



CI Financial Annual Report | December 31, 2007

2007

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CI Financial Income Fund is a diversified wealth management firm and Canada's third-largest investment fund company. Independent and Canadian-owned, CI provides a comprehensive and innovative selection of top-quality investment products and services. CI has over two million clients and approximately \$100 billion in fee-earning assets (at March 31, 2008). The company operates primarily through subsidiaries CI Investments Inc., which offers the industry's broadest selection of investment funds, Assante Wealth Management (Canada) Ltd., which provides financial advisory services through a national network of 800 financial advisors, and Blackmont Capital Inc., a full-service investment dealer. CI is listed on the Toronto Stock Exchange under the symbol CIX.UN and is a member of the S&P/TSX Composite Index.

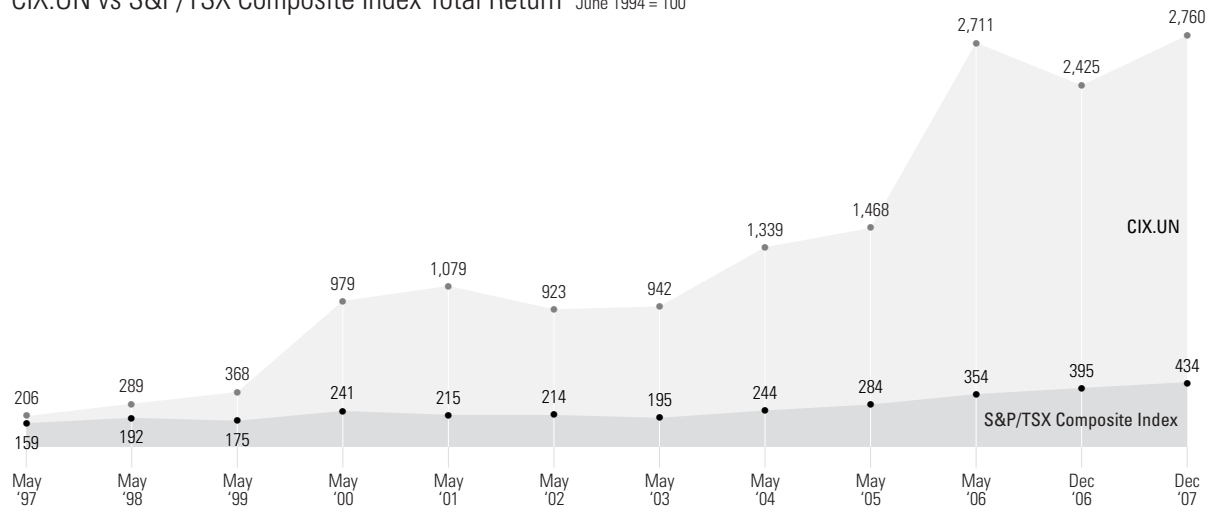


## FINANCIAL HIGHLIGHTS

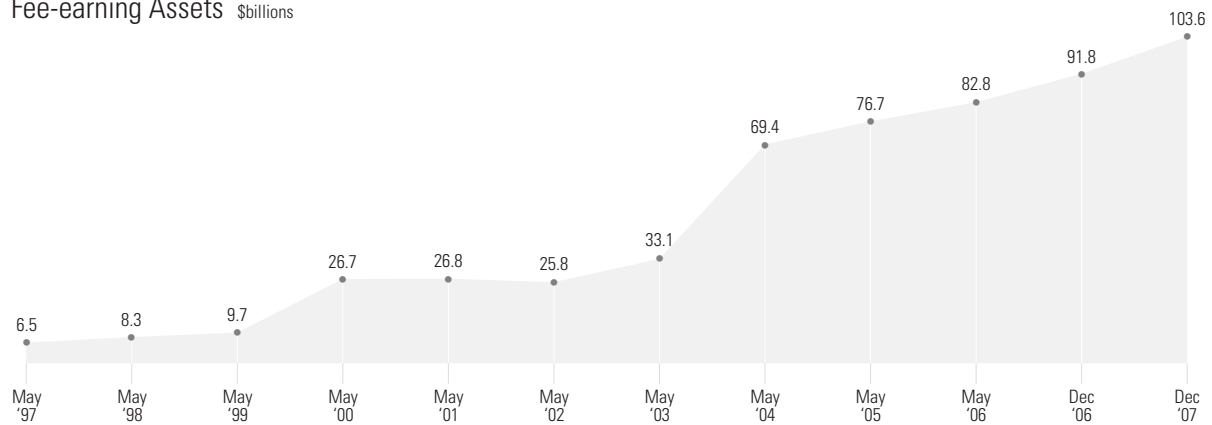
| <i>(millions of dollars, except unit amounts)</i> | As at<br>December 31, 2007                 | As at<br>December 31, 2006                          | % change |  |
|---|--|---|----------|--|
| Assets under management                           | 67,171                                     | 62,737  | 7        |  |
| Fee-earning assets                                | 103,619                                    | 91,817  | 13       |  |
| Units outstanding                                 | 281,514,003                                | 280,132,687   | –        |  |
|   | For the<br>year ended<br>December 31, 2007 | For the twelve<br>months ended<br>December 31, 2006 | % change | For the seven<br>months ended<br>December 31, 2006 |
| Average assets under management                   | 64,958                                     | 58,091  | 12       | 58,735   |
| Management fees                                   | 1,292.7                                    | 1,170.6   | 10       | 693.8  |
| Total revenues                                    | 1,654.9                                    | 1,365.6   | 21       | 805.0  |
| SG&A  | 346.7                                      | 309.2   | 12       | 147.8  |
| Trailer fees                                      | 368.8                                      | 320.9   | 15       | 193.3  |
| Net income  | 625.1                                      | 471.9   | 32       | 354.7  |
| Earnings per unit                                 | 2.21                                       | 1.66  | 33       | 1.25   |
| EBITDA*   | 737.9                                      | 631.5   | 17       | 403.5  |
| EBITDA* per unit                                  | 2.61                                       | 2.22  | 18       | 1.42   |
| Distributions per unit                            | 2.200                                      | 1.425   | 54       | 1.065  |
| Average units outstanding                         | 282,214,499                                | 284,231,724   | (1)      | 283,209,740  |

*\*EBITDA (Earnings before interest, taxes, depreciation and amortization) is a non-GAAP (generally accepted accounting principles) earnings measure; however, management believes that most of its unitholders, creditors, other stakeholders and investment analysts prefer to include the use of this performance measure in analyzing CI's results. EBITDA is a measure of operating performance, a facilitator for valuation and a proxy for cash flow.*

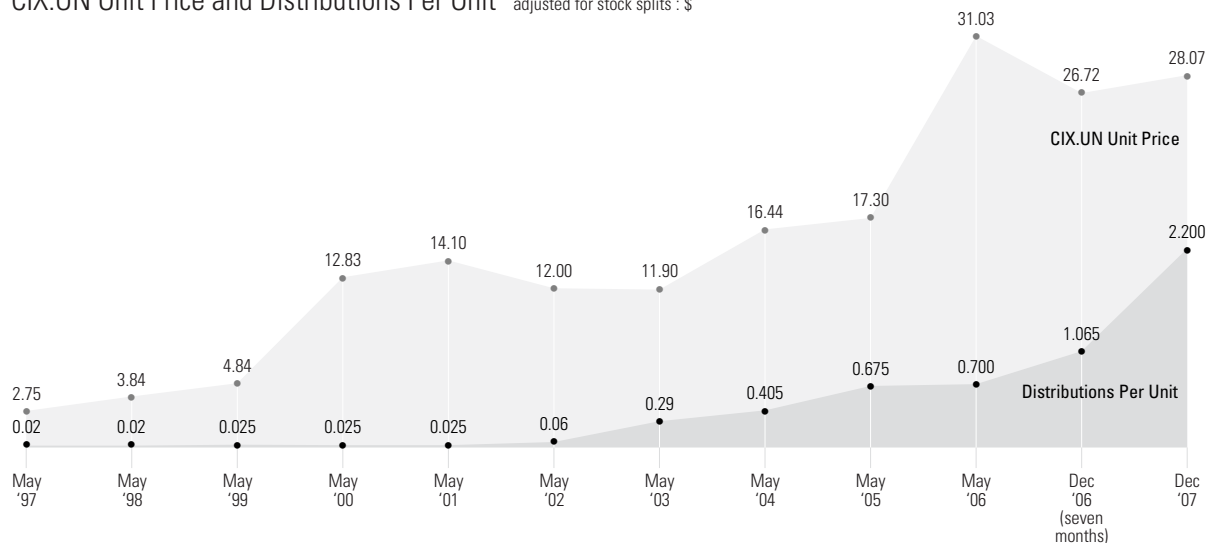
CIX.UN vs S&P/TSX Composite Index Total Return June 1994 = 100



Fee-earning Assets \$billions



CIX.UN Unit Price and Distributions Per Unit adjusted for stock splits : \$





WILLIAM T. HOLLAND,  
Chief Executive Officer

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STEPHEN A. MACPHAIL,  
President

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## LETTER TO UNITHOLDERS

Dear Unitholders,

In 2007, your company posted record levels of assets, revenues, net income, gross sales and distributions.

During the year, we continued to build and adapt the company to meet the evolving needs of Canadian investors and the demands of our environment. Over the past decade, through acquisitions, new products and other initiatives, we have transformed CI from a mid-tier mutual fund manager to a truly diversified wealth management company that is one of the dominant firms in the industry.

One step in this development in 2007 was the purchase and successful integration of Rockwater Capital Corp., a holding company for Blackmont Capital, KBSH Capital Management and Lakeview Asset Management. This acquisition, though small relative to the size of our company, presented a logical fit with our existing operations and corporate strategy. It demonstrates our belief in taking advantage of opportunities for growth as they present themselves.

Overall, it was a year of growth for CI, although our results were affected by market declines in the summer and fall. Investors became increasingly aware of the extent to which many financial institutions were exposed to the problems in the U.S. sub-prime mortgage market through hedge funds, loans, structured debt products and other securities. Global indexes continued to be choppy in 2008, with sharp drops in January and March. By the end of the first quarter, however, the markets were showing signs of stabilizing.

Nonetheless, our business continues to perform well and CI is very well positioned within this competitive industry. This is a testament to a well-defined strategy that we have followed for some time and which we continue to execute.

## Our Strategy

CI's strategy has consistently focused on these key elements:

- **Scale** – The achievement of scale allows us to benefit from economies of scale and invest more resources in technology, administration, product development and sales support.
- **Diversity** – Just as diversification reduces risk in portfolio management, CI's broad and varied lineup of products and services reduces our dependence on any one sector, product or portfolio manager and ensures that we benefit as investors' preferences and needs change. It also reinforces our relationships with advisors, by allowing them to meet the needs of most clients through one firm.
- **Distribution** – CI has developed multiple channels of distribution through our participation in third-party investment programs at other financial institutions, our relationship with Sun Life Financial and its advisor network, and our ownership of distributors such as Assante and Blackmont. These efforts have made a significant contribution to the growth of our sales and assets.
- **Operations** – Our drive for operational excellence includes the efficient operation of our funds and our company, and the development of high-quality products, superior service and a strong brand.

## Highlights of 2007

### The Rockwater Acquisition

We completed the acquisition of Rockwater and its operating companies – Blackmont, KBSH and Lakeview – in April, paying \$225 million in cash and units. Blackmont is a full-service investment dealer that operates through two divisions: a wealth management division supporting 175 advisors with \$9.1 billion in assets under administration (at December 31, 2007) and a capital markets division that provides investment banking services, research and trade execution. KBSH is an asset manager responsible for \$3.0 billion of high net worth and institutional assets. Lakeview, which has been integrated into CI Investments, managed \$365 million at the time of acquisition.

### Financial Achievements

In spite of several headwinds on financial markets, such as the strong Canadian dollar and high volatility, CI finished 2007 with a 13% gain in fee-earning assets to \$103.6 billion. Assets under management rose 7% to \$67.2 billion. Perhaps a better measure of our earnings power is average retail assets under management, which were \$65.0 billion in 2007, up 12% from the year before. These gains in asset levels were attributable to strong net sales and fund performance, as well as the Rockwater acquisition.



This asset growth maintained CI as a leader in our industry, with a rank of third overall for mutual fund assets under management based on statistics compiled by the Investment Funds Institute of Canada. Our market share increased slightly during the year, to 9.63%.

Revenues for the year were \$1.65 billion, a gain of 21%, and net income was \$625.1 million, up 32% from the year before. On a per unit basis, net income was \$2.21, up 33% from \$1.66 in 2006. This increase in profitability largely reflected a significant reduction in income tax that resulted from our conversion to an income trust in June 2006.

Given that CI produces much more cash flow than is needed to finance its growth, we adopted the income trust structure because it offered a tax-efficient way to return cash to you, our owners. Our first full year as an income trust has certainly proven the effectiveness of this structure.

In 2007, CI paid distributions of \$2.20 per unit, an impressive increase over payments of \$1.425 in calendar year 2006 and \$0.59 in calendar 2005. In fact, we have paid out over \$1 billion in distributions since we converted to an income trust (as of the February 2008 payment). The 2007 payout of \$624 million represented 99% of our distributable cash, in keeping with our stated policy of paying out all of our income without returning capital.

We also spent \$115 million during the year to repurchase 4,306,000 units, helping to offset the issue of units for the purchase of Rockwater and other purposes.

During the year, CI units provided a total return of 13.8%. While we outperformed the S&P/TSX Composite Index and the S&P/TSX Financial Services Index, we are most proud of our extraordinary long-term record of providing superior returns to our unitholders. Since the company's initial public offering in June 1994, CI units have returned 2,660%, for a compound annual growth rate of 28%. This compares with cumulative returns of 334% for the TSX and 916% for the financial services index, and made CI the index's top-performing financial stock over the period.

### Operational Achievements

CI is distinguished by its forward-looking and entrepreneurial culture and this was reflected in operational achievements in 2007. We will discuss a few of these highlights here.

An excellent indicator of the good health of our business is gross sales, which hit a record \$11.4 billion in 2007. Net sales of \$2.1 billion were in line with last year's levels, continuing to place CI in the top tier of the fund industry for net sales.

A look at the year's sales rankings confirms those trends we have been citing for years. Despite a fragmented industry, with well over 40 competitors, the largest companies take the lion's share of sales. In 2007, the 10 top-selling companies, which accounted for 65% of the industry's mutual fund assets under management, had over 80% of net sales. Our continued ranking in the top group serves to underline our product excellence and our success in building scale and broadening our access to distribution channels.

The diversity of our distribution networks and product lineup has resulted in our sales becoming much more consistent over the years. Segregated funds, institutional relationships, and managed solutions, which tend to offer more stable inflows, now account for a much greater share of our business.

Our broad lineup of high-quality investment products has been a competitive advantage for CI for some time and in 2007, we extended that advantage with a number of successful product launches. Two new products of note were T-Class, a tax-efficient cash flow service, and SunWise Elite Plus, a guaranteed retirement income product offered with our SunWise Elite Segregated Funds, which we manage in partnership with Sun Life Financial.

Segregated funds, which we first offered over 10 years ago, have become an exceptional business for us, with \$9.3 billion in assets and significant net sales. These funds tend to be "sticky" assets, which stay invested for longer periods of time. They offer features, such as the guaranteed income option, that are not easily copied by competitors.

The foundation of our successful product lineup is, of course, a truly outstanding collection of talented portfolio managers. CI Investments has an impressive 32 distinct mutual fund mandates with a four or five-star rating from Morningstar Canada. Over the past seven years, CI Investments and its managers have received 19 Canadian Investment Awards, including the Analysts' Choice Investment Fund Company of the Year in 2006 and 2007.

We would also like to update you on the fixed administration fee, an innovation that we introduced in September 2005. Under this initiative, CI agreed to pay all of the operating expenses before taxes of the CI and United Financial mutual funds while charging investors a fixed administration fee, which averages about 18 basis points across our funds. This move has provided significant benefits to investors, including lower costs, and more transparency and predictability, as they now know these costs in advance. We are pleased to report that five other major fund companies have since followed our lead and adopted fixed administration fees.

CI was able to pioneer a fixed-fee model because of our unrelenting focus on achieving efficiency. Our fund investors benefited as we reduced fund operating expenses to 18 basis points (as a percentage of assets under management) in 2007 from 46 basis points in fiscal 1996. We have applied the same approach to our corporate expenses, steadily reducing selling, general and administrative expenses within our asset management operations to 35.4 basis points in 2007 from 95.4 basis points in fiscal 1996.

We have always believed that operating as efficiently as possible was in the best interests of our fund investors and our company unitholders. Today, however, efficiency is becoming important as a competitive advantage, with fees and other costs of investing coming under greater scrutiny.

### Outlook for 2008

The new year has brought market moves that can only be described as extreme, with the S&P/TSX Composite Index declining over 13% from its peak on January 3 to its low for the first quarter on January 21. In spite of such conditions, CI has continued to produce good results. Our assets under management have declined just 2.1% over the three months to \$65.8 billion. Gross sales during the first quarter were \$3.5 billion, and net sales totalled \$506 million.

In 2008, we continue to expand our product lineup with distinctive, high-quality offerings. These included the launch in January of the Cambridge Funds under the direction of acclaimed portfolio manager Alan Radlo. By March 31, the new funds had gathered assets of \$155 million – an exceptional start in such tough markets. In March, we enhanced the SunWise Elite Segregated Funds with a guaranteed income for life feature – a valuable benefit for retired Canadians.

The first three months of 2008 have been a brief case study in how our company has been built to be competitive and to thrive, even in challenging times. We are committed to seeking growth and avoiding complacency by providing innovative and superior products and services to our clients.

Once again, we extend our thanks to our employees, our unitholders, our clients and the advisors who partner with our firms for their trust and support.



