allocated to the asset management segment of CI and relates to the expected synergies and/or intangible assets that do not qualify for separate recognition.

[in thousands of dollars, except per share amounts]

3. LONG-TERM DEBT

Long-term debt consists of the following:

	As at March 31, 2011 $	As at December 31, 2010 $
Credit facility		
Bankers' acceptances	—	24,025
Debentures		
$100 million, floating rate, due December 16, 2011	**99,790**	99,748
$250 million, 3.30%, due December 17, 2012	**249,275**	249,179
$200 million, 4.19%, due December 16, 2014	**199,111**	199,042
$300 million, 3.94% until December 13, 2015 and floating rate until December 14, 2016	**298,388**	298,368
Total debentures	**846,564**	846,337
Total long-term debt	**846,564**	870,362

Credit facility

Effective March 17, 2011, CI entered into a new revolving credit facility with two chartered banks, terminating the credit facility that existed prior to this date. The amount that may be borrowed under this facility is $150,000. Amounts may be borrowed under this facility in Canadian dollars through prime rate loans, which bear interest at the greater of the bank's prime rate and the Canadian Deposit Offering Rate plus 1.00%, or bankers' acceptances, which bear interest at bankers' acceptance rates plus 0.75%. Amounts may also be borrowed in U.S. dollars through base rate loans, which bear interest at the greater of the bank's reference rate for loans made by it in Canada in U.S. funds and the federal funds effective rate plus 1.00%, or LIBOR loans which bear interest at LIBOR plus 0.75%.

CI may also borrow under this facility in the form of letters of credit, which bear a fee of 0.75% on any undrawn portion. As at March 31, 2011, CI had accessed nil [December 31, 2010 – $360] by way of letters of credit.

Loans are made by the bank under a 364-day revolving credit facility, the term of which may be extended annually at the bank's option. If the bank elects not to extend the term, 50% of the outstanding principal amount shall be repaid in equal quarterly instalments over the following two years, with the remaining 50% of the outstanding principal balance due two years following the first quarter-end payment.

The credit facility is fully and unconditionally guaranteed by CI Investments, a wholly owned subsidiary of CI, and may be guaranteed by certain other subsidiaries of CI. The credit facility contains a number of financial covenants that require CI to meet certain financial ratios and financial condition tests. CI is within its financial covenants with respect to its credit facility, which require that the funded debt to annualized earnings before interest, taxes, depreciation and amortization ratio remain below 2.5:1 and that CI's assets under management not fall below $40 billion, calculated based on a rolling 30-day average. There can be no assurance that future borrowings or equity financing will be available to CI or available on acceptable terms.

Debentures

On December 16, 2009, CI entered into interest rate swap agreements with a Canadian chartered bank to swap the fixed rate payments on the 2012 Debentures and the 2014 Debentures for floating rate payments. As at March 31, 2011, the fair value of the interest rate swap was an unrealized gain of $1,292 [December 31, 2010 – unrealized gain of $2,467] and is included in long-term debt in the consolidated balance sheet.

4. SHARE CAPITAL

A summary of the changes to CI's share capital for the period is as follows:

[a] Authorized and issued

Common Shares	Number of shares [in thousands]	Stated value $
Common shares, balance, December 31, 2009	**291,821**	**2,008,846**
Issuance of share capital on vesting of deferred equity units and exercise of share options	455	8,993
Share repurchase	(4,842)	(33,351)
Common shares, balance, December 31, 2010	**287,434**	**1,984,488**
Issuance of share capital on vesting of deferred equity units and exercise of share options	587	8,671
Common shares, balance, March 31, 2011	**288,021**	**1,993,159**

[b] Employee incentive share option plan

CI has an employee incentive share option plan [the "Share Option Plan"], as amended and restated, for the executives and key employees of CI.

During the three months ended March 31, 2011, CI granted 1,577,170 options to employees. The fair value method of accounting is used for the valuation of the 2011 share option grants. Compensation expense is recognized over the three-year vesting period, assuming an estimated forfeiture rate of 0% to 1%, with an offset to contributed surplus. When exercised, amounts originally recorded against contributed surplus as well as any consideration paid by the option holder is credited to share capital. The fair value of the 2011 option grants was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

Year of Grant	2011	2011
# of options grants [in thousands]	370	1,207
Vesting terms	1/3 at end of each year	1/3 at end of each year
Dividend yield	4.514% – 4.833%	4.702% – 5.035%
Expected volatility	20%	20%
Risk-free interest rate	2.276% – 2.637%	2.202% – 2.592%
Expected life [years]	3.0 – 4.2	3.0 – 4.2
Fair value per stock option	$2.40 – $2.71	$2.26 – $2.54
Exercise price	$22.45	$21.55

A summary of the changes in the Share Option Plan is as follows:

	Number of options [in thousands]	Weighted average exercise price $
Options outstanding, December 31, 2009	**6,394**	**13.11**
Options exercisable, December 31, 2009	**1,067**	**16.52**
Options granted	2,148	21.11
Options exercised	(2,198)	14.06
Options cancelled	(74)	14.65
Options outstanding, December 31, 2010	**6,270**	**15.50**
Options exercisable, December 31, 2010	**727**	**13.52**
Options granted	1,577	21.76
Options exercised	(988)	11.75
Options cancelled	(61)	17.42
Options outstanding, March 31, 2011	**6,798**	**17.48**
Options exercisable, March 31, 2011	**1,615**	**15.88**

Options outstanding and exercisable as at March 31, 2011 are as follows:

Exercise price $	Number of options outstanding [in thousands]	Weighted average remaining contractual life [years]	Number of options exercisable [in thousands]
11.60	1,937	2.9	635
12.57	530	2.7	207
15.59	308	3.0	74
18.10	20	3.3	7
18.20	331	3.2	104
19.48	194	4.1	—
21.27	1,901	3.9	585
21.55	1,204	4.8	—
22.45	370	4.9	—
23.09	3	0.6	3
11.60 to 23.09	**6,798**	**3.7**	**1,615**

[c] Basic and diluted earnings per share

The following table presents the calculation of basic and diluted earnings per common share for the three months ended March 31:

[in thousands]	**2011**	2010
Numerator:		
Net income – basic and diluted	**$100,053**	$75,723
Denominator:		
Weighted average number of common shares – basic	**287,832**	291,518
Weighted average effect of dilutive stock options and deferred equity units (*)	**1,443**	1,561
Weighted average number of common shares – diluted	**289,275**	293,079
Net earnings per common share		
Basic	**$0.35**	$0.26
Diluted	**$0.35**	$0.26

(*) The determination of the weighted average number of common shares – diluted excludes 1,577 thousand shares related to stock options that were anti-dilutive for the three months ended March 31, 2011 [1,962 thousand for the three months ended March 31, 2010]

[d] Maximum share dilution

The following table presents the maximum number of shares that would be outstanding if all the DEU Awards and outstanding option as at April 30, 2011 were exercised:

[in thousands]	
Shares outstanding at April 30, 2011	288,080
DEU Awards outstanding	1
Options to purchase shares	6,648
	294,729

5. CAPITAL MANAGEMENT

CI's objectives in managing capital are to maintain a capital structure that allows CI to meet its growth strategies and build long-term shareholder value, while satisfying its financial obligations and meeting its long-term debt covenants.

CI's capital is comprised of shareholders' equity and long-term debt [including current portion of long-term debt]. CI's senior management is responsible for the management of capital. CI's Board of Directors is responsible for reviewing and approving CI's capital policy and management.

CI and its subsidiaries are subject to minimum regulatory capital requirements whereby sufficient cash and other liquid assets must be on hand to maintain capital requirements rather than using them in connection with its business. Failure to maintain required regulatory capital by CI may result in fines, suspension or revocation of registration by the relevant securities regulator. As at March 31, 2011, CI met its capital requirements.

CI's capital consists of the following:

	As at March 31, 2011 $	As at December 31, 2010 $
Shareholders' equity	1,628,389	1,566,074
Long-term debt	846,564	870,362
Total capital	2,474,953	2,436,436

6. RELATED PARTY TRANSACTIONS

The Bank of Nova Scotia ["Scotiabank"] owns approximately 36.4% of the common shares of CI, and is therefore considered a related party. CI has entered into transactions related to the advisory and distribution of its mutual funds with Scotiabank. These transactions are in the normal course of operations and are recorded at the agreed upon exchange amounts. During the three months ended March 31, 2011, CI incurred charges for deferred sales commissions of $451 and trailer fees of $1,890 [three months ended March 2010 – $903 and $1,754, respectively] which were paid or payable to Scotiabank. The balance payable to Scotiabank as at March 31, 2011 of $657 [December 31, 2010 – $640] is included in accounts payable and accrued liabilities.