William T. Holland  
Chief Executive Officer



Stephen A. MacPhail  
President

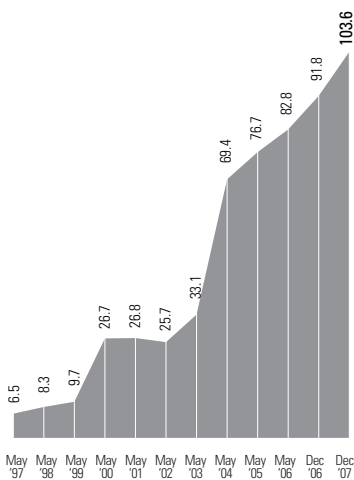
## HISTORICAL FINANCIAL HIGHLIGHTS

| <i>(millions of dollars, except per unit amounts)</i> | Year Ended<br>Dec. 31, 2007 | Seven Months Ended<br>Dec. 31, 2006 | 2006           | Years Ended May 31<br>2005 | 2004         |
|---|-----------------------------|-------------------------------------|----------------|----------------------------|--------------|
| Assets under management, end of year                  | 67,171                      | 62,737                              | 56,905         | 49,243                     | 49,310       |
| Administered and other assets                         | 36,448                      | 29,080                              | 25,915         | 27,504                     | 20,102       |
| Total fee-earning assets                              | 103,619                     | 91,817                              | 82,820         | 76,747                     | 69,412       |
| Net sales of funds                                    | 1,898                       | 437                                 | 3,111          | 1,734                      | 920          |
| Management fees                                       | 1,292.7                     | 693.8                               | 1,110.0        | 994.6                      | 820.7        |
| Other income  | 362.2                       | 111.2                               | 213.4          | 200.5                      | 133.7        |
| <b>Total revenues</b>                                 | <b>1,654.9</b>              | <b>805.0</b>                        | <b>1,323.4</b> | <b>1,195.1</b>             | <b>954.4</b> |
| Selling, general and administrative                   | 346.7                       | 147.8                               | 353.6          | 328.1                      | 256.8        |
| Trailer fees  | 368.8                       | 193.3                               | 291.0          | 250.7                      | 197.8        |
| Other expenses  | 378.1                       | 140.3                               | 204.2          | 168.4                      | 108.1        |
| <b>Total expenses</b>                                 | <b>1,093.6</b>              | <b>481.4</b>                        | <b>848.8</b>   | <b>747.2</b>               | <b>562.7</b> |
| Income taxes  | (63.8)                      | (31.1)                              | 165.6          | 163.2                      | 170.7        |
| Net income before amortization of goodwill            | 625.1                       | 354.7                               | 309.0          | 284.7                      | 221.0        |
| Net income  | 625.1                       | 354.7                               | 309.0          | 284.7                      | 221.0        |
| EBITDA*   | 737.9                       | 403.5                               | 577.4          | 529.5                      | 442.2        |
| Earnings per unit                                     | 2.21                        | 1.25                                | 1.08           | 0.97                       | 0.82         |
| EBITDA* per unit                                      | 2.61                        | 1.42                                | 2.02           | 1.81                       | 1.65         |
| Distributions per unit**                              | 2.200                       | 1.065                               | 0.700          | 0.680                      | 0.410        |
| Unitholders' equity, end of year                      | 1,450.7                     | 1,371.1                             | 1,545.0        | 1,472.8                    | 1,533.9      |
| Units outstanding, end of year**                      | 281,514,003                 | 280,132,687                         | 285,680,519    | 286,643,091                | 295,199,027  |

\*EBITDA (Earnings before interest, taxes, depreciation and amortization) is a non-GAAP (generally accepted accounting principles) earnings measure, however, management believes that most of its unitholders, creditors, other stakeholders and investment analysts prefer to include the use of this performance measure in analyzing CI's results. EBITDA is a measure of operating performance, a facilitator for valuation and a proxy for cash flow.

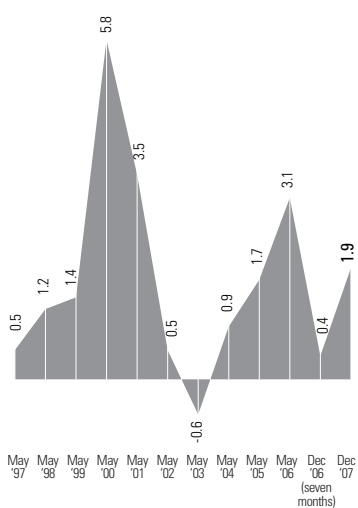
### Fee-earning Assets

\$billions



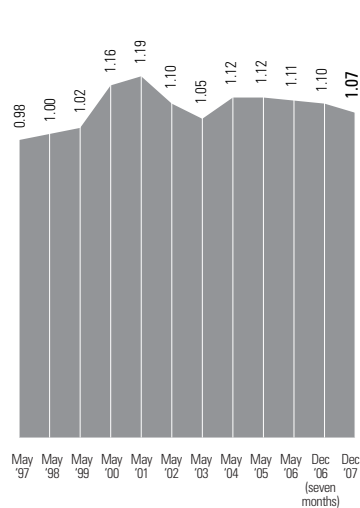
### Net Sales

\$billions



### Operating Profit Margin

% of average AUM

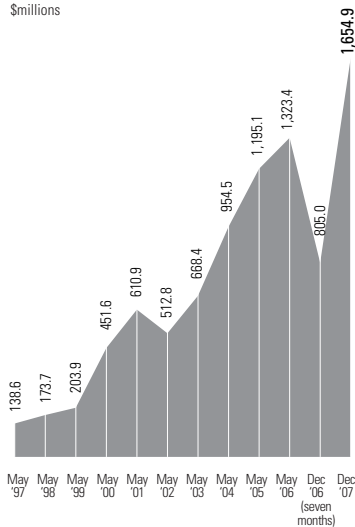


| Years Ended May 31 |             |             |             |             |             |             |             |
|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 2003               | 2002        | 2001        | 2000        | 1999        | 1998        | 1997        | 1996        |
| 32,257             | 24,876      | 25,817      | 25,503      | 9,511       | 8,166       | 6,414       | 5,419       |
| 827                | 837         | 1,017       | 1,175       | 189         | 136         | 102         | 50          |
| 33,084             | 25,713      | 26,834      | 26,678      | 9,700       | 8,302       | 6,516       | 5,469       |
| (596)              | 481         | 3,468       | 5,843       | 1,369       | 1,189       | 461         | 537         |
| 595.8              | 446.5       | 538.0       | 384.0       | 186.1       | 169.2       | 139.4       | 116.6       |
| 72.7               | 66.3        | 72.9        | 67.5        | 17.8        | 4.5         | (0.8)       | (2.6)       |
| 668.5              | 512.8       | 610.9       | 451.5       | 203.9       | 173.7       | 138.6       | 114.0       |
| 203.3              | 119.8       | 141.2       | 111.9       | 66.4        | 62.8        | 53.8        | 45.7        |
| 147.4              | 97.8        | 115.6       | 79.1        | 37.0        | 34.9        | 28.9        | 24.0        |
| 197.8              | 236.4       | 229.7       | 152.4       | 79.3        | 59.7        | 38.4        | 25.3        |
| 548.5              | 454.0       | 486.5       | 343.4       | 182.7       | 157.4       | 121.1       | 95.0        |
| 49.0               | 22.0        | 34.3        | 51.3        | 12.4        | 7.7         | 8.0         | 8.5         |
| 71.0               | 36.8        | 90.1        | 56.8        | 8.8         | 8.6         | 9.5         | 10.5        |
| 71.0               | (61.4)      | 11.5        | (2.1)       | 8.7         | 8.6         | 9.5         | 10.5        |
| 297.4              | 265.5       | 319.9       | 236.9       | 91.2        | 65.6        | 45.9        | 32.8        |
| 0.32               | (0.35)      | 0.06        | (0.01)      | 0.06        | 0.06        | 0.07        | 0.08        |
| 1.32               | 1.51        | 1.75        | 1.38        | 0.64        | 0.46        | 0.35        | 0.25        |
| 0.290              | 0.060       | 0.025       | 0.025       | 0.025       | 0.020       | 0.020       | 0.020       |
| 632.7              | 56.8        | 260.8       | 292.1       | 126.6       | 140.2       | 55.8        | 50.8        |
| 235,525,648        | 170,785,428 | 180,684,728 | 182,829,928 | 144,220,460 | 147,486,888 | 131,139,160 | 131,838,104 |

\*\*Adjusted for two-for-one stock splits in April 1998, January 2000 and November 2000.

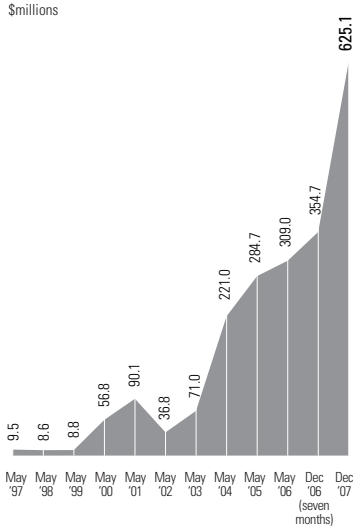
### Total Revenues

\$millions



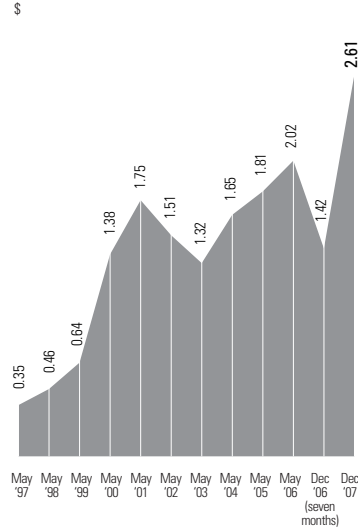
### Income Before Amortization of Goodwill

\$millions



### EBITDA\* Per Unit

\$





PETER W. ANDERSON,  
Chief Executive Officer



DEREK J. GREEN,  
President and National Sales Manager

### Our Company

CI Investments is one of Canada's largest investment management companies, with \$54.9 billion in assets under management as of December 31, 2007. CI Investments is known for its comprehensive and high-quality selection of investment products and services, its operational excellence and efficiency, and a broad lineup of leading portfolio management teams. We are proud of our record of innovation and our ability to adapt our company and our lineup to meet the rapidly changing demands of the marketplace and the evolving needs of our clients.

We partner with independent financial advisors and third-party institutions in the distribution of our products and services, which include mutual funds, segregated funds, managed solutions, structured products and alternative investments. Our well-known brands include CI, Harbour, Signature, Synergy, Cambridge, Lakeview, Portfolio Series, Portfolio Select Series, CI Guaranteed Investment Funds and SunWise Elite.



## Highlights of 2007

It was another successful year for CI Investments, with strong sales, continued asset growth and several well-received product launches. We added to our existing array of exceptional portfolio management teams and maintained strong, mutually beneficial relationships with our distribution network. These efforts served to advance CI's position as one of the top-tier investment management businesses in Canada.

## Sales Trends and Results

The Canadian mutual fund industry enjoyed a year of robust sales, with the Investment Funds Institute of Canada (IFIC) reporting net sales of \$34.9 billion. However, almost three-quarters of the industry's sales came in the first half of the year. Sales in the second half were affected by increased market volatility stemming from the crisis in U.S. sub-prime mortgages and structured credit securities. Not only did industry sales decline, but money market funds accounted for an increasing share of sales.

Another significant development for Canadian investors was the strength of our dollar relative to other currencies – particularly a 17% gain against the U.S. dollar. The Canadian dollar's move served to offset investment gains on foreign securities for many of our funds.

CI Investments posted gross sales in 2007 of \$9.7 billion and net sales of \$1.8 billion. This was an exceptional result given the market conditions. Assets under management at the end of 2007 were \$54.9 billion, representing an increase of about \$2.1 billion or 4%.

## Products

CI Investments provides advisors and investors with a wide lineup of investment mandates diversified by region, asset class, industry, and investment style, which are available on a variety of product platforms. We continued to augment this selection in 2007 in response to the changing needs of Canadians. As the Canadian population ages – particularly the baby boomers – demand is growing for investment products that will provide tax-efficient and reliable retirement income. In 2007, we cemented our leadership in this area with two new products.

In April, we launched SunWise Elite Plus, an optional rider offered with our popular SunWise Elite Segregated Funds. This rider, known as a guaranteed minimum withdrawal benefit (GMWB), provides investors with a stable, guaranteed income, while allowing for potential growth in their investments. This product, which is managed by CI Investments and issued by Sun Life Financial, was well received by advisors, posting sales of over \$522 million by March 2008. In March 2008, we

introduced several important enhancements to SunWise Elite, including a GMWB for life option. This new feature provides investors with a guaranteed income for life – meeting Canadians’ concerns about outliving their savings. SunWise Elite is a distinct competitive advantage for CI, as few other investment companies are in a position to offer a similar product.

In October, we introduced T-Class units on 29 funds, which provide monthly payments as tax-efficient return of capital. T-Class is part of CI Corporate Class, which allows for switching among funds without triggering capital gains and other tax benefits. T-Class had sales exceeding \$80 million by the end of February 2008.

SunWise<sup>®</sup> Elite Plus

T CLASS

Also new in 2007 was Signature Global Income & Growth Fund, a global balanced fund managed by our award-winning Signature Advisors group, and CIX Split Corp., a closed-end fund that trades on the TSX. That fund raised \$50 million in its initial public offering. We also continued to roll out a series of fund-linked deposit notes throughout the year.

### Portfolio Management

CI's success has been built on the solid foundation of excellence in portfolio management. We have assembled a diverse selection of money management teams spanning the full spectrum of investment styles, from value to growth. Over the past year, we have added three top-notch managers to our lineup – Alan Radlo, KBSH Capital Management Inc. and a new sub-advisor, Barometer Capital Inc.

Alan Radlo is a talented and highly regarded portfolio manager who became well known in the Canadian investment community during his two decades at another major fund company. To showcase Mr. Radlo's expertise, we launched a family of three mutual funds under the Cambridge banner in January 2008 (Cambridge Canadian Equity, Cambridge Global Equity and Cambridge Canadian Asset Allocation). The new funds are off to a great start, gathering \$155 million in assets in their first three months.

KBSH, a noted institutional money manager, and Lakeview Asset Management were acquired by CI Financial Income Fund through the purchase of Rockwater Capital Corp. in April. KBSH managed four Lakeview mutual funds, which were integrated into the CI lineup and rebranded as Knight Bain funds. The Lakeview brand was retained for three Lakeview Disciplined Leadership funds managed by Barometer, a Toronto-based investment management firm.



Our key portfolio managers are CI's in-house teams, Signature Advisors and Harbour Advisors, as well as sub-advisors Altrinsic Global Advisors LLC, Epoch Investment Partners, Inc., Legg Mason Capital Management Inc., Synergy Asset Management, Tetrem Capital Management Ltd., Trident Investment Management, LLC, Trilogy Global Advisors, LLC, and QV Investors Inc.



In 2007, CI Investments and our portfolio managers continued to deliver solid results and gain industry recognition. Highlights in this area include:

- As of December 31, 2007, 84% of our assets under management had first or second-quartile performance over three years. In addition, 175 CI funds carried the top four or five-star rating from industry research firm Morningstar Canada, representing almost 70% of our assets under management. CI also had 10 funds listed on Morningstar's list of Fund Analyst Picks – more than any other fund company.
- In June, the Harbour Funds, led by Gerry Coleman and Stephen Jenkins of Harbour Advisors, marked their 10th anniversary. The funds' steady approach and exceptional performance over the past decade have earned them many accolades, including Fund Manager of the Year in 2001 for Mr. Coleman. Harbour Fund and Harbour Growth & Income Fund have had average annual returns over the 10 years ending December 31, 2007, of 11.0% and 7.9%, respectively – both first quartile in their categories. The Harbour Funds continue to be among CI's top sellers.
- Two CI funds were recognized at the Canadian Investment Awards in 2007. Signature Canadian Balanced Fund placed first in the Canadian Balanced Fund category, while CI American Value took the U.S. Equity Pooled Fund category for the third year in a row. Meanwhile, CI Investments was named Analysts' Choice Investment Fund Company of the Year for the second consecutive year. This prestigious award recognizes our achievement in portfolio management, the breadth of our core fund offerings and our exemplary service to the industry, among other measures.

## Distribution

For years, CI has pursued a concerted strategy of broadening its distribution, while maintaining strong relationships with its traditional channels – licensed financial planners and financial advisors. These efforts have been extraordinarily successful, and in 2007, we continued to build on this success.

The institutional channel, which primarily reflects CI's participation in investment programs offered by third-party vendors such as banks and insurance companies, recorded an impressive year-over-year asset growth of 27%. This brought total assets within this channel to \$7.0 billion, or 13% of our total.

Our decision to offer segregated funds a decade ago was part of our efforts to reach insurance advisors. Today, CI is one of the three firms that dominate segregated funds in Canada, with \$9.3 billion in assets at December 31, 2007.

Perhaps our greatest success in distribution has been building on our strategic partnerships with affiliated firms Sun Life Financial, Assante Wealth Management and now, Blackmont Capital. These partnerships continue to be increasingly important to CI's sales and assets. The most significant relationship is with Sun Life, as CI is a preferred provider of investment products to the 3,000-member Sun Life sales force. Sun Life advisors receive a high level of support from CI's client services, administration and sales teams, and benefit from exclusive educational events such as seminars, branch meetings and an annual conference.

## Our Plans for 2008

CI Investments is well positioned for continued growth. We have successfully launched two important products in the first quarter of 2008 – the Cambridge Funds and the enhancements to the SunWise Elite Segregated Funds. We offer one of the most comprehensive product selections in the industry, an exceptional lineup of portfolio managers and a strong, diverse distribution network. We will continue to build on these advantages in the coming year.



JOSEPH C. CANAVAN,  
Chairman and Chief Executive Officer

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STEVEN J. DONALD,  
President and Chief Operating Officer

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### Our Company

Assante Wealth Management is a leading provider of fully integrated wealth management solutions for affluent Canadians. With 800 advisors in over 300 locations, our independent advisory network is one of the largest in the country. We serve over 300,000 clients across Canada, administering \$25.7 billion in assets on their behalf as of December 31, 2007.

Increasingly, scale is important for continued success in the financial services industry. Assante's size has allowed for efficiencies and a broader range of products and services that have benefited advisors and their clients. Advisors have leveraged our strong and growing reputation and brand name, as illustrated by the \$32 million average size of our advisors' practices, almost twice that of our nearest independent competitor.

The success of Assante is closely linked to our advisors and the strong partnership we have developed with them. Our advisors are able to provide comprehensive wealth management solutions. We support them in this critical role by providing an industry-leading suite of products and services – including access to investment analysts, portfolio managers, tax lawyers, accountants, estate planning and insurance specialists, and wealth planners. Assante offers enhanced services and support to our advisors to more effectively address the increasing complexity of our clients' needs.



Our services are offered through **Assante Capital Management**, an investment dealer, and **Assante Financial Management**, a mutual fund dealer, which together operate under the brand name Assante Wealth Management. **Stonegate Private Counsel** provides wealth planning and inter-generational financial services to high net worth individuals and families. **Assante Estate and Insurance Services** offers comprehensive insurance advice and sophisticated insurance-based business and estate planning solutions. Assante has a close operating relationship with **United Financial Corporation**, an affiliated asset management company that offers its industry-leading investment solutions exclusively through Assante advisors.

## Highlights of 2007

### Supporting our advisors

A key priority is helping advisors to build their practices. In 2007, we launched a program that allows our advisors to survey their clients in an audit that not only identifies client satisfaction, but also points out opportunities to provide enhanced service and generate additional growth.

We expanded our ability to offer clients one-stop financial solutions through strategic alliances by launching a new mortgage referral program. Such partnerships allow our advisors to be competitive in offering a full range of financial services, including GICs, high interest savings accounts and RRSP loans.