For the period January 1, 2011 to March 17, 2011 and for the year ended December 31, 2010, Scotiabank was the provider of and administrative agent for CI's revolving credit facility. As at December 31, 2010, CI had drawn long-term debt of $24,025 in the form of bankers' acceptances. During the period January 1, 2011 to March 17, 2011, interest and stamping fees of $389 [three month period ended March 31, 2010 – $4,322] were recorded as interest expense.

On December 16, 2009, CI entered into an interest rate swap agreement with Scotiabank as described in Note 3.

7. SEGMENTED INFORMATION

CI has two reportable segments: Asset Management and Asset Administration. These segments reflect CI's internal financial reporting and performance measurement.

The Asset Management segment includes the operating results and financial position of CI Investments, Castlerock Investments Inc. (formerly Hartford) and CI Private Counsel LP which derive their revenues principally from the fees earned on the management of several families of mutual and segregated funds.

The Asset Administration segment includes the operating results and financial position of AWM and its subsidiaries, including Assante Capital Management Ltd. and Assante Financial Management Ltd. These companies derive their revenues principally from commissions and fees earned on the sale of mutual funds and other financial products, and ongoing service to clients.

[in thousands of dollars, except per share amounts]

Segmented information as at and for the three months ended March 31, 2011 is as follows:

	Asset management $	Asset administration $	Intersegment eliminations $	Total $
Management fees	331,974	—	—	331,974
Administration fees	—	62,582	(25,739)	36,843
Other revenues	13,963	3,960	—	17,923
Total revenue	345,937	66,542	(25,739)	386,740
Selling, general and administrative	58,763	14,503	—	73,266
Trailer fees	100,379	—	(3,741)	96,638
Investment dealer fees	—	49,870	(20,752)	29,118
Amortization of deferred sales commissions and intangibles	42,719	376	(1,067)	42,028
Other expenses	973	869	—	1,842
Total expense	202,834	65,618	(25,560)	242,892
Income before income taxes and non-segmented items	143,103	924	(179)	143,848
Interest expense				(7,031)
Provision for income taxes				(36,764)
Net income for the period				100,053
As at March 31, 2011				
Identifiable assets	818,435	213,576	(14,722)	1,017,289
Indefinite life intangibles				
Goodwill	927,344	192,582	—	1,119,926
Fund contracts	999,082	—	—	999,082
Total assets	2,744,861	406,158	(14,722)	3,136,297

[in thousands of dollars, except per share amounts]

Segmented information as at and for the three months ended March 31, 2010 is as follows:

	Asset management $	Asset administration $	Intersegment eliminations $	Total $
Management fees	289,706	—	—	289,706
Administration fees	—	58,110	(24,895)	33,215
Other revenues	9,266	3,821	—	13,087
Total revenue	298,972	61,931	(24,895)	336,008
Selling, general and administrative	53,968	13,087	—	67,055
Trailer fees	87,412	—	(3,507)	83,905
Investment dealer fees	—	45,775	(19,955)	25,820
Amortization of deferred sales commissions and intangibles	42,906	376	(932)	42,350
Other expenses	2,156	1,248	—	3,404
Total expenses	186,442	60,486	(24,394)	222,534
Income before income taxes and non-segmented items	112,530	1,445	(501)	113,474
Interest expense				(4,334)
Provision for income taxes				(33,417)
Net income for the period				75,723
As at December 31, 2010				
Identifiable assets	902,782	199,186	(14,542)	1,087,426
Indefinite life intangibles				
Goodwill	927,344	192,582	—	1,119,926
Fund contracts	999,082	—	—	999,082
Total assets	2,829,208	391,768	(14,542)	3,206,434

[in thousands of dollars, except per share amounts]

8. DIVIDENDS

The following dividends were paid by CI during the three months ended March 31, 2011:

Record date	Payment date	Cash dividend per share $	Total dividend amount $
December 31, 2010	January 14, 2011	0.07	20,146
January 31, 2011	February 15, 2011	0.07	20,179
February 28, 2011	March 15, 2011	0.07	20,183
Paid during the three months ended March 31, 2011			60,508

The following dividends were declared but not paid during the three months ended March 31, 2011:

Record date	Payment date	Cash dividend per share $	Total dividend amount $
March 31, 2011	April 15, 2011	0.075	21,557
April 30, 2011	May 13, 2011	0.075	21,558
Declared and accrued as at March 31, 2011			43,115

The following dividends were paid by CI during the three months ended March 31, 2010:

Record date	Payment date	Cash dividend per share $	Total dividend amount $
December 31, 2009	January 15, 2010	0.06	17,548
January 31, 2010	February 15, 2010	0.06	17,530
March 2, 2010	March 15, 2010	0.06	17,480
Paid during the three months ended March 31, 2010			52,558

[in thousands of dollars, except per share amounts]

The following dividends were declared but not paid during the three months ended March 31, 2010:

Record date	Payment date	Cash dividend per share $	Total dividend amount $
March 31, 2010	April 15, 2010	0.06	17,465
April 30, 2010	May 13, 2010	0.06	17,460
Declared and accrued as at March 31, 2010			34,925

On May 10, 2011, The Board of Directors declared monthly cash dividends of $0.075 per share payable on June 15, July 15 and August 15, 2011 to shareholders of record on May 31, June 30 and July 31, 2011, respectively.

9. TRANSITION TO IFRS

CI adopted IFRS effective January 1, 2011 with a transition date of January 1, 2010. Prior to the adoption of IFRS CI prepared its financial statements in accordance with Canadian GAAP. CI's financial statements for the year ending December 31, 2011 will be the first annual financial statements that comply with IFRS. CI will ultimately prepare its opening balance sheet and financial statements for 2010 and 2011 by applying existing IFRS with an effective date of December 31, 2011 or prior. Accordingly, the opening balance sheet and financial statements for 2010 and 2011 may differ from these financial statements.

(a) Elected exemptions from full retrospective application

In preparing these consolidated financial statements in accordance with IFRS 1 *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"), CI has applied certain of the optional exemptions from full retrospective application of IFRS. The optional exemptions applied are described as follows:

(i) Business combinations

CI has applied the business combinations exemption in IFRS 1 to not apply IFRS 3 *Business Combinations* retrospectively to past business combinations. Accordingly, CI has not restated business combinations that took place prior to the transition date.

(ii) Share-based payment transactions

CI has elected to apply IFRS 2 *Share-based payment* to equity instruments granted after November 7, 2002 that had not vested by the transition date. CI applied IFRS 2 for all liabilities arising from share-based payment transactions that existed at the transition date.

(b) Mandatory exemptions from full retrospective application

In preparing these consolidated financial statements in accordance with IFRS 1, CI has applied certain mandatory exemptions from full retrospective application of IFRS. The mandatory exemptions applied from full retrospective application of IFRS are described as follows:

[in thousands of dollars, except per share amounts]

(i) Hedge accounting

Hedge accounting can only be applied prospectively from the transition date to transactions that satisfy the hedge accounting criteria in IAS 39 *Financial Investments : Recognition and Measurement* at that date. CI's swap arrangements satisfied the hedge accounting criteria as of the transition date.

(ii) Estimates

Hindsight was not used to create or revise estimates and accordingly the estimates made by CI under Canadian GAAP are consistent with their application under IFRS.