We continued to build public awareness of the Assante brand by supporting events and advertising sponsored by our advisors, and through our own national retail advertising campaign, *Advantage: Assante*. These campaigns enhance awareness of Assante and strengthen the relationship between advisors and their clients.

### Educational and professional development

We believe education and development are essential in adapting to a fast-changing market environment and bringing innovative, thoughtful solutions to clients. Initiatives such as our exclusive Business Partnership Program demonstrate our commitment to the education and professional development of our advisors. This comprehensive program offers strategies and tactics to build the advisors' business and more successfully manage their practices while identifying opportunities to better serve clients.

At our annual National Wealth Management Conference in May, over 700 advisors and their teams – our largest gathering yet – heard from top money managers, analysts, economists, wealth, estate and tax planning specialists and other leading speakers. This conference, with its exceptional educational content, is one of the most advanced in the industry.

## Our Plans for 2008

Recruitment will continue to be a priority and we expect to attract a number of advisors to our firm. Our industry continues to consolidate and we believe that advisors will align with a financially strong partner that can support them in growing their businesses over the long term.

A key initiative in 2008 is the delivery to advisors of a common computer desktop interface. This will benefit our advisors and clients alike. For advisors, the desktop will provide efficiencies by integrating data seamlessly and permitting them to more easily analyze the needs of their clients to identify sales and service opportunities. Clients will benefit from enhanced online access to account and financial information. We will also continue to develop our fee-based distribution platform for flexibility of client service options.



UNITED FINANCIAL

United Financial manages over \$9.0 billion in market-leading managed solutions – Private Client Managed Portfolios, Optima Strategy, Institutional Managed Portfolios and Artisan Portfolios – which are distributed exclusively through Assante advisors.

Our in-house team of investment consulting experts engineer sophisticated solutions and ensure they continue to meet client needs. We identify and retain for these programs world-class portfolio managers, and monitor them to ensure they are meeting the standards set by United Financial. They include:



COHEN & STEERS



United Financial's programs have been created so that advisors can provide customized investment solutions to their clients. We also support advisors by creating comprehensive wealth planning strategies by drawing on our teams of lawyers, accountants and insurance and estate planning specialists.

Since wealth planning is so important to our clients – and represents an exceptional growth area for our firm – we have continued to add professional resources as required to ensure that our firm and advisors are well positioned to take advantage of this opportunity.

### Highlights of 2007

Our product offering was broadened in October when we launched tax-efficient corporate class versions of our United Pools for the Optima Strategy and Private Client Managed Portfolios programs. We also introduced a fee-based investment option for the Optima Strategy, Institutional Managed Portfolios and Artisan Portfolios programs in September.

We saw an impressive 48% year-over-year growth in the demand for the wealth planning reports and related services of our Wealth Planning Group. United Financial started 2007 with 15 Private Client Managers and added two more by year end to help meet the need for service from affluent clients.

## Our Plans for 2008

Making our advisors more referable – and helping them to build relationships with clients and prospects – will continue to be a priority. We will do this through events such as our Window on the Market, Partners in Practice and Prosper through Partnership programs. These initiatives showcase the investment skills of our top portfolio managers and the planning skills of our wealth experts who deal with matters such as tax planning, succession and estate planning, and insurance and risk management solutions.

We plan to increase our complement of regional wealth planning consultants to support advisors in meeting the needs of clients with complex requirements.

United Financial will continue to leverage its relationship with CI Financial in 2008. We plan to promote sales of our Institutional Managed Portfolios by adding them as an investment option for SunWise Elite, a popular family of segregated funds from CI Investments and Sun Life Financial.

In 2008, United Financial will continue to drive growth through product enhancements and by serving advisors through our dedicated sales staff. We will emphasize the distinct quality of our solutions, including the expertise of our Wealth Planning Group, our rigorous oversight of the programs, and the expertise of our portfolio managers.



BRUCE M. KAGAN,  
Chief Executive Officer



WAYNE D. ADLAM,  
President

### Our Company

Blackmont is a full-service investment dealer dedicated to providing clients with boutique-like service and access to the product range, talent pool, resources and stability of a large firm. Our wealth management group provides investors with a wide array of investment products and services through a network of 175 investment advisors across Canada. Our capital markets business provides investment banking services for Canadian issuers, as well as independent research and trade execution for institutional clients in Canada. Blackmont has over \$9 billion in assets under administration and seeks to set the industry standard for providing clients with excellent service, innovative ideas and tailored solutions.

### Highlights of 2007

The past year was one of significant positive change for Blackmont as it became part of the CI Financial group of companies. The transition was smooth and the benefits of the change were quickly apparent: Clients were comforted by CI's financial stability and we benefited from the additional technological and operational support provided by our new parent company. What mattered most to clients and employees about the change was that Blackmont retained its operating independence and entrepreneurial spirit. Blackmont's advisors and capital markets professionals were able to continue doing what they do best – serving clients with distinction.



**BLACKMONT**  
CAPITAL™



Blackmont is aligned along four key values that set it apart from the competition: Boutique Service, Entrepreneurial Spirit, Continuous Improvement, and Performance Drive. Given the company's commitment to these cornerstone values, Blackmont's achievements for 2007 can be discussed under these headings.

#### Boutique Service

Blackmont's commitment to offering unbiased financial advice and custom solutions was reinforced by the launch of a new insurance program, made possible by leveraging expertise at sister company Assante Wealth Management. Plans are also well underway to upgrade the existing proprietary investment management platform, IMA, by mid-2008. Blackmont is also gaining industry recognition for service-related successes. Our marketing team won a 2007 Canadian Investment Marketing Award for the innovative "Bag Lady" program. The work of our institutional sales and trading team resulted in Blackmont being named the top-performing firm in Canada in 2007 by First Coverage Inc. for providing trading ideas to its clients that generated the highest average returns.

#### Entrepreneurial Spirit

Blackmont was created by entrepreneurs for entrepreneurs. Accordingly, we enhance and grow our business based on feedback from clients and employees. Last year, in response to this feedback, Blackmont implemented substantial upgrades to its operational platform, made significant enhancements to its online account look-up service, introduced a new issues processing system, and launched a new intranet to enhance internal communication. We continue to work hard to find effective, creative solutions to make it easier for employees to excel.

#### Continuous Improvement

Blackmont cultivates a learning environment, supporting employees in their pursuit of excellence through ongoing professional development. In 2007, Blackmont launched a nationwide training program for the wealth management group, focused on enhancing productivity and helping advisors grow their businesses.

#### Performance Drive

Blackmont is becoming home to the industry's most talented financial professionals. On the wealth management side, we've grown to an average of \$52.2 million in assets per advisor by the end of 2007. We firmly believe that the individuals we now have in place in both the wealth management and capital markets areas are those who will help us establish Blackmont as a true industry leader.

## Our Plans for 2008

The second half of 2007 and the early months of 2008 presented us with uncertain markets. Blackmont welcomes this as an opportunity to refocus efforts on building and managing a smart, profitable business through rigorous cost control and the continuation of successful recruiting and retention plans. By investing carefully in our company and our employees, through enhanced operating platforms and training and development programs, we expect to continue our growth.

The direction for Blackmont is clear. Over the next three years, we plan to significantly increase revenue in wealth management and capital markets and reach full alignment between investment banking, sales and research. We are confident of achieving our goals by upholding our core values, keeping a close eye on costs, attracting and retaining high-calibre professionals and continuing to deliver on our reputation for excellence in the industry.

## Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") dated February 13, 2008 presents an analysis of the financial position of CI Financial Income Fund and its subsidiaries ("CI") as at December 31, 2007, compared with December 31, 2006, and the results of operations for the three months and year ended December 31, 2007, compared with the three, seven and twelve months ended December 31, 2006.

Financial information, except where noted otherwise, is presented in accordance with Canadian generally accepted accounting principles ("GAAP") and amounts are expressed in Canadian dollars. The principal subsidiaries referenced herein include CI Investments Inc. ("CI Investments"), United Financial Corporation ("United"), Assante Wealth Management (Canada) Ltd. ("AWM") and Blackmont Capital Inc. ("Blackmont"). The Asset Management segment of the business includes the operating results and financial position of CI Investments, United, KBSH Capital Management Inc. ("KBSH") and Lakeview Asset Management Inc. ("Lakeview"). The Asset Administration segment includes the operating results and financial position of Blackmont and AWM and its subsidiaries, including Assante Capital Management Ltd. ("ACM") and Assante Financial Management Ltd. ("AFM").

This MD&A contains forward-looking statements with respect to expected financial performance, strategy and business conditions. These statements involve risks and uncertainties, are based on assumptions and estimates, and therefore actual results may differ materially from those expressed or implied by CI. Factors that may cause such differences include, but are not limited to, general economic and market conditions including interest and foreign exchange rates, global financial markets, legislative and regulatory changes, industry competition, technological developments and catastrophic events. The reader is cautioned against undue reliance on these forward-looking statements.

CI converted to an income trust on June 30, 2006 and all discussion and reference to CI should be considered to be a continuation of the record of the predecessor organization, CI Financial Inc. All references to "units", "unitholders" and "distributions" are subsequent to June 30, 2006 and are used to refer to "shares", "shareholders" and "dividends", respectively, prior to conversion.

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

## SELECTED ANNUAL INFORMATION

### FISCAL YEARS ENDING

| <i>(millions, except per unit amounts)</i> | Year ended<br>December 31, 2007 | Twelve months ended<br>December 31, 2006 | Seven month period ended<br>December 31, 2006 | Year ended<br>May 31, 2006 |
|--|---------------------------------|--|---|----------------------------|
| Total revenue                              | \$1,654.9                       | \$1,365.6                                | \$805.0                                       | \$1,323.4                  |
| Total expenses                             | 1,093.6                         | 861.0                                    | 481.4   | 848.8                      |
| Income before income taxes                 | 561.3                           | 504.6                                    | 323.6   | 474.6                      |
| Income taxes                               | (63.8)                          | 32.7                                     | (31.1)  | 165.6                      |
| Net income                                 | \$625.1                         | \$471.9                                  | \$354.7                                       | \$309.0                    |
| Earnings per unit                          | \$2.21                          | \$1.66                                   | \$1.25  | \$1.08                     |
| Distributions paid per unit                | \$2.20                          | \$1.425                                  | \$1.065                                       | \$0.70                     |
| Total assets                               | \$3,626.5                       | \$2,739.4                                | \$2,739.4                                     | \$2,824.8                  |
| Total long-term debt                       | \$927.9                         | \$576.1                                  | \$576.1                                       | \$417.1                    |
| Units outstanding                          | 281,514                         | 280,133                                  | 280,133                                       | 285,681                    |
| Average units outstanding                  | 282,214                         | 284,232                                  | 283,210                                       | 285,936                    |

## SUMMARY OF QUARTERLY RESULTS

### FISCAL YEARS ENDING

| <i>(millions, except per unit amounts)</i> | Fiscal year<br>December 31, 2007 |         |         |         | Fiscal year<br>December 31, 2006* |          |         |         | Fiscal year<br>May 31, 2006 |         |
|--|----------------------------------|---------|---------|---------|-----------------------------------|----------|---------|---------|-----------------------------|---------|
|  | Q4                               | Q3      | Q2      | Q1      | Q2                                | Q1       | Q4      | Q3      | Q2                          | Q1      |
| <b>Income Statement Data</b>               |                                  |         |         |         |                                   |          |         |         |                             |         |
| Management fees                            | \$322.2                          | \$326.3 | \$329.7 | \$314.6 | \$306.7                           | \$293.8  | \$294.9 | \$277.5 | \$267.6                     | \$270.0 |
| Administration fees                        | 81.3                             | 75.6    | 94.6    | 40.8    | 37.3                              | 31.1     | 34.5    | 35.3    | 31.0                        | 30.9    |
| Other revenues                             | 23.6                             | 15.9    | 16.7    | 13.6    | 15.0                              | 12.1     | 14.6    | 17.6    | 17.2                        | 32.3    |
| Total revenues                             | 427.1                            | 417.8   | 441.0   | 369.0   | 359.0                             | 337.0    | 344.0   | 330.4   | 315.8                       | 333.2   |
| Selling, general and administrative        | 92.4                             | 88.5    | 92.4    | 73.4    | 64.1                              | 66.2     | 100.0   | 93.6    | 79.8                        | 80.2    |
| Trailer fees                               | 93.8                             | 92.9    | 93.1    | 89.0    | 85.8                              | 81.1     | 80.5    | 71.8    | 68.9                        | 69.7    |
| Investment dealer fees                     | 51.8                             | 49.5    | 56.0    | 31.9    | 28.5                              | 23.9     | 26.1    | 26.6    | 23.4                        | 23.3    |
| Amortization of deferred sales commissions | 32.1                             | 30.9    | 29.4    | 27.4    | 25.6                              | 24.1     | 22.4    | 20.4    | 18.8                        | 17.5    |
| Interest expense                           | 11.4                             | 10.6    | 10.0    | 7.6     | 6.6                               | 5.4      | 4.5     | 3.2     | 3.0                         | 3.2     |
| Other expenses                             | 9.4                              | 7.7     | 9.8     | 2.6     | 2.8                               | 2.5      | 3.3     | 2.3     | 3.9                         | 2.4     |
| Total expenses                             | 290.9                            | 280.1   | 290.7   | 231.9   | 213.4                             | 203.2    | 236.8   | 217.9   | 197.8                       | 196.3   |
| Income before income taxes                 | 136.2                            | 137.7   | 150.3   | 137.1   | 145.6                             | 133.8    | 107.2   | 112.5   | 118.0                       | 136.9   |
| Income taxes                               | (51.5)                           | (6.0)   | (1.3)   | (5.0)   | (4.3)                             | (4.6)    | 37.9    | 39.4    | 42.3                        | 45.9    |
| Net income                                 | \$187.7                          | \$143.7 | \$151.6 | \$142.1 | \$149.9                           | \$138.4  | \$69.3  | \$73.1  | \$75.7                      | \$91.0  |
| Earnings per unit                          | \$0.66                           | \$0.50  | \$0.54  | \$0.51  | \$0.53                            | \$0.49   | \$0.24  | \$0.26  | \$0.26                      | \$0.32  |
| Distributions paid per unit                | \$0.57                           | \$0.55  | \$0.54  | \$0.54  | \$0.5025                          | \$0.5025 | \$0.18  | \$0.18  | \$0.18                      | \$0.16  |

\*The results reflect the three months ended September 30, 2006 and December 31, 2006.

## Overview

CI is a diversified wealth management firm and one of Canada's largest independent investment fund companies. CI also became one of the country's largest income trusts in June 2006. The conversion changed the publicly traded entity from a corporation to a trust and prompted the change in CI's year-end to December 31 from May 31. Accordingly, the operating results for the seven-month period from June 1, 2006 to December 31, 2006 are used as comparative figures in the consolidated financial statements. However, for this analysis, the year ended December 31, 2007 will be compared to the twelve months ended December 31, 2006.

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, AFM and Blackmont 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, the underwriting of securities transactions, principal trading and ongoing service to clients.

On April 4, 2007, CI acquired control of Rockwater Capital Corporation ("Rockwater") and has included the results of Rockwater beginning with the second quarter ending June 30, 2007. With Rockwater, CI acquired Blackmont, a full-service investment dealer, KBSH, an investment counselling firm, and Lakeview, a mutual fund company. On September 1, 2007, Rockwater was amalgamated with Blackmont and continued as Blackmont. On January 1, 2008, Lakeview was amalgamated with CI Investments to continue as CI Investments.

## Fee-Earning Assets and Sales

Total fee-earning assets, which include CI mutual and segregated funds, United funds, Lakeview funds, structured products, KBSH assets (collectively, assets under management or AUM), AWM assets under administration, Blackmont assets under administration and other fee-earning assets at December 31, 2007 were \$103.6 billion, an increase of 13% from \$91.8 billion at December 31, 2006. As shown in the following chart, these assets are represented by \$63.6 billion in retail managed funds, \$0.6 billion in structured products, \$3.0 billion in institutional managed assets, \$25.7 billion in AWM assets under administration, \$9.1 billion in Blackmont assets under administration and \$1.6 billion in other fee-earning assets.

## FEE-EARNING ASSETS

AS AT DECEMBER 31

| <i>(in billions)</i>                  | 2007    | 2006   | % change |
|---------------------------------------|---------|--------|----------|
| Retail managed funds                  | \$63.6  | \$61.8 | 3        |
| Structured products                   | 0.6     | 0.9    | (33)     |
| Total retail assets under management  | \$64.2  | \$62.7 | 2        |
| Institutional managed assets          | 3.0     | —      | n/a      |
| Total assets under management         | \$67.2  | \$62.7 | 7        |
| Assante assets under administration*  | 25.7    | 27.3   | (6)      |
| Blackmont assets under administration | 9.1     | —      | n/a      |
| Total assets under administration     | \$34.8  | \$27.3 | 27       |
| CI other fee-earning assets           | 1.6     | 1.8    | (11)     |
| Total fee-earning assets              | \$103.6 | \$91.8 | 13       |

\*Includes United Financial investment funds.

Retail assets under management form the majority of CI's fee-earning assets and provide most of its revenue and net income. The growth in assets under management during the year ended December 31, 2007 is detailed in the table below.

| <i>(in billions)</i>                                | Year ended December 31, 2007 |
|---|------------------------------|
| Retail assets under management at December 31, 2006 | \$62.7                       |
| Gross sales   | 11.4                         |
| Redemptions   | 9.5                          |
| Net sales   | 1.9                          |
| Acquired assets                                     | 0.4                          |
| Market performance                                  | (0.8)                        |
| Retail assets under management at December 31, 2007 | \$64.2                       |

The table below sets out the levels of and the change in CI's average retail assets under management and the gross and net sales levels for the relevant periods. As most of CI's revenue and expenses are based on assets throughout the year, average asset levels are critical to the analysis of CI's financial results. The change in CI's average assets is primarily the result of strong sales of CI's funds as market performance was relatively flat during the year.

| <i>(in billions)</i>                   | Three months ended |                   | Twelve months ended |                   |
|--|--------------------|-------------------|---------------------|-------------------|
|  | December 31, 2007  | December 31, 2006 | December 31, 2007   | December 31, 2006 |
| Average retail assets under management | \$64.485           | \$60.655          | \$64.958            | \$58.091          |
| Increase                               | 6%                 |                   | 12%                 |                   |
| Gross sales                            | \$2.6              | \$2.5             | \$11.4              | \$10.4            |
| Net sales                              | \$0.3              | \$0.1             | \$1.9               | \$2.1             |

Net sales of mutual funds reported by the Investment Funds Institute of Canada (“IFIC”) were down \$0.4 billion to \$7.1 billion for the three months ended December 31, 2007 from industry net sales of \$7.5 billion for the same three-month period last year. The market volatility of the fourth quarter impacted the industry in the form of relatively low long-term sales, however, sales for the year remained strong. Sales and assets reported by IFIC are helpful as an indicator of trends affecting a significant portion of CI's business.

## Results of Operations

CI reported net income of \$625.1 million (\$2.21 per unit) for the year ended December 31, 2007, an increase of 32% over the \$471.9 million (\$1.66 per unit) reported in the twelve months ended December 31, 2006. CI's conversion to an income trust in June 2006 resulted in a significant reduction in income taxes from that point. However, CI still provided for \$32.7 million in income tax expense for the twelve months ended December 31, 2006, versus an income tax recovery of \$63.8 million in fiscal 2007. CI booked a future tax recovery of \$36.4 million in the fourth quarter on lower future tax rates that were substantively enacted in December 2007. In addition, as a result of federal legislation enacted this year, CI recorded a future income tax liability and corresponding expense of \$5.4 million in the quarter ended June 30, 2007, pertaining to the reversal of timing differences after 2011.

The results of operations include amounts recorded for equity-based compensation expense, which varies from period to period based on CI's unit price, the extent of vesting during the period and the price at which options were exercised during the period. Earnings for the year ended December 31, 2007 were reduced by equity-based compensation expense of \$12.1 million (\$7.7 million after-tax), versus \$43.7 million (\$28.0 million after-tax) in the twelve months ended December 31, 2006.

Net income of \$187.7 million for the three months ended December 31, 2007 was 25% higher than the \$149.9 million reported for the three months ended December 31, 2006. On a per unit basis, CI earned \$0.66 in the three months ended December 31, 2007,

### 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 and investment gains, plus equity-based compensation expense and amortization of deferred sales commissions and fund contracts.

| <i>(in millions, except per unit amounts)</i> | Three months ended |                   | Twelve months ended |                   |
|---|--------------------|-------------------|---------------------|-------------------|
|   | December 31, 2007  | December 31, 2006 | December 31, 2007   | December 31, 2006 |
| Income before income taxes                    | \$136.2            | \$145.6           | \$561.3             | \$504.6           |
| Less:   |                    |                   |                     |                   |
| Redemption fees                               | 7.6                | 9.4               | 31.5                | 35.7              |
| Gain on marketable securities                 | 1.4                | –                 | 1.7                 | 0.2               |
| Add:  |                    |                   |                     |                   |
| Amortization of DSC and fund contracts        | 33.1               | 26.4              | 123.5               | 96.3              |
| Equity-based compensation expense             | 4.8                | (0.5)             | 12.1                | 43.7              |
| Pre-tax operating earnings                    | \$165.1            | \$162.1           | \$663.7             | \$608.7           |
| per unit                                      | \$0.58             | \$0.58            | \$2.35              | \$2.14            |

up from \$0.53 reported for the comparative period last year. In the quarter ended December 31, 2007, an income tax recovery of \$51.5 million was recorded, compared with an income tax recovery of \$4.3 million in the quarter ended December 31, 2006.

The impact of equity-based compensation was an expense of \$4.8 million (\$3.0 million after-tax) in the fourth quarter of 2007, while for the three months ended December 31, 2006, earnings were increased by equity-based compensation recovery of \$0.5 million (\$0.3 million after-tax).

CI's pre-tax operating earnings, as set out in the table above, adjust for the impact of equity-based compensation and gains on marketable securities. Redemption fee revenue and the amortization of deferred sales commissions and fund contracts are also deducted to remove the impact of back-end financed assets under management.

Redemption fee revenue declined to \$7.6 million in the fourth quarter from \$9.4 million in the comparative period last year, and to \$31.5 million for the year ended December 31, 2007 from \$35.7 million for the twelve months ended December 31, 2006. Redemption fee revenue continues to fall as back-end assets are aging, and therefore pay a lower redemption fee rate when redeemed.

Amortization of deferred sales commissions and fund contracts increased to \$33.1 million in the three months ended December 31, 2007 from \$26.4 million in the three months ended December 31, 2006. As well, amortization over the twelve-month period increased to \$123.5 million from \$96.3 million as a result of higher spending on deferred sales commissions, which has grown from an annual rate of \$84 million in June 2003 to \$180 million over the past year.

Pre-tax operating earnings per unit were flat for the three months ended December 31, 2007, compared with the same period in 2006, while average retail assets under management increased 6%. This difference was the result of a decline in CI's operating margin and higher interest expense this year.

#### EBITDA

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 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.

| <i>(in millions, except per unit amounts)</i> | Three months ended |                   | Twelve months ended |                   |
|---|--------------------|-------------------|---------------------|-------------------|
|   | December 31, 2007  | December 31, 2006 | December 31, 2007   | December 31, 2006 |
| Net income                                    | \$187.7            | \$149.9           | \$625.1             | \$471.9           |
| Add (deduct):                                 |                    |                   |                     |                   |
| Interest expense                              | 11.4               | 6.6               | 39.6                | 20.2              |
| Income tax expense (recovery)                 | (51.5)             | (4.3)             | (63.8)              | 32.7              |
| Amortization of DSC and fund contracts        | 33.1               | 26.4              | 123.5               | 96.2              |
| Amortization of other items                   | 3.5                | 3.1               | 13.5                | 10.5              |
| EBITDA  | \$184.2            | \$181.7           | \$737.9             | \$631.5           |
| per unit                                      | \$0.65             | \$0.65            | \$2.61              | \$2.22            |
| EBITDA margin (as a % of revenue)             | 43%                | 51%               | 45%                 | 46%               |



Pre-tax operating earnings per unit for the year ended December 31, 2007 was \$2.35, an increase of 10% from \$2.14 for the twelve months ended December 31, 2006. The increase is a result of the 12% increase in average retail managed assets offset by the decline in CI's operating margin.

As shown in the table above, EBITDA increased to \$184.2 million in the three months ended December 31, 2007 from \$181.7 million in the three months ended December 31, 2006, an increase of 1%. The increase in EBITDA was the result of higher average assets under management, even as the margin on those assets declined, and despite the higher equity-based compensation expense discussed above.

EBITDA for the year ended December 31, 2007 was \$737.9 million, an increase of 17% from \$631.5 million for the twelve months ended December 31, 2006. The increase is due to the 13% increase in total fee earning assets and the inclusion of Blackmont in the current year.

Interest expense increased due to higher debt levels, as discussed under "Liquidity and Capital Resources." CI's debt increased primarily due to the cash portion of the Rockwater purchase price and the funding of deferred sales commissions. Debt is generally used to fund growth in the company as well as to repurchase unit capital. EBITDA provides information on the results of operations prior to the impact of such capital structure decisions and financing activities on interest expense.

## Asset Management Segment

The Asset Management segment of the business includes the operating results and financial position of CI Investments, United, KBSH, and Lakeview.

## Results of Operations

The table that follows presents the operating results for the Asset Management segment:

### ASSET MANAGEMENT SEGMENT

#### SUMMARY OF OPERATING RESULTS

| <i>(in millions, except per unit amounts)</i>                    | Three months ended<br>December 31, 2007 | Three months ended<br>December 31, 2006 | Twelve months ended<br>December 31, 2007 | Twelve months ended<br>December 31, 2006 | Seven months ended<br>December 31, 2006 |
|--|---|---|--|--|---|
| Management fees  | \$322.2                                 | \$306.7                                 | \$1,292.7                                | \$1,170.6                                | \$693.8                                 |
| Other revenue  | 19.3                                    | 13.0                                    | 55.6                                     | 48.7                                     | 27.0                                    |
| Total revenue  | 341.5                                   | 319.7                                   | 1,348.3                                  | 1,219.3                                  | 720.8                                   |
| Selling, general and administrative                              | 63.2                                    | 52.4                                    | 242.1                                    | 257.9                                    | 119.3                                   |
| Trailer fees   | 97.5                                    | 89.1                                    | 384.0                                    | 335.4                                    | 200.9                                   |
| Amortization of deferred sales commissions<br>and fund contracts | 33.3                                    | 26.6                                    | 124.2                                    | 96.8                                     | 59.7                                    |
| Other expenses   | 7.9                                     | 2.0                                     | 18.7                                     | 8.8                                      | 6.0                                     |
| Total expenses   | 201.9                                   | 170.1                                   | 769.0                                    | 698.9                                    | 385.9                                   |
| Income before income taxes and<br>non-segmented items            | \$139.6                                 | \$149.6                                 | \$579.3                                  | \$520.4                                  | \$334.9                                 |

Income before income taxes and interest expense for CI's principal segment was \$139.6 million for the three months ended December 31, 2007, a decrease of 7% from \$149.6 million in the same period last year. For the year ended December 31, 2007, income before income taxes and interest expense for the Asset Management segment was \$579.3 million, an increase of 11% compared with \$520.4 million for the twelve months ended December 31, 2006. The increase from the prior year for the twelve-month period is mainly due to the appreciation in average retail assets under management.

### Revenues

Revenues from management fees were \$322.2 million for the three months ended December 31, 2007, an increase of \$15.5 million or 5% from the three months ended December 31, 2006. Management fee revenue for the year ended December 31, 2007 was \$1,292.7 million, an increase of 10% compared with the twelve months ended December 31, 2006. The increase was mainly attributable to higher average retail assets under management, which were 6% and 12% higher for the three months and year ended December 31, 2007, respectively, compared with the same periods in 2006. As a percentage of average retail assets under management, management fees were 1.982% and 1.990% for the three months and year ended December 31, 2007, down from 2.006% and 2.015% in the respective three and twelve months ended December 31, 2006.

Average management fee rates have decreased as a result of a continuing trend towards a higher proportion of CI's assets being Class F and Class I funds, which have lower management fees. Class F funds pay no trailer fees to advisors, who typically charge their clients a flat or asset-based fee. Class I funds have reduced management fees for institutional clients with large holdings. At December 31, 2007, there were \$737.8 million and \$7.0 billion in Class F and Class I funds, respectively, compared with \$658.4 million and \$5.5 billion at December 31, 2006.

For the three months ended December 31, 2007, other revenue was \$19.3 million, increasing from \$13.0 million for the three months ended December 31, 2006. Included in the three-month period ended December 31, 2007 is \$3.0 million from KBSH and a gain of \$1.4 million on the sale of marketable securities. Other revenue also includes equity income from CI's U.S. interests totalling \$2.8 million for the three months ended December 31, 2007, an increase of \$1.1 million from the same period in the prior year.

Other revenue for the year ended December 31, 2007, was \$55.6 million, up from \$48.7 million for the twelve months ended December 31, 2006. KBSH contributed \$8.7 million to other revenue for the twelve months ended December 31, 2007. Equity income for the year ended December 31, 2007 was \$4.8 million, compared to \$2.6 million for the prior year.

The largest component of other revenue is redemption fees. Redemption fees were \$7.6 million and \$31.5 million for the respective three months and year ended December 31, 2007. In comparison, redemption fees were \$9.4 million and \$35.7 million for the three and twelve months ended December 31, 2006, respectively. The decrease in redemption fees over the comparative periods is a result of the decreased level of assets that are subject to redemption fees, and the aging of assets, which results in lower applicable redemption fee rates.

## Expenses

Selling, general and administrative (“SG&A”) expenses for the Asset Management segment were \$63.2 million for the three months ended December 31, 2007, an increase of 21% from \$52.4 million for the comparative period last year. For the year ended December 31, 2007, SG&A expenses were \$242.1 million, a decrease of 6% from \$257.9 million for the twelve months ended December 31, 2006. Included in SG&A are expenses relating to CI’s equity-based compensation plan. The equity-based compensation expense was \$4.8 million and \$12.1 million for the respective three months and year ended December 31, 2007, compared with an expense recovery of \$0.5 million and expense of \$43.7 million for the respective three and twelve months ended December 31, 2006.

At December 31, 2006, based on the price per CI trust unit of \$26.72, the potential payment on all vested equity-based compensation outstanding, plus the proportion of unvested amounts, was \$43.0 million. Based on the price per CI trust unit at December 31, 2007 of \$28.07, the equity-based compensation liability decreased by \$15.8 million to \$27.2 million. The decline in the liability was primarily a result of options exercised during the year ended December 31, 2007. Though CI acknowledges that the equity-based compensation expense is clearly a cost of business that is tied to the performance of CI’s trust unit price, the financial results presented hereinafter both include and exclude the expense to aid the reader in conducting a comparative analysis.

SG&A expenses net of the amount related to equity-based compensation (“net SG&A”) were \$58.4 million for the three months ended December 31, 2007 and \$52.9 million for the three months ended December 31, 2006. For the year ended December 31, 2007, net SG&A expenses were \$230.0 million, compared to \$214.2 million for the twelve months ended December 31, 2006. The increase from the prior year is due to the SG&A expenses related to KBSH and Lakeview and an increase in infrastructure commensurate with the growth in assets under management.

As a percentage of average retail assets under management, net SG&A expenses were 0.36% and 0.35% for the three months and year ended December 31, 2007, respectively. This compares with 0.35% for the three months ended December 31, 2006 and 0.37% for the twelve months ended December 31, 2006, and indicates that during the year, CI contained spending growth below growth in assets under management.

Trailer fees increased from \$89.1 million for the three months ended December 31, 2006 to \$97.5 million for the three months ended December 31, 2007. Net of intersegment amounts, this expense increased from \$85.8 million for the three-month period ended December 31, 2006 to \$93.8 million for the three-month period ended December 31, 2007. Trailer fees increased from \$335.4 million in the twelve months ended December 31, 2006 to \$384.0 million for the year ended December 31, 2007. Net of intersegment amounts, this expense increased from \$320.9 million for the twelve months ended December 31, 2006 to \$368.8 million for the year ended December 31, 2007.

The overall increase in trailer fees is consistent with the increase in assets under management and the movement towards a greater percentage of funds being sold on a front-end sales charge basis. For this type of fund, CI pays a higher trailer fee rate. In addition, older deferred sales charge assets have been converted to front-end units. As a percentage of average retail assets, trailer fees were 0.58% and 0.57% for the three months and year ended December 31, 2007, respectively, compared with 0.56% and 0.55% in the respective three and twelve months ended December 31, 2006.

For the three-month period ended December 31, 2007, CI's operating profit margin on the Asset Management segment, as a percentage of average retail assets under management and adjusted for equity-based compensation expense, was 1.046%, down from 1.099% for the same period last year. Similarly, for the year ended December 31, 2007, CI's operating profit margin was 1.068%, down from 1.094% for the twelve months ended December 31, 2006. This was a result of lower management fees and higher trailer fees.

Generally, the trend in CI's margins has been gradually downward. Increasing competition and changes in the product platforms through which an increasing amount of funds are sold have pushed management fee rates lower. The increase in trailer fees resulting from the change in sales mix towards front-end sales charge funds also contributed to the decline in margins. While CI has been able to reduce SG&A expenses in the past in order to mitigate the decline in its margins, there is no assurance that it can continue to do so.

Commissions paid from CI's cash resources on the sale of funds on a deferred sales charge basis are, for financial reporting purposes, amortized evenly over the 36 or 84 months immediately following the sale of the funds, for low-load or full-load deferred sales charges, respectively. The actual cash payment in any period is reported in the Consolidated Statements of Cash Flows under Investing Activities. Amortization of deferred sales commissions was \$32.1 million for the three months ended December 31, 2007, compared with \$25.6 million for the three months ended December 31, 2006. Amortization of deferred sales commissions was \$119.9 million for the year ended December 31, 2007, compared with \$93.3 million for the twelve months ended December 31, 2006. The increase is consistent with the increase in deferred sales commissions paid in the last four fiscal years and the change in amortization period from 36 to 84 months for full-load deferred sales commissions beginning in June 2003.

Other expenses increased from \$2.0 million and \$8.8 million for the respective three months and twelve months ended December 31, 2006 to \$7.9 million and \$18.7 million for the respective three months and year ended December 31, 2007. Included in other expenses are distribution fees to limited partnerships, which decreased to \$0.6 million for the three months ended December 31, 2007 from \$0.8 million for the comparative period last year. Other expenses also included \$4.5 million related to KBSH for the most recent three-month period, and \$10.6 million for the year ended December 31, 2007.

#### Operating Profit Margin

CI monitors its operating profitability on assets under management within its Asset Management segment by measuring the operating profit margin, which is defined as management fees from funds less trailer fees and SG&A expenses net of equity-based compensation expense, calculated as a percentage of average retail assets under management.

| <i>(as a % of average retail AUM)</i> | Three months ended |                   | Twelve months ended |                   |
|---------------------------------------|--------------------|-------------------|---------------------|-------------------|
|                                       | December 31, 2007  | December 31, 2006 | December 31, 2007   | December 31, 2006 |
| Management fees                       | 1.982              | 2.006             | 1.990               | 2.015             |
| Less:                                 |                    |                   |                     |                   |
| Trailer fees                          | 0.577              | 0.561             | 0.568               | 0.552             |
| Net SG&A expenses                     | 0.359              | 0.346             | 0.354               | 0.369             |
| Operating profit margin               | 1.046              | 1.099             | 1.068               | 1.094             |

## Asset Administration Segment

The Asset Administration segment includes the operating results and financial position of Blackmont and AWM and its subsidiaries, including Assante Capital Management Ltd. (“ACM”) and Assante Financial Management Ltd. (“AFM”).

### Results of Operations

The table that follows presents the operating results for the Asset Administration segment:

#### ASSET ADMINISTRATION SEGMENT

##### SUMMARY OF OPERATING RESULTS

| <i>(in millions)</i>   | Three months ended<br>December 31, 2007 | Three months ended<br>December 31, 2006 | Twelve months ended<br>December 31, 2007 | Twelve months ended<br>December 31, 2006 | Seven months ended<br>December 31, 2006 |
|--|---|---|--|--|---|
| Administration fees  | \$106.8                                 | \$63.2                                  | \$402.6                                  | \$245.2                                  | \$139.0                                 |
| Other revenue  | 4.3                                     | 2.0                                     | 14.3                                     | 8.8                                      | 4.4                                     |
| Total revenue  | 111.1                                   | 65.2                                    | 416.9                                    | 254.0                                    | 143.4                                   |
| Selling, general and administrative                              | 29.2                                    | 11.7                                    | 104.6                                    | 51.2                                     | 28.5                                    |
| Investment dealer fees   | 72.7                                    | 50.2                                    | 280.2                                    | 193.3                                    | 110.9                                   |
| Amortization of deferred sales<br>commissions and fund contracts | 0.4                                     | 0.4                                     | 1.5                                      | 1.5                                      | 0.9                                     |
| Other  | 0.5                                     | 0.1                                     | 7.2                                      | 0.9                                      | 0.2                                     |
| Total expenses   | 102.8                                   | 62.4                                    | 393.5                                    | 246.9                                    | 140.5                                   |
| Income before income taxes and<br>non-segmented items            | \$8.3                                   | \$2.8                                   | \$23.4                                   | \$7.1                                    | \$2.9                                   |

The Asset Administration segment had income before income taxes and non-segmented items of \$8.3 million for the three months ended December 31, 2007, up from \$2.8 million for the three months ended December 31, 2006. Income before income taxes and non-segmented items was \$23.4 million for the year ended December 31, 2007, up 230% from \$7.1 million for the twelve months ended December 31, 2006. The increase from the prior year for both the three-month and twelve-month periods is mainly due to the Blackmont acquisition.