(c) Reconciliations of Canadian GAAP to IFRS

IFRS employs a conceptual framework that is similar to Canadian GAAP. However, significant differences exist in certain matters of recognition, measurement and disclosure. IFRS 1 requires a reconciliation of equity, comprehensive income and cash flows for prior periods. These reconciliations along with the explanation of the differences are presented as follows:

Reconciliation of equity as reported under Canadian GAAP to IFRS:

	As at December 31, 2010 $	As at March 31, 2010 $	As at January 1, 2010 $
Shareholders' equity under Canadian GAAP	1,613,640	1,616,237	1,610,935
Differences increasing (decreasing) reported shareholders' equity:			
(i) Deferred sales commissions	(54,675)	(58,168)	(59,156)
(ii) Equity-based compensation	(2,346)	(2,635)	(3,886)
(iii) Provisions	(9,954)	(12,019)	(12,098)
(iv) Business combinations	(3,739)	—	—
(v) Income taxes	23,148	22,580	24,121
Shareholders' equity under IFRS	1,566,074	1,565,995	1,559,916

[in thousands of dollars, except per share amounts]

Reconciliation of net income as reported under Canadian GAAP to IFRS:

	Year ended December 31, 2010 $	Three months ended March 31, 2010 $
Net income under Canadian GAAP	330,815	74,946
Differences increasing (decreasing) reported net income:		
(i) Deferred sales commissions	4,481	988
(ii) Equity-based compensation	1,540	1,251
(iii) Provisions	2,144	79
(iv) Business combinations	(3,739)	—
(v) Income taxes	(6,673)	(1,541)
	(2,247)	777
Net income under IFRS	328,568	75,723

Reconciliation of comprehensive income as reported under Canadian GAAP to IFRS:

	Year ended December 31, 2010 $	Three months ended March 31, 2010 $
Comprehensive income under Canadian GAAP	331,229	75,077
Differences in net income	(2,247)	777
Comprehensive income under IFRS	328,982	75,854

Reconciliation of cash flow activities as reported under Canadian GAAP to IFRS:

For the year ended December 31, 2010	Ref	As reported under Canadian GAAP $	IFRS adjustments $	As reported under IFRS $
Cash flow from operating activities	(ii)	576,685	(68)	576,617
Cash flow from investing activities	(ii)	(313,910)	68	(313,842)
Cash flow from financing activities		(123,358)	—	(123,358)

[in thousands of dollars, except per share amounts]

For the three months ended March 31, 2010	Ref	As reported under Canadian GAAP $	IFRS adjustments $	As reported under IFRS $
Cash flow from operating activities	(ii)	99,552	(66)	99,486
Cash flow from investing activities	(ii)	(52,522)	66	52,456
Cash flow from financing activities		(91,012)	—	(91,012)

(i) Deferred sales commissions

Under both IFRS and Canadian GAAP, deferred sales commissions have been amortized on a straight-line basis over the expected investment period of 36 to 84 months. Under IFRS, the unamortized deferred sales commissions related to redemptions occurring prior to the end of the expected investment period are immediately charged to net income and included in the amortization of deferred sales commissions. Under Canadian GAAP, the amortization of deferred sales commissions was not adjusted for redemptions. Accordingly, the transition to IFRS has resulted in a general acceleration to the amortization of deferred sales commissions.

(ii) Equity-based compensation

Share option plan

Prior to July 1, 2010, CI's share option plan included a cash settlement option and the related awards were reflected on the balance sheet as a liability. Under Canadian GAAP, the liability was measured based upon the intrinsic value of the outstanding share options with changes in intrinsic value recorded through earnings. Under IFRS, the liablity has been measured based upon the fair value of the outstanding share options with changes in fair value recorded through earnings.

Deferred equity plans

Awards granted under the deferred equity plans vest in instalments. Such vesting conditions are often referred to as graded-vesting. IFRS requires that each instalment be treated as a separate award for purposes of calculating fair value and amortizing the expense into income. Under Canadian GAAP, CI treated the entire award as a single pool and determined fair value using the average life of the instrument, recognizing compensation expense on a straight line basis.

Additionally, under IFRS, a non-compete condition is considered to be a non-vesting condition and awards of equity having only non-vesting conditions must be expensed immediately at grant date with no reversal of the expense for forfeitures. Under Canadian GAAP, CI recognized compensation expense straight-line over the vesting period of 36 months.

These differences have resulted in a general acceleration of the recognition of compensation expense upon transition to IFRS.

(iii) Provisions

Under IFRS, provisions are recognized when it is probable (50% certain) that an outflow of resources will be required to settle the obligation, whereas, under Canadian GAAP a provision was recognized when it was more likely than not (75% certain) that an outflow of resources would be required to settle the obligation. CI has several litigation related matters where the probability of loss was assessed at between 50 and 70 percent as at the transition date therefore some additional amounts have been recognized upon adoption of IFRS. The provision accrual has also increased due to certain measurement differences between Canadian GAAP and IFRS.