### Revenues

Administration fees are earned on assets under administration in the AWM and Blackmont business and from the administration of third-party business. These fees were \$106.8 million for the three-month period ended December 31, 2007 (of which \$45.8 million related to Blackmont), an increase of 69% from the \$63.2 million for the same period last year. For the year ended December 31, 2007, administration fees were \$402.6 million, up 64% from \$245.2 million for the twelve months ended December 31, 2006. Blackmont contributed \$148.0 million for the year ended December 31, 2007. Net of intersegment amounts, administration fee revenue was \$81.3 million for the three months ended December 31, 2007, compared with \$37.3 million for the three months ended December 31, 2006. For the year ended December 31, 2007, net administration fee revenue was \$292.3 million, up from \$137.5 million for the twelve months ended December 31, 2006. The increase in administration fee revenue is due to the increase in assets under administration over the past year resulting from the inclusion of Blackmont. Administration fees should be considered in conjunction with investment dealer fees, an expense that represents the payout to financial advisors.

Other revenues earned by the Asset Administration segment are mainly comprised of interest income on cash balances and fees related to registered accounts. For the three months ended December 31, 2007, other revenues were \$4.3 million, increasing from \$2.0 million for three months ended December 31, 2006 as a result of \$2.0 million related to Blackmont. Other revenues were higher at \$14.3 million for the year ended December 31, 2007 relative to \$8.8 million for the twelve months ended December 31, 2006. The increase from the prior year was primarily due to Blackmont's contribution of \$4.4 million in other revenues.

### Expenses

Investment dealer fees are the direct costs attributable to the operation of the AWM and Blackmont dealerships, including payments to financial advisors and brokers based on the revenues generated from assets under administration. These fees were \$72.7 million for the three months ended December 31, 2007, an increase of 45% from \$50.2 million for the comparative period last year. For the three-month period ended December 31, 2007, dealer gross margin was \$34.1 million or 31.9% of administration fees, compared with \$13.0 million or 20.6% for the three-month period ended December 31, 2006.

For the year ended December 31, 2007, investment dealer fees were \$280.2 million on revenues of \$402.6 million, for a margin of \$122.4 million or 30.4%, up from a margin of 21.2% in the twelve months ended December 31, 2006.

The increase in gross margin as detailed in the table above is a result of the acquisition of Blackmont. The compensation directly tied to fee revenue is lower at Blackmont (where SG&A costs are generally paid by Blackmont) than the payouts to the financial advisors at AWM (where SG&A costs are generally borne by the advisor). These two businesses have different business models and therefore are operated separately, sharing only certain key infrastructure and services from CI. On the AWM side, advisors with large books of business are joining its ranks and the consolidation of books of business continues to lead to an increase in payout rates to the advisors.

Selling, general and administrative ("SG&A") expenses for the segment were \$29.2 million for the three months ended December 31, 2007, up from \$11.7 million for the same period last year. For the year ended December 31, 2007, SG&A expenses were \$104.6 million, up from \$51.2 million for the same period in 2006. SG&A increased primarily as a result of the Blackmont acquisition which contributed \$16.6 million and \$54.5 million in SG&A expenses for the respective three months and twelve months ended December 31, 2007.

#### 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.

| <i>(in millions)</i>   | Three months ended |                   | Twelve months ended |                   |
|------------------------|--------------------|-------------------|---------------------|-------------------|
|                        | December 31, 2007  | December 31, 2006 | December 31, 2007   | December 31, 2006 |
| Administration fees    | \$106.8            | \$63.2            | \$402.6             | \$245.2           |
| Less:                  |                    |                   |                     |                   |
| Investment dealer fees | 72.7               | 50.2              | 280.2               | 193.3             |
|                        | \$34.1             | \$13.0            | \$122.4             | \$51.9            |
| Dealer gross margin    | 31.9%              | 20.6%             | 30.4%               | 21.2%             |

## Liquidity and Capital Resources

The balance sheet for CI at December 31, 2007 reflects total assets of \$3.63 billion, an increase of \$887.1 million from \$2.74 billion at December 31, 2006. This is represented by an increase in current assets of \$587.9 million and an increase in long-term assets of \$299.2 million. The acquisition of Rockwater in the second quarter added \$683.0 million of these assets, mainly consisting of client and trust funds on deposit, accounts receivable and securities owned, at market that totalled \$575.5 million. CI's cash balance increased by \$33.2 million in the year ended December 31, 2007, primarily reflecting cash carried to meet capital requirements within Blackmont.

CI generates significant cash flows from its operations. Cash flow provided by operating activities was \$677.6 million for the year ended December 31, 2007. Excluding the change in working capital, cash flow from operations was \$673.3 million. Both levels of cash flow were sufficient to meet distributions during the period.

CI purchased \$34.1 million in marketable securities and disposed of \$27.2 million for a net increase of \$6.9 million in the year ended December 31, 2007. The fair value of marketable securities at December 31, 2007 was \$24.2 million. Marketable securities are comprised of seed capital investments in its funds and other strategic investments.

Accounts receivable and prepaid expenses increased to \$211.6 million from \$85.6 million at December 31, 2006, largely as a result of the acquisition of Rockwater. The future income tax asset decreased by \$5.8 million during the year as a result of the \$15.8 million decrease in the equity-based compensation liability.

Long-term assets increased primarily because of a \$17.9 million increase in management contracts and \$181.9 million increase in goodwill as a result of the Rockwater acquisition. In addition, deferred sales commissions increased by \$60.1 million, reflecting new sales commissions incurred of \$180.0 million net of \$119.9 million of amortization during the year ended December 31, 2007.

Liabilities increased by \$807.6 million during the year ended December 31, 2007. The main contributor to the increase was the consolidation of the liabilities from the Rockwater acquisition, including client and trust funds payable and accounts payable totalling over \$518.5 million. Current income taxes payable increased \$3.1 million. Future income taxes payable decreased by \$96.6 million mainly due to a reduction in future income tax rates, offset by higher deferred sales commissions paid compared to the amount amortized for the quarter. In addition, the equity-based compensation liability decreased by \$15.8 million, even though CI's unit price closed up \$1.35 on the year, reflecting fewer options outstanding at December 31, 2007.

CI drew \$351.8 million on its credit facility during the year ended December 31, 2007, increasing long-term debt. At December 31, 2007, CI had drawn \$927.9 million at an average rate of 4.90%, compared with \$576.1 million drawn at an average rate of 4.60% at December 31, 2006. Net of cash and marketable securities, debt was \$848.3 million at December 31, 2007, versus \$539.3 million at December 31, 2006.

Interest expenses of \$39.6 million were recorded for the year ended December 31, 2007, compared with \$20.2 million for the twelve months ended December 31, 2006. This increase in interest expenses reflects higher average debt levels. Principal repayments are only required under the facility should the bank decide not to renew the facility on its anniversary, in which case, the principal would be repaid in 48 equal monthly instalments. These payments would be payable beginning June 2008 should the bank not renew the facility. On June 14, 2007 and again on January 14, 2008, the facility was amended to increase the amount that may be borrowed by \$100 million. The current limit on the facility is \$1.1 billion.

CI's main uses of capital are the financing of deferred sales commissions, the payment of distributions on its Exchangeable LP units and Trust units, the funding of capital expenditures and the repurchase of Trust units through its normal course issuer bid program.

CI paid sales commissions of \$180.0 million in the year ended December 31, 2007. This compares to \$174.7 million in the twelve months ended December 31, 2006. The amount of deferred sales commissions incurred in the year ended December 31, 2007 relates to sales of back-end load units of approximately \$310 million per month.

During the year ended December 31, 2007, CI incurred capital expenditures of \$3.9 million, primarily for computer hardware and software.

Unitholders' equity increased \$79.5 million in the year ended December 31, 2007 that coincides with the \$72.4 million in unit capital issued in conjunction with the purchase of Rockwater. During the year, CI repurchased trust units, under its normal course issuer bid, in part to satisfy obligations under its deferred equity unit plan, at a cost of \$115.2 million. CI also issued unit capital from treasury to Sun Life Financial Inc. ("Sun Life"), a related party, and another financial institution for \$106.1 million. CI declared distributions of \$630.6 million (\$623.9 million paid), which exceeded net income for the year ended December 31, 2007 by \$5.5 million.



## Distributable Cash

CI is presenting analysis of its distributable cash in accordance with the recommendations provided in CICA's publication *Standardized Distributable Cash in Income Trusts and Other Flow-Through Entities: Guidance on Preparation and Disclosure*, as released in July 2007.

| <i>(in millions, except per unit amounts)</i>                        | Three months ended<br>December 31, 2007 | Year ended<br>December 31, 2007 | Since inception<br>June 30, 2006 to December 31, 2007 |
|--|---|---------------------------------|---|
| Cash flow from operating activities                                  | \$186.7                                 | \$677.6                         | \$932.1   |
| Less standardized items:   |   |                                 |   |
| Capital expenditures   | 1.7                                     | 3.9                             | 8.6   |
| Deferred sales commissions   | 41.0                                    | 180.0                           | 253.9   |
| Restrictions on distributions  | –                                       | –                               | –   |
| Standardized distributable cash                                      | 144.0                                   | 493.7                           | 669.6   |
| per unit   | 0.51                                    | 1.75                            | 2.37  |
| Add adjusting items:   |   |                                 |   |
| Growth portion of deferred sales commissions                         | 27.0                                    | 123.0                           | 166.9   |
| Equity-based compensation  | 1.7                                     | 17.9                            | 45.0  |
| Non-cash working capital change                                      | (12.7)                                  | (4.3)                           | 36.1  |
| Adjusted distribution base   | 160.0                                   | 630.3                           | 917.6   |
| per unit   | 0.565                                   | 2.229                           | 3.246   |
| Distributions paid   | 163.1                                   | 623.9                           | 908.8   |
| per unit   | 0.570                                   | 2.200                           | 3.205   |
| Cost of unit repurchases   | 81.9                                    | 115.2                           | 219.8   |
| Pay-out ratio on standardized distributable cash                     | 170%                                    | 150%                            | 169%  |
| Pay-out ratio on adjusted distribution base                          | 153%                                    | 117%                            | 123%  |
| Pay-out ratio on adjusted distribution base, net of unit repurchases | 102%                                    | 99%                             | 99%   |

The above calculation of standardized distributable cash is a simple measure of the cash available to be paid out to unitholders. It is intended to rely solely on items recorded in accordance with GAAP. The calculation starts with cash flows from operating activities less cash outlays in the period for tangible and intangible capital assets, which in CI's case includes capital expenditures and deferred sales commissions, and contractual limitations or restrictions on the distribution of cash in the period by virtue of a covenant within a debt agreement, of which CI has none.

CI believes that this measure, while standardized, does not capture the amount available to be distributed to unitholders and has therefore provided a calculation of an adjusted distribution base above. CI makes three adjustments, as set out below.

CI defines its productive capacity as its assets under management. This is split into two pools, front-end and back-end financed assets. Front-end financed assets do not require any investment by CI, whereas CI pays the commission to investment advisors for back-end financed assets. CI allocates a portion of its spending on deferred sales commissions as the amount required to replenish that productive capacity when back-end financed assets are redeemed by investors. Any incremental spend on deferred sales commissions is viewed as growing CI's productive capacity and is financed by debt, not out of current period cash flow.

CI also adjusts for the cash-settled component of equity-based compensation, on an after-tax basis. These amounts are the result of increases in the unit price of CI and could have been settled with units. It is therefore viewed as a financing item and is added towards the adjusted distribution base.

Other than moderate seasonal fluctuations, CI's business does not require incremental working capital at its current productive capacity; it is an amount that may grow with the growth of CI and would therefore be financed with debt. The change in working capital is therefore an additional adjustment in calculating the adjusted distribution base.

CI generally distributes most of its adjusted distribution base, with the view that the adjusting items are either expenditures related to growth in the business or other financing items to be considered in conjunction with the debt and equity components of CI's balance sheet.

The pay-out ratio on standardized distributable cash as set out in the table above includes the amount disbursed on the repurchase of units during the period. The pay-out ratio on the adjusted distribution base is calculated both with and without the unit repurchase amount. To date, all distributions paid have been on account of income. CI does not expect to make payments on account of capital, nor does it anticipate making payments on account of dividend.

CI's productive capacity, and therefore its ability to maintain distributions, is dependent on the amount of net sales of its funds (gross sales less redemptions) and the market performance of those funds. CI's strategy with respect to its productive capacity is to offer a wide range of products to investors, to continually enhance and develop products and to ensure the funds are managed by highly skilled portfolio managers. CI faces strong competition for investors, which it meets through providing excellent products at reasonable pricing, and margin pressure, which it offsets with increased economies of scale and efficiency in its operations.

Approximately one-third of CI's gross sales are back-end financed, and CI uses debt to finance about 70% of the deferred sales commissions paid thereon. Given the amount of required financing relative to the overall size of CI's enterprise value, CI has sufficient room to continue to finance this growth with debt. CI's current ratio of debt to EBITDA is 1.3 to 1. CI is comfortable with a ratio under 2 to 1 and has a long-term target of 1:1. It is forecast that over the next five years, absent acquisitions in which debt is increased, the amount of debt incurred to finance growth will fall below the amount of increase in EBITDA and the ratio of debt to EBITDA will trend lower.

CI is well within its financial covenants with respect to its credit facility, which require that the debt service ratio, currently at 3 times, remains above 1.5 and that the debt to EBITDA ratio remain below 2.25 to 1.

## Risk Factors

### Changes in Economic, Political and Market Conditions

CI's performance is directly affected by conditions in the financial markets 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 favourable 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 and ultimately CI's distributions.

### 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.

### 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 has 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 in the market or its current 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.

## Regulation of CI

Certain subsidiaries of CI are heavily regulated in almost 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. 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 trustees, 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.

## Interest Rate Risk

Debt outstanding is borrowed at a floating interest rate. The existing credit facility provides CI with the option of fixing interest rates, should CI change its view on its exposure to rising interest rates. Based on the amount borrowed under the facility on December 31, 2007, each 1% increase in interest rates would cost CI an additional \$9.3 million of interest expense annually.

## Related Party Transactions

Sun Life is a related party as a result of its ownership of 36.5% of CI's outstanding units. In fiscal 2003, in conjunction with the acquisition of Spectrum Investment Management Limited ("Spectrum") and Clarica Diversico Ltd. ("Diversico"), CI and Sun Life entered into an arrangement whereby, among other things, Sun Life would distribute CI's funds through Sun Life's sales force on a preferred basis and that CI would perform essentially all administrative and management services to Sun Life's Clarica and SunWise segregated funds. These activities are in the normal course of business for CI and Sun Life is compensated at normal commercial rates as a distributor of fund products as disclosed in the funds' prospectus or other offering documents. These payments are in the form of commissions on sales of funds on a deferred sales charge basis (\$46.4 million for the year ended December 31, 2007 versus \$42.6 million for the twelve months ended December 31, 2006) and trailer fees (\$101.7 million for the year ended December 31, 2007 versus \$85.5 million for the twelve months ended December 31, 2006).

## Unit Capital

As at December 31, 2007, CI had 134,713,468 Trust units and 146,800,535 Exchangeable LP units outstanding. The Exchangeable LP units may be exchanged for Trust units at any time.

At December 31, 2007, 2.9 million options to purchase Trust units were outstanding of which 2.1 million options were exercisable.

## Contractual Obligations

The table that follows summarizes CI's contractual obligations at December 31, 2007.

### PAYMENTS DUE BY PERIOD

| <i>(millions)</i> | Total   | Less than 1<br>year | 2       | 3       | 4       | 5       | 5 or more<br>years |
|-------------------|---------|---------------------|---------|---------|---------|---------|--------------------|
| Long-term debt    | \$927.9 | \$135.3             | \$232.0 | \$232.0 | \$232.0 | \$96.6  | —                  |
| Operating leases  | 65.5    | 19.0                | 14.2    | 10.8    | 7.2     | 5.6     | 8.7                |
| Total             | \$993.4 | \$154.3             | \$246.2 | \$242.8 | \$239.2 | \$102.2 | \$8.7              |

## Critical Accounting Estimates

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. For a discussion of all significant accounting policies, refer to Note 1 of the Notes to the Consolidated Financial Statements.

## Goodwill and Intangible Assets

At the time of acquisition, intangible assets are determined using estimates of fair value and goodwill is recorded as the excess of purchase price over identifiable assets acquired. CI performs impairment tests for goodwill and intangible assets at least annually. These tests involve estimates and assumptions. At December 31, 2007, there was no impairment to the carrying amounts nor would a reasonably likely change to material assumptions result in impairment. As well, the useful life of intangible assets is periodically reassessed and it has been determined that no change is required.

## Equity-based compensation

CI has an employee incentive unit option plan, which includes a cash settlement option. Compensation expense is recognized and recorded as a liability based upon the intrinsic value of outstanding unit options at the balance sheet date and the proportion of their vesting periods that have elapsed. On the exercise of unit options for cash, the liability recorded with respect to the options is reduced for the settlement. If unit options are exercised for units, the liability recorded with respect to the options and consideration paid by the option holders are credited to unit capital.

CI also has a deferred equity unit plan for senior executives, investment advisors and other key employees whereby deferred equity units ["DEU Awards"] are awarded 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 reduce compensation expense to the extent contributed surplus was previously recorded for such awards. On vesting of DEU Awards, unit capital is credited for the amounts initially recorded as contributed surplus to reflect the issuance of unit capital.

## Income Taxes

The current and future income tax assets and liabilities are recorded based on interpretation of tax legislation and assumptions about the realization and timing of future benefits and costs. A difference in interpretation by tax authorities or a change in timing or realization of reversals could result in higher or lower tax provisions.

## Deferred Sales Commissions

The commission paid on sales of low-load or full-load products are deferred and amortized over 36 or 84 months. This estimate matches the period over which redemption fees are payable by the investor in this type of product. The sum of these potential redemption fees, the terminal redemption value, is significantly greater than the balance of unamortized deferred sales commissions.

## Change in Accounting Policies

### Financial Instruments

On January 1, 2007, CI retroactively adopted, without restatement of prior periods, the Canadian Institute of Chartered Accountants Handbook Section 3855, *Financial Instruments – Recognition and Measurement*. Section 3855 requires that all financial assets be classified either as held-for-trading [“HFT”], available-for-sale [“AFS”], held-to-maturity [“HTM”], or loans and receivables, and that financial liabilities be classified either as 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 financial instruments where an active market does not exist, fair value is based on valuation techniques, unless it is an equity instrument classified as AFS, in which case it is measured at cost. 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. Changes in fair value for 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 for classifications other than AFS are reflected in earnings.

CI has determined the following classifications for financial instruments included in CI's accounts:

- Cash and cash equivalents are classified as HFT and measured at fair value.
- Client and trust funds on deposit and accounts receivable are classified as loans and receivables and measured at amortized cost.
- Other assets are classified as loans and receivables and measured at amortized cost, with the exception of a long-term investment asset classified as AFS and measured at fair value. The initial measurement gave rise to a transition adjustment to deficit, beginning of period of \$81 [net of income taxes of \$39].
- Marketable securities are classified as AFS and measured at fair value. The initial measurement resulted in an unrealized loss of \$230 [net of income taxes of \$119], reflected as the opening balance of accumulated other comprehensive income.
- Securities owned and sold short, at market, are classified as HFT and measured at fair value.
- Accounts payable, client and trust funds payable, long-term debt and preferred shares issued by subsidiary are classified as other financial liabilities and measured at amortized cost.

### Comprehensive Income

On January 1, 2007, CI retroactively adopted, without restatement of prior periods, CICA Section 1530 – *Comprehensive Income*. Section 1530 introduces standards for the reporting and disclosure of comprehensive income. Comprehensive income includes all changes to unitholders' equity other than those resulting from investments by owners and distributions to owners and is presented in the consolidated statement of income and comprehensive income. In addition to net income, it includes other comprehensive income such as, unrealized gains and losses on financial assets classified as AFS .

### Future Accounting Changes

On January 1, 2008, CI will adopt CICA Handbook Section 1535, *Capital Disclosures*, Section 3862, *Financial Instruments – Disclosures* and Section 3863, *Financial Instruments – Presentation*.

CICA Section 1535 requires the disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

CICA Section 3862 and CICA Section 3863 enhance disclosures to enable users to evaluate the significance of financial instruments, the nature and extent of risks arising from financial instruments and how an entity manages such risks. The new standards require specific qualitative and quantitative disclosures about each type of risk. This includes new requirements to quantify certain risk exposures and to provide sensitivity analysis for some risks.

These standards require significant new disclosures in the notes to the consolidated financial statements. However, they are not expected to have a significant impact on the financial position or results of operations of CI.

### Disclosure Controls and Internal Controls Over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer, together with management, have designed and evaluated the effectiveness of CI's disclosure controls and procedures as at December 31, 2007. They have concluded that they are reasonably assured these disclosure controls and procedures, as defined in Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, were effective and that material information relating to CI was made known to them within the time periods specified under applicable securities legislation.

Management has designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP. Management has evaluated and concluded that there were no changes that materially affect, or are reasonably likely to materially affect, CI's design of internal controls over financial reporting during the year ended December 31, 2007.

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*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](http://www.sedar.com).*

## Management's Report To Unitholders

Management of CI Financial Income Fund ["CI"] is responsible for the integrity and objectivity of the consolidated financial statements and all other information contained in this document. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and are based on management's best information and judgment.

In fulfilling its responsibilities, management has developed internal control systems and procedures designed to provide reasonable assurance that CI's assets are safeguarded, that transactions are executed in accordance with appropriate authorization, and that accounting records may be relied upon to properly reflect CI's business transactions.

The Audit Committee of the Board of Trustees is composed of outside directors who meet periodically and independently with management and the auditors to discuss CI's financial reporting and internal control. The Audit Committee reviews the results of the audit by the auditors and their audit report prior to submitting the consolidated financial statements to the Board of Trustees for approval. The external auditors have unrestricted access to the Audit Committee.

Management recognizes its responsibility to conduct CI's affairs in the best interests of its unitholders.



William T. Holland  
Chief Executive Officer



Douglas J. Jamieson  
Chief Financial Officer



## Auditors' Report

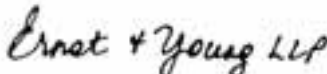
To the Unitholders of  
**CI Financial Income Fund**

We have audited the consolidated balance sheets of **CI Financial Income Fund** ("CI") as at December 31, 2007 and 2006 and May 31, 2006 and the consolidated statements of income and comprehensive income, changes in unitholders' equity, and cash flows for the year ended December 31, 2007, the seven-month period ended December 31, 2006, and the year ended May 31, 2006. These financial statements are the responsibility of CI's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of CI as at December 31, 2007 and 2006, and May 31, 2006, and the results of its operations and its cash flows for the year ended December 31, 2007, the seven-month period ended December 31, 2006, and the year ended May 31, 2006 in accordance with Canadian generally accepted accounting principles.

Toronto, Canada,  
February 13, 2008

  
Chartered Accountants  
Licensed Public Accountants

## CONSOLIDATED BALANCED SHEETS

(in thousands of dollars)

|  | As at<br>December 31, 2007<br>\$ | As at<br>December 31, 2006<br>\$ | As at<br>May 31, 2006<br>\$ |
|--|----------------------------------|----------------------------------|-----------------------------|
| <b>■ ASSETS</b>  |                                  |                                  |                             |
| <b>Current</b>   |                                  |                                  |                             |
| Cash and cash equivalents  | 55,406                           | 22,210                           | 98,648                      |
| Client and trust funds on deposit  | 429,016                          | 76,058                           | 78,750                      |
| Securities owned, at market <i>[note 3 (a)]</i>  | 69,532                           | –                                | –                           |
| Marketable securities  | 24,222                           | 14,595                           | 27,113                      |
| Accounts receivable and prepaid expenses <i>[note 3 (b)]</i>   | 211,629                          | 85,588                           | 91,916                      |
| Income taxes recoverable   | 2,348                            | –                                | 1,299                       |
| Future income taxes <i>[note 13]</i>   | 8,756                            | 14,572                           | 35,960                      |
| <b>Total current assets</b>  | <b>800,909</b>                   | <b>213,023</b>                   | <b>333,686</b>              |
| Capital assets <i>[note 4]</i>   | 34,938                           | 32,728                           | 34,355                      |
| Deferred sales commissions, net of accumulated amortization of \$445,858<br>[December 31, 2006 – \$458,706; May 31, 2006 - \$401,180] <i>[note 12]</i> | 540,492                          | 480,388                          | 451,520                     |
| Fund contracts <i>[note 5]</i>   | 1,019,436                        | 1,003,022                        | 1,004,774                   |
| Goodwill <i>[note 2]</i>   | 1,132,926                        | 951,026                          | 951,026                     |
| Other assets <i>[note 6]</i>   | 97,848                           | 59,215                           | 49,469                      |
|  | <b>3,626,549</b>                 | <b>2,739,402</b>                 | <b>2,824,830</b>            |
| <b>■ LIABILITIES AND UNITHOLDERS' EQUITY</b>   |                                  |                                  |                             |
| <b>Current</b>   |                                  |                                  |                             |
| Accounts payable and accrued liabilities <i>[notes 3(b),12]</i>  | 230,371                          | 115,241                          | 101,779                     |
| Distribution payable <i>[note 10]</i>  | 107,636                          | 100,848                          | 17,141                      |
| Client and trust funds payable   | 472,201                          | 76,058                           | 78,750                      |
| Securities sold short, at market <i>[note 3 (a)]</i>   | 28,354                           | –                                | –                           |
| Income taxes payable   | 16,521                           | 13,452                           | 42,567                      |
| Equity-based compensation <i>[note 9(b)(e)]</i>  | 27,151                           | 42,998                           | 94,187                      |
| Deferred revenue   | –                                | –                                | 3,199                       |
| Current portion of long-term debt <i>[note 7]</i>  | 135,325                          | 84,009                           | –                           |
| <b>Total current liabilities</b>   | <b>1,017,559</b>                 | <b>432,606</b>                   | <b>337,623</b>              |
| Long-term debt <i>[note 7]</i>   | 792,616                          | 492,054                          | 417,129                     |
| Preferred shares issued by subsidiary <i>[note 8]</i>  | 18,740                           | –                                | –                           |
| Future income taxes <i>[note 13]</i>   | 346,967                          | 443,614                          | 525,114                     |
| <b>Total liabilities</b>   | <b>2,175,882</b>                 | <b>1,368,274</b>                 | <b>1,279,866</b>            |
| Commitments and contingencies <i>[note 15]</i>   |                                  |                                  |                             |
| <b>Unitholders' equity</b>   |                                  |                                  |                             |
| Unit capital <i>[note 9(a)]</i>  | 1,788,501                        | 1,652,472                        | 1,685,073                   |
| Contributed surplus  | 39,300                           | –                                | –                           |
| Deficit  | (377,983)                        | (281,344)                        | (140,109)                   |
| Accumulated other comprehensive income   | 849                              | –                                | –                           |
| <b>Total unitholders' equity</b>   | <b>1,450,667</b>                 | <b>1,371,128</b>                 | <b>1,544,964</b>            |
|  | <b>3,626,549</b>                 | <b>2,739,402</b>                 | <b>2,824,830</b>            |

(see accompanying notes)

On behalf of the Board of Trustees:



William T. Holland  
Trustee



G. Raymond Chang  
Trustee

## CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(in thousands of dollars, except per unit amounts)

|   | Year ended<br>December 31, 2007 | Seven-month period ended<br>December 31, 2006 | Year ended<br>May 31, 2006 |
|---|---------------------------------|---|----------------------------|
|   | \$                              | \$  | \$                         |
| <b>REVENUE</b>  |                                 |   |                            |
| Management fees   | 1,292,726                       | 693,759                                       | 1,110,019                  |
| Administration fees   | 292,297                         | 79,805  | 131,781                    |
| Redemption fees   | 31,521                          | 19,909  | 40,165                     |
| Gain (loss) on sale of marketable securities  | 1,698                           | ( 19)   | 12,983                     |
| Other income <i>[note 6]</i>  | 36,665                          | 11,515  | 28,480                     |
|   | <b>1,654,907</b>                | <b>804,969</b>                                | <b>1,323,428</b>           |
| <b>EXPENSES</b>   |                                 |   |                            |
| Selling, general and administrative <i>[note 9(b)(c)(e)]</i>                            | 346,695                         | 147,795                                       | 353,622                    |
| Trailer fees <i>[note 12]</i>   | 368,845                         | 193,348                                       | 290,982                    |
| Investment dealer fees  | 189,132                         | 61,183  | 99,347                     |
| Amortization of deferred sales commissions and fund contracts                           | 123,478                         | 59,278  | 82,021                     |
| Interest <i>[note 7]</i>  | 39,598                          | 13,600  | 13,932                     |
| Other <i>[note 6]</i>   | 25,866                          | 6,153   | 8,882                      |
|   | <b>1,093,614</b>                | <b>481,357</b>                                | <b>848,786</b>             |
| Income before income taxes  | 561,293                         | 323,612                                       | 474,642                    |
| Provision for (recovery of) income taxes <i>[note 13]</i>                               |                                 |   |                            |
| Current   | 7,427                           | 29,055  | 146,378                    |
| Future  | (71,189)                        | (60,112)                                      | 19,226                     |
|   | <b>(63,762)</b>                 | <b>(31,057)</b>                               | <b>165,604</b>             |
| Net income for the period   | 625,055                         | 354,669                                       | 309,038                    |
| Other comprehensive income, net of tax  |                                 |   |                            |
| Unrealized gain on available-for-sale financial assets,<br>net of income taxes of \$282 | 1,079                           | —   | —                          |
| Total other comprehensive income, net of tax  | 1,079                           | —   | —                          |
| Comprehensive income  | 626,134                         | 354,669                                       | 309,038                    |
| Basic and diluted earnings per unit <i>[note 9(f)]</i>                                  | \$2.21                          | \$1.25  | \$1.08                     |

*(see accompanying notes)*

**CONSOLIDATED STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY**

(in thousands of dollars)

|   | Year ended<br>December 31, 2007<br>\$ | Seven-month period ended<br>December 31, 2006<br>\$ | Year ended<br>May 31, 2006<br>\$ |
|---|---------------------------------------|---|----------------------------------|
| <b>■ UNIT CAPITAL [note 9(a)]</b>                                     |                                       |   |                                  |
| Balance, beginning of period  | 1,652,472                             | 1,685,073   | 1,690,663                        |
| Issuance of unit capital  | 178,615                               | 157   | 120                              |
| Issuance of unit capital on vesting of deferred equity units          | 1,994                                 | -   | -                                |
| Unit repurchase   | (21,292)                              | (32,758)  | (5,710)                          |
| Unit repurchase for deferred equity unit plan                         | (23,288)                              | -   | -                                |
| <b>Balance, end of period</b>   | <b>1,788,501</b>                      | <b>1,652,472</b>                                    | <b>1,685,073</b>                 |
| <b>■ CONTRIBUTED SURPLUS [note 9(a)(c)(d)]</b>                        |                                       |   |                                  |
| Balance, beginning of period  | -                                     | -   | -                                |
| Conversion of Rockwater deferred stock units                          | 27,338                                | -   | -                                |
| Compensation expense for deferred equity unit plan                    | 13,956                                | -   | -                                |
| Issuance of unit capital on vesting of deferred equity units          | (1,994)                               | -   | -                                |
| <b>Balance, end of period</b>   | <b>39,300</b>                         | <b>-</b>  | <b>-</b>                         |
| <b>■ DEFICIT</b>  |                                       |   |                                  |
| Balance, beginning of period  | (281,344)                             | (140,109)   | (217,901)                        |
| Transition adjustment on adoption of new accounting policies [note 1] | (81)                                  | -   | -                                |
| Net income for the period   | 625,055                               | 354,669   | 309,038                          |
| Cost of units repurchased in excess of stated value [note 9(a)]       | (91,003)                              | (110,262)   | (13,841)                         |
| Distributions declared [note 10]                                      | (630,610)                             | (385,642)   | (217,405)                        |
| <b>Balance, end of period</b>   | <b>(377,983)</b>                      | <b>(281,344)</b>                                    | <b>(140,109)</b>                 |
| <b>■ ACCUMULATED OTHER COMPREHENSIVE INCOME</b>                       |                                       |   |                                  |
| Balance, beginning of period  | -                                     | -   | -                                |
| Transition adjustment on adoption of new accounting policies [note 1] | ( 230)                                | -   | -                                |
| Other comprehensive income  | 1,079                                 | -   | -                                |
| <b>Balance, end of period</b>   | <b>849</b>                            | <b>-</b>  | <b>-</b>                         |
| <b>Net change in unitholders' equity during the period</b>            | <b>79,539</b>                         | <b>(173,836)</b>                                    | <b>72,202</b>                    |
| Unitholders' equity, beginning of period                              | 1,371,128                             | 1,544,964   | 1,472,762                        |
| <b>Unitholders' equity, end of period</b>                             | <b>1,450,667</b>                      | <b>1,371,128</b>                                    | <b>1,544,964</b>                 |

(see accompanying notes)

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of dollars)

|   | Year ended<br>December 31, 2007<br>\$ | Seven-month period ended<br>December 31, 2006<br>\$ | Year ended<br>May 31, 2006<br>\$ |
|---|---------------------------------------|---|----------------------------------|
| <b>■ OPERATING ACTIVITIES</b>   |                                       |   |                                  |
| Net income for the period   | 625,055                               | 354,669   | 309,038                          |
| Add (deduct) items not involving cash   |                                       |   |                                  |
| Loss (gain) on sale of marketable securities  | (1,698)                               | 19  | (12,983)                         |
| Gain on sale of fund contracts  | —                                     | —   | (2,100)                          |
| Equity-based compensation   | (15,847)                              | (41,197)  | 38,743                           |
| Amortization of deferred sales commissions and fund contracts   | 123,478                               | 59,278  | 82,021                           |
| Amortization of other   | 13,500                                | 7,029   | 6,820                            |
| Future income taxes   | (71,189)                              | (60,112)  | 19,226                           |
|   | 673,299                               | 319,686   | 440,765                          |
| Net change in non-cash working capital<br>balances related to operations  | 4,312                                 | (21,834)  | (23,022)                         |
| <b>Cash provided by operating activities</b>  | <b>677,611</b>                        | <b>297,852</b>                                      | <b>417,743</b>                   |
| <b>■ INVESTING ACTIVITIES</b>   |                                       |   |                                  |
| Purchase of marketable securities   | (34,125)                              | (11,680)  | (65,834)                         |
| Proceeds on sale of marketable securities   | 27,207                                | 24,179  | 128,858                          |
| Additions to capital assets   | (3,943)                               | (4,785)   | (21,198)                         |
| Deferred sales commissions paid   | (179,998)                             | (86,394)  | (181,142)                        |
| Additions to other assets   | (481)                                 | (9,746)   | (14,584)                         |
| Cash paid on acquisition, including transaction costs,<br>net of cash and cash equivalents acquired <i>[note 2]</i> | (137,271)                             | —   | —                                |
| <b>Cash used in investing activities</b>  | <b>(328,611)</b>                      | <b>(88,426)</b>                                     | <b>(153,900)</b>                 |
| <b>■ FINANCING ACTIVITIES</b>   |                                       |   |                                  |
| Increase in long-term debt  | 351,878                               | 158,934   | 26,195                           |
| Repurchase of unit capital <i>[note 9[a]]</i>   | (115,222)                             | (143,020)   | (19,551)                         |
| Issuance of unit capital <i>[note 9[a]]</i>   | 106,252                               | 157   | 120                              |
| Repayment of short-term borrowing   | (34,775)                              | —   | —                                |
| Distributions paid to unitholders <i>[note 10]</i>  | (623,937)                             | (301,935)   | (200,264)                        |
| <b>Cash used in financing activities</b>  | <b>(315,804)</b>                      | <b>(285,864)</b>                                    | <b>(193,500)</b>                 |
| <b>Net increase (decrease) in cash during the period</b>  | <b>33,196</b>                         | <b>(76,438)</b>                                     | <b>70,343</b>                    |
| Cash, beginning of period   | 22,210                                | 98,648  | 28,305                           |
| <b>Cash, end of period</b>  | <b>55,406</b>                         | <b>22,210</b>                                       | <b>98,648</b>                    |
| <b>■ SUPPLEMENTAL CASH FLOW INFORMATION</b>   |                                       |   |                                  |
| Interest paid   | 36,842                                | 13,934  | 13,288                           |
| Income taxes paid   | 13,421                                | 59,496  | 124,766                          |

*(see accompanying notes)*

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of dollars, except per unit amounts)

December 31, 2007 and 2006, and May 31, 2006

CI Financial Income Fund ["CI"] is an unincorporated open-ended limited purpose trust established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated May 18, 2006. 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. CI also participates in the underwriting of securities transactions, institutional sales and principal trading.