(iv) Business combinations

Under IFRS, only acquisition related costs directly related to the business combination may be incorporated into the purchase price allocation. Otherwise, under IFRS provisions must be expensed as incurred. Under Canadian GAAP, restructuring provisions were permitted to be included in the purchase price allocation if certain conditions were met. CI has removed the relevant provisions from the Hartford purchase price allocation and has reflected them as a period cost under IFRS.

(v) Income Taxes

Deferred taxes are impacted by the change in temporary differences resulting from the effect of the IFRS reconciling items described in (i) to (iv) above.

Under IFRS, when an entity acquires another entity whose primary asset is a loss carry-forward, IAS 12 requires a deferred tax asset be recognized to the extent probable that future taxable profit will be available against which the unused tax losses and tax credits can be utilized. Canadian GAAP required that a deferred tax asset be set up with a corresponding deferred credit for the excess of the future tax asset over its cost. CI reversed a deferred credit related to acquired tax losses to deficit on transition to IFRS.

(vi) Presentation reclassifications

The presentation in accordance with IFRS differs from the presentation in accordance with Canadian GAAP as follows:

Deferred taxes

Under IFRS deferred tax assets and liabilities must be classified as non-current whereas under Canadian GAAP, deferred tax assets and liabilities were classified as current or non-current as appropriate.

Provisions

Under IFRS provisions are presented as a separate line item under current and non-current liabilities. Under Canadian GAAP, CI presented provisions under accounts payable and accrued liabilities.

Software

Under IFRS, acquired software is presented as an intangible asset whereas under Canadian GAAP, software was included as part of capital assets.

[in thousands of dollars, except per share amounts]

10. ADDITIONAL ANNUAL DISCLOSURES UNDER IFRS

As these interim consolidated financial statements are CI's first financial statements prepared using IFRS, certain disclosures that are required to be included in annual financial statements prepared in accordance with IFRS that were accordingly not included in CI's 2010 annual financial statements prepared in accordance with Canadian GAAP have been included in these financial statements for the comparative annual period in Notes 11 through 14.

11. INTANGIBLES

	Goodwill $	Fund administration contracts $	Fund management contracts finite life $	Fund management contracts indefinite life $	Software $	Total $
Cost						
Balance, January 1, 2010	1,051,285	37,600	27,500	967,082	39,165	2,122,632
Business combination	68,641	—	—	32,000	—	100,641
Balance, December 31, 2010	1,119,926	37,600	27,500	999,082	39,165	2,223,273
Accumulated amortization						
Balance, January 1, 2010	—	9,048	13,056	—	38,562	60,666
Amortization	—	1,503	1,850	—	497	3,850
Balance, December 31, 2010	—	10,551	14,906	—	39,059	64,516
Carrying Value						
January 1, 2010	1,051,285	28,552	14,444	967,082	603	2,061,966
December 31, 2010	1,119,926	27,049	12,594	999,082	106	2,158,757
Remaining amortization (years)	N/A	17.9 – 18.4	16.3	N/A	0.5	

CI has two cash-generating units ["CGU"] for the purpose of assessing the carrying value of the allocated goodwill and intangible assets, being the asset management and asset administration operating segments as described in Note 7. Goodwill and indefinite life fund management contracts are evaluated for impairment annually or more often if events or circumstances indicate there may be impairment. These intangible assets would be impaired if the carrying value of a CGU including the allocated intangible assets exceeds its recoverable amount determined as the greater of the estimated fair value less costs to sell or value in use.

(a) Impairment testing of goodwill:

As at December 31, 2010, CI had goodwill of $927,344 and $192,582 for the asset management and asset administration operating segments, respectively. The recoverable amount of goodwill for the asset management and asset administration operating segments as at December 31, 2010 has been calculated at fair value less costs to sell, using a valuation multiple of assets under management and assets under administration, respectively. This methodology is commonly used in the marketplace by independent equity research analysts.