On June 30, 2006, CI Financial Inc. converted, by way of a Plan of Arrangement [the "Conversion"], to an income trust known as CI. Under the Conversion, shareholders of CI Financial Inc. exchanged each of their common shares for one trust unit ["Trust unit"] of CI; or one Class B limited partner unit of Canadian International LP ["Exchangeable LP unit"] and one special voting unit of CI. Each Exchangeable LP unit is exchangeable into one Trust unit.

In conjunction with the Conversion to an income trust, CI's year-end has been changed from May 31 to December 31. These consolidated financial statements have been prepared using the continuity of interest of CI in the assets, liabilities and operations of CI Financial Inc. The comparative consolidated balance sheet as at May 31, 2006 includes the assets and liabilities of CI Financial Inc. at book values. The consolidated statements of income and comprehensive income, changes in unitholders' equity and cash flows for the year ended May 31, 2006 and the seven-month period ended December 31, 2006 include the results of operations and cash flows of CI Financial Inc. since its inception.

These consolidated financial statements reflect CI as an income trust subsequent to June 30, 2006 and as a corporation prior to the Conversion to an income trust. All references to "units" refer collectively to the Trust units and the Exchangeable LP units subsequent to June 30, 2006 and to common shares prior to the conversion. All references to "unitholders" refer collectively to holders of Trust units and holders of Exchangeable LP units subsequent to June 30, 2006 and to common shareholders prior to Conversion.

### 1. Summary of Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

#### Basis of presentation

The consolidated financial statements include the accounts of CI, CI Investments Inc. ["CI Investments"], United Financial Corporation ["United"], Assante Wealth Management (Canada) Ltd. ["AWM"], Blackmont Capital Inc. ["Blackmont"] [formerly Rockwater Capital Corporation] and their subsidiaries. The consolidated financial statements also include the assets and liabilities and results of operations of variable interest entities where CI is the primary beneficiary. Hereinafter, CI and its subsidiaries are referred to as CI.

#### Revenue recognition

Management fees are based upon the net asset value of the respective funds and are recognized on an accrual basis. Management fees received in advance of amounts earned are disclosed separately as deferred revenue.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of dollars, except per unit amounts)

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, investment banking revenue, which is recorded when earned and is typically the prospectus receipt date, and advisory fees, which are recorded when the services related to the underlying engagements are completed. In addition, administration fees include the realized and unrealized gains and losses on securities owned and sold short that are freely tradable.

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.

### 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 Dealers Association of Canada 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.

### Securities owned and sold short

Securities owned and sold short, which are freely tradable, are recorded at market value and any unrealized gain or loss is included in administration fees income. Market value is based on quoted prices, where active markets exist. For securities in non-active markets, market value is based on valuation techniques and management's best estimate of fair value.

### Marketable securities

Marketable securities consist of investments in mutual fund securities and publicly traded companies. Prior to the adoption of CICA Section 3855, these investments were carried at the lower of cost and market value and gains and losses on their disposition were recognized using average cost and recorded in net income. As of January 1, 2007, marketable securities are classified as available-for-sale assets and are measured at fair value using quotations in an active market. Realized and unrealized gains and losses are recognized using average cost. Unrealized gains and losses in the fair value of marketable securities are recorded as other comprehensive income until disposed of, at which time any gain or loss is recorded in net income.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of dollars, except per unit amounts)

### Collateralized securities transactions

Securities purchased under agreements to resell [“reverse repurchase agreements”] are accounted for as collateralized lending transactions and are recorded at their initial contractual amounts plus accrued interest. Interest earned on the reverse repurchase agreements is included in other income. CI’s policy is to obtain possession of collateral with a market value equal to or in excess of the principal amount loaned under resale agreements. Collateral is valued daily and CI may require counterparties to deposit additional collateral or return collateral pledged, when appropriate, to ensure that the market value of the underlying collateral remains sufficient. Substantially all reverse repurchase agreement activities are transacted under master netting agreements that give CI the right, in the event of default, to liquidate collateral held and to set off receivables and payables with the same counterparty.

CI uses securities lending and borrowing primarily to facilitate the securities settlement process. These arrangements are typically short-term in nature, with interest being received on the cash delivered. These transactions are collateralized by either cash or securities and are subject to daily margin calls for any deficiency between the market value of the security given and the amount of collateral received. CI manages its credit exposure by establishing and monitoring aggregate limits by counterparty for these transactions. Interest earned on cash collateral is based on a negotiated rate and is included in other income.

### Capital assets

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

|                        |   |
|------------------------|---|
| Computer hardware      | 30% declining balance or straight-line over three to four years     |
| Computer software      | Straight-line over two to four years                                |
| Office equipment       | 20% declining balance or straight-line over five years to ten 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 recorded net of any write-down for impairment. CI evaluates the carrying value of deferred sales commissions for potential impairment based on estimated discounted future cash flows from fees earned on the related mutual fund securities. Deferred sales commissions are amortized on a straight-line basis over 84 months from the date recorded, except for low-load mutual fund securities, which are amortized on a straight-line basis over 36 months.

### 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 based on estimated discounted future cash flows. 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.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of dollars, except per unit amounts)

### Goodwill

Goodwill is recorded as the excess of purchase price over identifiable assets acquired. CI evaluates the carrying value of goodwill for each segment for potential impairment based on comparison to the allocated market capitalization by segment. If this test indicates a potential impairment for any segment, the carrying value of goodwill is evaluated against estimated discounted future cash flows for that segment. 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.

### Equity-based compensation

CI has an employee incentive unit option plan, which includes a cash settlement option. Compensation expense is recognized and recorded as a liability based upon the intrinsic value of outstanding unit options at the balance sheet date and the proportion of their vesting periods that have elapsed. On the exercise of unit options for cash, the liability recorded with respect to the options is reduced for the settlement. If unit options are exercised for units, the liability recorded with respect to the options and consideration paid by the option holders are credited to unit capital.

CI also has a deferred equity unit plan for senior executives, investment advisors 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 reduce compensation expense to the extent contributed surplus was previously recorded for such awards. On vesting of DEU Awards, unit capital is credited for the amounts initially recorded as contributed surplus to reflect the issuance of unit capital.

### Compensation trust

CI uses a compensation trust, which holds CI's Trust units, to fulfill obligations to employees arising from CI's deferred equity unit plan. CI is the primary beneficiary of the trust and therefore, the trust is consolidated in accordance with the principles of CICA Section 1590, *Subsidiaries*.

### Income taxes

The liability method of tax allocation is used in accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial reporting and tax bases 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.

### Earnings per unit

The treasury stock method is used in the calculation of per unit amounts. Basic earnings per unit is determined by dividing net income by the weighted average number of units outstanding during the period. Diluted earnings per unit is determined by adjusting the weighted average number of units outstanding for the dilutive effect of DEU Awards under the deferred equity unit plan. The employee incentive unit option plan does not have a dilutive effect on earnings per unit as CI accounts for its unit options as a liability.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of dollars, except per unit amounts)

### 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.

### Use of estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

### Change in accounting policy

On January 1, 2007, CI retroactively adopted, without restatement of prior periods, the Canadian Institute of Chartered Accountants Handbook Section 1530, *Comprehensive Income*; Section 3855, *Financial Instruments – Recognition and Measurement*; and Section 3865, *Hedges*.

CICA Section 3855 requires that all financial assets be classified either as held-for-trading [“HFT”], available-for-sale [“AFS”], held-to-maturity [“HTM”], or loans and receivables, and that financial liabilities be classified either as 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 financial instruments where an active market does not exist, fair value is based on valuation techniques, unless it is an equity instrument classified as AFS, in which case it is measured at cost. 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 and recognized in other income or interest expense, as applicable. Changes in fair value for 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 for classifications other than AFS are reflected in earnings.

CI has determined the following classifications for financial instruments included in CI’s accounts:

- Cash and cash equivalents are classified as HFT and measured at fair value.
- Client and trust funds on deposit and accounts receivable are classified as loans and receivables and measured at amortized cost.
- Other assets are classified as loans and receivables and measured at amortized cost, with the exception of a long-term investment asset classified as AFS and measured at fair value. The initial measurement gave rise to a transition adjustment to deficit, beginning of period of \$81 [net of income taxes of \$39].
- Marketable securities are classified as AFS and measured at fair value. The initial measurement resulted in an unrealized loss of \$230 [net of income taxes of \$119], reflected as the opening balance of accumulated other comprehensive income.
- Securities owned and sold short, at market, are classified as HFT and measured at fair value.
- Accounts payable, client and trust funds payable, long-term debt and preferred shares issued by subsidiary are classified as other financial liabilities and measured at amortized cost.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of dollars, except per unit amounts)

CICA Section 1530 introduces standards for the reporting and disclosure of comprehensive income. Comprehensive income includes all changes to unitholders' equity other than those resulting from investments by owners and distributions to owners and is presented in the consolidated statement of income and comprehensive income. In addition to net income, it includes other comprehensive income, such as unrealized gains and losses on financial assets classified as AFS and other changes from non-owner sources. Accumulated other comprehensive income is presented in the consolidated statement of unitholders' equity.

CICA Section 3865 sets standards on when and how hedge accounting may be applied.

### 2. Business Acquisition

On April 4, 2007, CI acquired control of Rockwater Capital Corporation ["Rockwater"], a full service investment dealer and portfolio management company, and completed its acquisition of all the outstanding shares during the second quarter of 2007. The acquisition was accounted for using the purchase method and the results of operation have been consolidated from the date of the transaction.

As consideration, CI paid \$150,251 in cash and issued 2,631,784 in total of Trust units and Exchangeable LP units. The Trust units and Exchangeable LP units of CI issued as consideration were valued at \$27.50 per unit, the weighted average price over the five trading days prior to the initial April 2, 2007 expiry date of the offer to purchase.

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

|  | <b>\$</b> |
|--|-----------|
| Cash and cash equivalents                | 15,487    |
| Client and trust funds on deposit        | 389,839   |
| Accounts receivable and prepaid expenses | 121,919   |
| Securities owned                         | 63,707    |
| Capital assets                           | 12,813    |
| Future income taxes                      | 19,642    |
| Fund management contracts                | 20,000    |
| Other assets                             | 37,105    |
| Accounts payable and accrued liabilities | (120,780) |
| Client and trust funds payable           | (397,676) |
| Securities sold short                    | (22,956)  |
| Short-term borrowing                     | (34,775)  |
| Other liabilities                        | (43,004)  |
| Preferred shares issued by subsidiary    | (18,100)  |
| Goodwill on acquisition                  | 181,900   |
|  | 225,121   |

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

|  | <b>\$</b> |
|--|-----------|
| Cash                                     | 150,251   |
| CI Trust units and Exchangeable LP units | 72,363    |
| Transaction costs                        | 2,507     |
|  | 225,121   |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of dollars, except per unit amounts)

The acquired fund management contracts include management contracts with an indefinite life valued at \$4,500 and management contracts valued at \$15,500, which is being amortized over its finite life of 20 years.

The goodwill on acquisition is not deductible for income tax purposes. Goodwill of \$43,400 relates to the Asset Management segment and \$138,500 relates to the Asset Administration segment.

Included in other liabilities at the date of acquisition are accruals for severance and exit costs of \$19,000, of which \$12,233 has been paid as at December 31, 2007.

### 3. Current Assets and Liabilities

#### [a] Securities owned and sold short

Securities owned and sold short consist of the following as at December 31, 2007:

|                               | Securities owned<br>\$ | Securities sold short<br>\$ |
|-------------------------------|------------------------|-----------------------------|
| Money market instruments      | 13,589                 | –                           |
| Corporate and government debt | 41,121                 | 27,089                      |
| Equity securities             | 14,822                 | 1,265                       |
|                               | 69,532                 | 28,354                      |

As at December 31, 2007, corporate and government debt maturities range from 2008 to 2034 and bear interest at rates ranging from 2.70% to 12.75%.

#### [b] Securities lending and borrowing and reverse repurchase agreements

Securities lending and borrowing and reverse repurchase agreements consist of the following as at December 31, 2007:

|                                  | Cash                                       |   | Securities                                  |  |
|----------------------------------|--|---|---|--|
|                                  | Loaned or delivered<br>as collateral<br>\$ | Borrowed or received<br>as collateral<br>\$ | Borrowed or received<br>as collateral<br>\$ | Loaned or delivered<br>as collateral<br>\$ |
| Securities lending and borrowing | 46,780                                     | 23,828                                      | 46,481                                      | 21,224                                     |
| Reverse repurchase agreements    | 38,477                                     | –   | 38,498                                      | –  |

CI uses securities lending and borrowing and reverse purchase agreements primarily to facilitate the securities settlement process. These transactions are typically short-term in nature, fully collateralized by either cash or securities and are subject to daily margin calls for any deficiency between the market value of the security given and the amount of collateral received. CI manages its credit exposure by establishing and monitoring aggregate limits by counterparty for these transactions. Cash loaned or delivered as collateral is included in accounts receivable and cash borrowed or received as collateral is included in accounts payable.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of dollars, except per unit amounts)

**4. Capital Assets**

Capital assets consist of the following as at period end:

|                                | December 31, 2007 |                             | December 31, 2006 |                             | May 31, 2006  |                             |
|--------------------------------|-------------------|-----------------------------|-------------------|-----------------------------|---------------|-----------------------------|
|                                | Cost              | Accumulated<br>amortization | Cost              | Accumulated<br>amortization | Cost          | Accumulated<br>amortization |
|                                | \$                | \$                          | \$                | \$                          | \$            | \$                          |
| Computer hardware and software | 29,391            | 20,098                      | 40,249            | 26,143                      | 39,230        | 21,095                      |
| Office equipment               | 13,059            | 6,909                       | 10,459            | 8,042                       | 10,215        | 7,598                       |
| Leasehold improvements         | 26,914            | 7,419                       | 21,082            | 4,877                       | 17,560        | 3,957                       |
|                                | 69,364            | 34,426                      | 71,790            | 39,062                      | 67,005        | 32,650                      |
| Less accumulated amortization  | 34,426            |                             | 39,062            |                             | 32,650        |                             |
| <b>Net book value</b>          | <b>34,938</b>     |                             | <b>32,728</b>     |                             | <b>34,355</b> |                             |

**5. Fund Contracts**

Fund contracts consist of the following as at period end:

|   | December 31, 2007 |                             | December 31, 2006 |                             | May 31, 2006     |                             |
|---|-------------------|-----------------------------|-------------------|-----------------------------|------------------|-----------------------------|
|   | Cost              | Accumulated<br>amortization | Cost              | Accumulated<br>amortization | Cost             | Accumulated<br>amortization |
|   | \$                | \$                          | \$                | \$                          | \$               | \$                          |
| Fund administration contracts             | 37,600            | 6,040                       | 37,600            | 4,535                       | 37,600           | 3,658                       |
| Fund management contracts <i>[note 2]</i> |                   |                             |                   |                             |                  |                             |
| Finite life                               | 27,500            | 6,706                       | 12,000            | 4,625                       | 12,000           | 3,750                       |
| Indefinite life                           | 967,082           | –                           | 962,582           | –                           | 962,582          | –                           |
|   | 1,032,182         | 12,746                      | 1,012,182         | 9,160                       | 1,012,182        | 7,408                       |
| Less accumulated amortization             | 12,746            |                             | 9,160             |                             | 7,408            |                             |
| <b>Net book value</b>                     | <b>1,019,436</b>  |                             | <b>1,003,022</b>  |                             | <b>1,004,774</b> |                             |

During the year ended May 31, 2006, CI disposed of its VentureLink fund management contracts, which had a cost of \$5,000, and related accounts receivable in return for a loan and investment in the acquiring entity. In addition, CI is entitled to ongoing fees equal to a percentage of the related assets under management over an eight-year period.

**6. Other Assets, Income and Expenses**

Other assets consist mainly of an investment in a limited partnership, long-term accounts receivable, prepaid expenses, deferred charges and loans advanced to employees, investment advisors and capital markets professionals. Other income consists mainly of institutional management fees, custody fees, equity income, interest income and fees earned from collateralized securities transactions. Other expenses consist mainly of institutional management expenses, distribution fees to limited partnerships and capital taxes.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of dollars, except per unit amounts)

CI has an employee unit purchase loan program for key employees. These loans are renewable yearly and bear interest at prescribed rates. As at December 31, 2007, the carrying amount of employee unit purchase loans is \$16,317 [December 31, 2006 – \$10,688; May 31, 2006 – \$4,129] and is included in other assets. These loans become due immediately upon termination of employment or sale of the units that are held as collateral. As at December 31, 2007, the units held as collateral have a market value of approximately \$35,037 [December 31, 2006 – \$26,880; May 31, 2006 – \$23,545].

CI has a hiring and retention incentive program whereby loans are extended to investment advisors and capital markets professionals. These loans are initially recorded at their principal amount, may bear interest at prescribed rates and are forgiven on a straight-line basis over the applicable contractual period, which varies in length from three to seven years. The forgiven amount is included in selling, general and administration expenses. As at December 31, 2007, loans to investment advisors and capital markets professionals of \$44,127 [December 31, 2006 – \$4,432; May 31, 2006 – \$3,800] is included in other assets. These loans become due on demand upon termination or breach in the terms of the agreements.

### 7. Long-Term Debt

CI has arranged a revolving credit facility with two Canadian chartered banks for general corporate purposes for \$1,000,000. 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 one-month bankers' acceptance rates plus 0.75%, or bankers' acceptances, which bear interest at bankers' acceptance rates plus 0.30%. 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 overnight rate plus 0.75%, or LIBOR loans which bear interest at LIBOR plus 0.30%.

CI may also borrow under this facility in the form of letters of credit, which bear a fee of 0.30% on any undrawn portion. As at December 31, 2007, CI had accessed \$720 [December 31, 2006 – \$840; May 31, 2006 – \$3,069] by way of letters of credit.

Loans are made by the banks under a 364-day revolving credit facility, the term of which may be extended annually at the banks' option. If the banks elect not to extend the term, the outstanding principal amount shall be repaid in equal monthly instalments over the following four years.

The facility is collateralized by a registered general security agreement from CI and certain subsidiaries of CI, assignment of the shares in CI Investments, United, AWM, and certain subsidiaries of AWM, and assignment of the management agreements and redemption fees of CI Investments and United. The facility also requires CI to meet certain financial covenants on a quarterly basis, including a debt service ratio [EBITDA divided by interest and principal payable in current quarter] that must not be less than 1.5:1 and a funded debt to EBITDA ratio that must not be more than 2.25:1.