[in thousands of dollars, except per share amounts]

The resultant fair value calculation has been compared to the respective carrying amount of goodwill to determine if any goodwill impairment arises for each operating segment. The calculation of the recoverable amounts significantly exceeded the carrying amount of goodwill for both the asset management and the asset administration operating segments. Recent equity market performance and CI's current market capitalization provide additional evidence that the recoverable amount of goodwill is in excess of the carrying amount.

(b) Impairment testing of fund contracts

As at December 31, 2010, CI had indefinite life fund management contracts within the asset management CGU of $999,082. These are contracts for the management of open end funds which have no expiry or termination provisions. The recoverable amount of indefinite life intangibles for the asset management operating segment as at December 31, 2010 has been determined from a value in use calculation, using 10 year forecasts and a terminal value for the period thereafter. The key assumptions used in the forecast calculation include assumptions on market appreciation, net sales of funds and operating margins. The terminal value has been calculated assuming a long-term growth rate of 2% per annum in perpetuity, based on a long-term real growth of GDP of the economy. A discount rate of 9.14% per annum, CI's weighted average cost of capital, has been applied to the recoverable calculation.

The resultant value in use calculation has been compared to the carrying amount of indefinite life intangibles to determine if any impairment arises for the asset management operating segment. The calculation of the recoverable amount significantly exceeded the carrying amount of indefinite life management contracts as at December 31, 2010. Recent equity market performance provides additional evidence that the recoverable amount of indefinite life intangibles is in excess of the carrying amount.

12. PROVISIONS

CI is engaged in litigation arising in the ordinary course of business. CI has made provisions based on current information and the probable resolution of any such proceedings and claims. The movement in amounts provided for legal litigation and related expenses during the year ended December 31, 2010 are as follows:

	2010 $
Balance, January 1, 2010	**26,593**
Additions	737
Amounts used	(15,462)
Unused amounts reversed	(440)
Balance, December 31, 2010	**11,428**

Disclosed as:	
Current	2,275
Long-term	9,153

CI maintains insurance policies that may provide coverage against certain claims. Amounts receivable under these policies are not accrued for unless the realization of income is virtually certain.

[in thousands of dollars, except per share amounts]

13. COMPENSATION OF KEY MANAGEMENT

The remuneration of directors and other key management personnel of CI during the years ended December 31 is as follows:

	2010 $	2009 $
Salaries	9,050	6,790
Equity-based compensation	1,362	2,979
Total	10,412	9,769

14. INCOME TAXES

The following is a reconciliation between CI's statutory and effective income tax rates for the year ended December 31:

	2010 %
Combined Canadian federal and provincial income tax rate	30.9
Increase (decrease) in income taxes resulting from :	
Impact of rate changes on deferred income taxes	(1.2)
Recovery of prior years' provisions for settled tax items	(0.2)
Other, net	1.3
	30.8

[in thousands of dollars, except per share amounts]

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The movement in significant components of CI's deferred income tax liabilities and assets for the year ended December 31, 2010 is as follows:

	As at January 1, 2010 $	Recognized in income $	Recognized in other comprehensive income $	Business combination $	As at December 31, 2010 $
Deferred income tax liabilities					
Fund contracts	255,662	1,169	—	8,000	264,831
Deferred sales commissions	142,817	(9,943)	—	—	132,874
Total deferred income tax liabilities	**398,479**	**(8,774)**	—	**8,000**	**397,705**
Deferred income tax assets					
Equity-based compensation	14,444	(7,868)	—		6,576
Non-capital loss carryforwards	17,481	(5,192)	—	20,363	32,652
Provisions for other liabilities	3,073	(464)	—		2,609
Other	8,880	(1,712)	(75)		7,093
Total deferred income tax assets	**43,878**	**(15,236)**	**(75)**	**20,363**	**48,930**
Net deferred income tax liabilities	**354,601**	**6,462**	**75**	**(12,363)**	**348,775**

The ultimate realization of deferred tax assets is dependent upon future taxable profits during the periods in which those temporary differences become deductible. Management considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is probable that CI will realize the benefits of these deductible differences.

15. FUTURE ACCOUNTING CHANGES

Financial Instruments

IFRS 9 *Financial Instruments* ("IFRS 9") was issued by the IASB on November 12, 2009 and will replace IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. CI is currently evaluating the impact of IFRS 9 on its financial statements.