As at December 31, 2007, \$927,941 [December 31, 2006 – \$576,063; May 31, 2006 – \$417,129] has been drawn on this facility in the form of bankers' acceptances at an effective interest rate of 4.90% [December 31, 2006 – 4.60%; May 31, 2006 – 4.48%]. As at December 31, 2007 and 2006, nil [May 31, 2006 – \$57,861 at an effective interest rate of 3.41%] had been drawn in the form of LIBOR loans. Interest expense attributable to the long-term debt for the year ended December 31, 2007 was \$37,775 [seven-month period ended December 31, 2006 – \$12,939; year ended May 31, 2006 – \$12,503].

On January 14, 2008, the revolving credit facility was amended to increase the amount that may be borrowed under the facility to \$1,100,000.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of dollars, except per unit amounts)

**8. Preferred Shares Issued By Subsidiary**

As at December 31, 2007, there are 20,662,500 preferred shares issued and outstanding. These preferred shares were issued by a subsidiary of Rockwater on December 31, 2004. The preferred shares vest in equal instalments over a three-year period and will be redeemed or purchased for \$1.00 per share, subject to adjustments, on December 31, 2009. The preferred shares do not have any entitlement to dividends nor do they have any voting rights.

**9. Unit Capital****[a] Authorized and issued**

A summary of the changes to CI's unit capital pursuant to the Conversion from a corporation to an income trust on June 30, 2006 is as follows:

| Units  | Number of units<br>[in thousands] | Stated Value     |
|--|-----------------------------------|------------------|
| <b>Authorized:</b>   |                                   |                  |
| An unlimited number of Trust units of CI,  |                                   |                  |
| A limited number of Exchangeable LP units of Canadian International LP and special voting units of CI. |                                   |                  |
| <b>Trust units, balance, June 30, 2006</b>   | –                                 | –                |
| Conversion from CI Financial Inc. common shares  | 137,886                           | 813,263          |
| Issuance of unit capital   | 4                                 | 120              |
| Unit repurchase  | (4,267)                           | (25,171)         |
| Conversion from Exchangeable LP units  | 51                                | 301              |
| <b>Trust units, balance, December 31, 2006</b>   | <b>133,674</b>                    | <b>788,513</b>   |
| Issuance of unit capital [note 2]  | 4,443                             | 126,519          |
| Issuance of unit capital on vesting of deferred equity units   | 71                                | 1,994            |
| Unit repurchase  | (3,232)                           | (21,292)         |
| Unit repurchase for deferred equity unit plan  | (1,214)                           | (7,289)          |
| Conversion from Exchangeable LP units  | 971                               | 5,785            |
| <b>Trust units, Balance, December 31, 2007</b>   | <b>134,713</b>                    | <b>894,230</b>   |
| <b>Exchangeable LP units, Balance, June 30, 2006</b>   | –                                 | –                |
| Conversion from CI Financial Inc. common shares  | 146,510                           | 864,260          |
| Conversion to Trust units  | (51)                              | (301)            |
| <b>Exchangeable LP units, Balance, December 31, 2006</b>   | <b>146,459</b>                    | <b>863,959</b>   |
| Issuance of unit capital [note 2]  | 1,313                             | 36,097           |
| Conversion to Trust units  | (971)                             | (5,785)          |
| <b>Exchangeable LP units, Balance, December 31, 2007</b>   | <b>146,801</b>                    | <b>894,271</b>   |
| <b>Trust and Exchangeable LP units, December 31, 2006</b>  | <b>280,133</b>                    | <b>1,652,472</b> |
| <b>Trust and Exchangeable LP units, December 31, 2007</b>  | <b>281,514</b>                    | <b>1,788,501</b> |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of dollars, except per unit amounts)

A summary of the changes to CI's share capital prior to the Conversion from a corporation to an income trust on June 30, 2006 is as follows:

| Common shares                       | Number of units<br>[in thousands] | Stated Value     |
|-------------------------------------|-----------------------------------|------------------|
| <b>Balance, May 31, 2005</b>        | <b>286,643</b>                    | <b>1,690,663</b> |
| Issuance of share capital           | 6                                 | 120              |
| Share repurchase                    | (968)                             | (5,710)          |
| <b>Balance, May 31, 2006</b>        | <b>285,681</b>                    | <b>1,685,073</b> |
| Issuance of share capital           | 1                                 | 37               |
| Share repurchase                    | (1,286)                           | (7,587)          |
| Conversion to Trust units           | (137,886)                         | (813,263)        |
| Conversion to Exchangeable LP units | (146,510)                         | (864,260)        |
| <b>Balance, June 30, 2006</b>       | <b>–</b>                          | <b>–</b>         |

During the year ended December 31, 2007, 3,232,100 Trust units [seven-month period ended December 31, 2006 – 5,553,300 units; year ended May 31, 2006 – 968,100 units] were repurchased under a normal course issuer bid at an average cost of \$26.67 per unit [seven-month period ended December 31, 2006 – \$25.75 per unit; year ended May 31, 2006 – \$20.20 per unit] for a total consideration of \$86,198 [seven-month period ended December 31, 2006 – \$143,020; year ended May 31, 2006 – \$19,551]. Deficit was increased by \$64,906 [seven-month period ended December 31, 2006 – \$110,262; year ended May 31, 2006 – \$13,841] for the cost of the units repurchased in excess of their stated value.

During the year ended December 31, 2007, 1,214,200 Trust units were repurchased for CI's deferred equity unit plan for total consideration of \$29,024 increasing the deficit by \$26,097. Included in the cost of the units repurchased was \$11,339 resulting from the acquisition of Rockwater, which was credited to contributed surplus. In addition, 581,870 units were issued to the compensation trust, which has been consolidated, at a value of \$15,999 in exchange for common shares of Rockwater and was recorded as a unit repurchase and credited to contributed surplus.

On June 19, 2007, CI issued 3,700,000 Trust units, at the market price of \$28.67 per unit, by way of private placement, of which 2,300,000 units were issued to Sun Life Financial Inc., a related party, in exchange for cash.

### (b) Employee incentive unit option plan

CI Financial Inc. [the "Company"] had an employee stock option plan [the "Plan"] as amended and restated on April 9, 2003 for the executives and key employees of the Company. On June 30, 2006, as part of the Conversion, the Plan was amended and restated and all options under the Plan were exchanged for unit options [the "Unit Option Plan"]. The unit options are the economic equivalent of the exchanged Company options [except that the unit options will be exercised for Trust units, rather than common shares].



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of dollars, except per unit amounts)

On May 17, 2007, the Unit Option Plan was amended and restated to increase the maximum number of Trust units that may be issued to 14,000,000 units [December 31, 2006 – 7,001,412 units; May 31, 2006 – 41,722,566 shares]. As at December 31, 2007, there are 2,878,254 units [December 31, 2006 – 4,539,300 units, May 31, 2006 – 7,253,338 shares] reserved for issuance on exercise of unit options. These options vest over periods of up to five years, may be exercised at prices ranging from \$10.51 to \$41.14 per Trust unit with a total intrinsic value of \$28,929 as at December 31, 2007 and expire at dates up to 2011.

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

|   | Number of options<br>(in thousands) | Weighted average exercise price<br>\$ |
|---|-------------------------------------|---------------------------------------|
| <b>Options outstanding, May 31, 2005</b>      | <b>8,399</b>                        | <b>13.37</b>                          |
| Options granted                               | 2,194                               | 18.15                                 |
| Options exercised                             | (3,304)                             | 11.49                                 |
| Options cancelled                             | (36)                                | 15.15                                 |
| <b>Options outstanding, May 31, 2006</b>      | <b>7,253</b>                        | <b>15.66</b>                          |
| <b>Options exercisable, May 31, 2006</b>      | <b>3,707</b>                        | <b>13.96</b>                          |
| Options granted                               | –                                   | –                                     |
| Options exercised                             | (2,692)                             | 14.57                                 |
| Options cancelled                             | (22)                                | 16.50                                 |
| <b>Options outstanding, December 31, 2006</b> | <b>4,539</b>                        | <b>16.30</b>                          |
| <b>Options exercisable, December 31, 2006</b> | <b>1,774</b>                        | <b>14.79</b>                          |
| Conversion of Rockwater stock options         | 398                                 | 35.96                                 |
| Options exercised                             | (1,943)                             | 15.26                                 |
| Options cancelled                             | (116)                               | 38.75                                 |
| <b>Options outstanding, December 31, 2007</b> | <b>2,878</b>                        | <b>18.80</b>                          |
| <b>Options exercisable, December 31, 2007</b> | <b>2,103</b>                        | <b>18.98</b>                          |

In conjunction with the acquisition of Rockwater, the outstanding stock options of Rockwater were converted to unit options under CI's Unit Option Plan.

The option component of equity-based compensation expense under the Unit Option Plan for the year ended December 31, 2007 of \$12,316 [seven-month period ended December 31, 2006 – expense recovery of \$2,805; year ended May 31, 2006 – expense of \$79,477] has been included in selling, general and administrative expenses.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of dollars, except per unit amounts)

Options outstanding and exercisable as at December 31, 2007 are as follows:

| Exercise price<br>\$  | Number of options<br>outstanding<br>(in thousands) | Weighted average<br>remaining<br>contractual life<br>(years) | Number<br>of options<br>exercisable<br>(in thousands) |
|-----------------------|--|--|---|
| 10.51                 | 114  | 0.3  | 114   |
| 15.59                 | 454  | 1.3  | 454   |
| 15.67                 | 5  | 1.8  | 5   |
| 17.04                 | 670  | 2.4  | 670   |
| 18.15                 | 1,357  | 2.5  | 612   |
| 18.94                 | 14   | 3.0  | 9   |
| 19.34                 | 2  | 2.6  | 1   |
| 20.02                 | 5  | 2.3  | 3   |
| 23.06                 | 17   | 3.1  | 6   |
| 23.09                 | 3  | 3.8  | 1   |
| 25.55                 | 14   | 3.6  | 5   |
| 25.62                 | 4  | 1.9  | 4   |
| 26.70                 | 8  | 2.0  | 8   |
| 29.95                 | 3  | 1.6  | 3   |
| 32.47                 | 5  | 1.0  | 5   |
| 33.20                 | 5  | 1.4  | 5   |
| 33.56                 | 49   | 0.3  | 49  |
| 36.44                 | 3  | 0.1  | 3   |
| 41.14                 | 146  | 1.1  | 146   |
| <b>10.51 to 41.14</b> | <b>2,878</b>                                       | <b>2.1</b>   | <b>2,103</b>  |

### (c) Deferred equity unit plan

CI has a deferred equity unit plan ["DEU Plan"] for senior executives, investment advisors and other key employees. DEU Awards are granted to eligible participants in lieu of compensation and vest over a period of up to three years. Each vested DEU Award entitles the participant to receive one Trust unit of CI. Compensation expense is recognized and credited to contributed surplus. Upon vesting, amounts previously recorded as contributed surplus are credited to unit capital. During the year ended December 31, 2007, CI recognized compensation expense of \$13,956 and on vesting of 71,000 DEU Awards, credited unit capital for \$1,994. As at December 31, 2007, the unamortized value of DEU Awards outstanding is \$6,341.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of dollars, except per unit amounts)

**(d) Compensation Trust**

CI uses a compensation trust to acquire Trust units on the open market in order to fulfill its obligations under the DEU Plan.

A summary of the changes in the DEU Awards outstanding and the Trust units repurchased by the compensation trust for the DEU Plan is as follows:

|  | Number of DEU's<br>[in thousands] |
|--|-----------------------------------|
| DEU Awards outstanding, December 31, 2006                            | –                                 |
| Granted  | 824                               |
| Conversion of Rockwater deferred stock units                         | 958                               |
| Cancelled  | (36)                              |
| Vested   | (71)                              |
| <b>DEU Awards outstanding, December 31, 2007</b>                     | <b>1,675</b>                      |
| Trust units held by the compensation trust, December 31, 2006        | –                                 |
| Units repurchased for DEU Plan                                       | 1,214                             |
| Conversion of Rockwater deferred stock units                         | 582                               |
| Released on vesting  | (71)                              |
| <b>Trust units held by the compensation trust, December 31, 2007</b> | <b>1,725</b>                      |

In conjunction with the acquisition of Rockwater, the outstanding deferred stock units of Rockwater were converted to deferred equity units under CI's DEU Plan.

**(e) Stock appreciation rights**

In conjunction with the acquisition of AWM in fiscal 2004, CI issued share appreciation rights to certain former AWM option holders. The intrinsic value of these rights at the date of grant was included as a liability in the fair value of net assets acquired. These rights are vested and may only be settled for cash. As at December 31, 2007, included in the equity-based compensation liability are nil share appreciation rights [December 31, 2006 – 220,101; May 31, 2006 – 253,652] outstanding with an intrinsic value of nil [December 31, 2006 – \$2,945; May 31, 2006 – \$4,487]. For the year ended December 31, 2007, CI recognized an expense recovery of \$243 [seven-month period ended December 31, 2006 – expense recovery of \$1,020; year ended May 31, 2006 – expense of \$7,391] related to these rights, which has been included in selling, general and administrative expenses.

**(f) Basic and diluted earnings per unit**

The weighted average number of units outstanding is as follows:

| <i>(in thousands)</i> | Year ended<br>December 31, 2007 | Seven-month period ended<br>December 31, 2006 | Year ended<br>May 31, 2006 |
|-----------------------|---------------------------------|---|----------------------------|
| Basic                 | 282,214                         | 283,210                                       | 285,936                    |
| Diluted               | 283,301                         | 283,210                                       | 285,936                    |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of dollars, except per unit amounts)

### (g) Maximum share dilution

The following table presents the maximum number of units that would be outstanding if all the outstanding options as at January 31, 2008 were exercised:

| <i>(in thousands)</i>                 | <b>\$</b> |
|---------------------------------------|-----------|
| Units outstanding at January 31, 2008 | 279,277   |
| DEU Awards outstanding                | 1,366     |
| Options to purchase Trust units       | 2,834     |
|                                       | 283,477   |

### 10. Distributions

Distributions are declared quarterly to unitholders of record on or about the last business day of each month and are paid on or about the 15th of the following month. The Board of Trustees of CI is required to declare distributions in the amount of the distributable cash flow for each period. Distributable cash flow is the cash flow of CI adjusted, at the discretion of the Board of Trustees, for certain factors, including consideration of recent and anticipated cash flow.

Distributions declared during the seven-month period ended December 31, 2006 and year ended December 31, 2007 were as follows:

| Record Date        | Payment Date       | Cash Distribution<br>per Trust Unit<br>\$ | Cash Distribution per<br>Exchangeable LP Unit<br>\$ | Total Distribution<br>Amount<br>\$ |
|--------------------|--------------------|---|---|------------------------------------|
| June 30, 2006      | July 15, 2006      | 0.1675                                    | 0.1675  | 47,636                             |
| July 31, 2006      | August 15, 2006    | 0.1675                                    | 0.1675  | 47,640                             |
| August 31, 2006    | September 15, 2006 | 0.1675                                    | 0.1675  | 47,578                             |
| September 30, 2006 | October 13, 2006   | 0.1675                                    | 0.1675  | 47,582                             |
| October 31, 2006   | November 15, 2006  | 0.1675                                    | 0.1675  | 47,552                             |
| November 30, 2006  | December 15, 2006  | 0.1675                                    | 0.1675  | 46,806                             |
| December 31, 2006  | January 15, 2007   | 0.0900                                    | 0.0900  | 25,212                             |
| January 1, 2007    | January 15, 2007   | 0.0900                                    | 0.0900  | 25,327                             |
| January 31, 2007   | February 15, 2007  | 0.1800                                    | 0.1800  | 50,424                             |
| February 28, 2007  | March 15, 2007     | 0.1800                                    | 0.1800  | 50,543                             |
| March 31, 2007     | April 13, 2007     | 0.1800                                    | 0.1800  | 50,397                             |
| April 30, 2007     | May 15, 2007       | 0.1800                                    | 0.1800  | 50,824                             |
| May 31, 2007       | June 15, 2007      | 0.1800                                    | 0.1800  | 50,836                             |
| June 30, 2007      | July 13, 2007      | 0.1800                                    | 0.1800  | 51,529                             |
| July 31, 2007      | August 15, 2007    | 0.1800                                    | 0.1800  | 51,528                             |
| August 31, 2007    | September 14, 2007 | 0.1900                                    | 0.1900  | 54,392                             |
| September 30, 2007 | October 15, 2007   | 0.1900                                    | 0.1900  | 54,392                             |
| October 31, 2007   | November 15, 2007  | 0.1900                                    | 0.1900  | 54,368                             |
| November 30, 2007  | December 14, 2007  | 0.1900                                    | 0.1900  | 54,165                             |
| December 31, 2007  | January 15, 2008   | 0.1400                                    | 0.1400  | 39,709                             |
| January 1, 2008    | January 15, 2008   | 0.0500                                    | 0.0500  | 14,109                             |
| January 31, 2008   | February 15, 2008  | 0.1900                                    | 0.1900  | 53,818                             |

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On January 23, 2008, CI announced its 2008 distribution policy and the Board of Trustees approved a monthly cash distribution of \$0.16 per Trust unit and \$0.16 per Exchangeable LP unit commencing with the February 29, 2008 record date and March 15, 2008 payment date.

### 11. Financial Instruments

The estimated fair values of financial instruments approximate their carrying amounts in the consolidated balance sheets.

Derivative financial instruments may be used to mitigate equity market and foreign exchange exposures.

On June 30, 2006, CI entered into a total return swap transaction agreement [the “Agreement”] with a Canadian chartered bank to mitigate CI’s exposure to the price of CI’s Trust units along with fluctuations in its equity-based compensation. Under the Agreement, the bank would accumulate units of CI through purchases on the Toronto Stock Exchange and would pay CI the total return, if positive, on the stock and CI would pay the bank the total return, if negative. In addition, CI would pay the bank interest on the aggregate purchase amount at bankers’ acceptance rates. The total return swap was measured at fair value and any resulting gains or losses were recognized in income. CI terminated this Agreement during the seven-month period ended December 31, 2006, which resulted in a decrease in the equity-based compensation liability and cash by \$9,992.

CI may enter into forward contracts to manage its foreign exchange exposure related to its investments in U.S. dollar denominated hedge funds and to manage CI’s exposure to currency risk related to clients and principal trading in foreign currencies. Forward contracts are measured at fair value and any resulting gains or losses are recognized in income in the period in which they occur.

Forward contracts outstanding as at December 31, 2007 are as follows:

| Forward Contracts  | Notional Amount<br>\$ | Average Price<br>\$ | Maturity Date<br>\$ | Spot Rate | Fair Value<br>\$ |
|--------------------|-----------------------|---------------------|---------------------|-----------|------------------|
| To sell US dollars | 2,182                 | 0.9903              | January 4, 2008     | 0.9984    | (18)             |
| To buy US dollars  | 4,424                 | 0.9856              | January 4, 2008     | 0.9984    | 56               |

### 12. Related Party Transactions

CI enters into transactions related to the advisory and distribution of its mutual and segregated funds with Sun Life Financial Inc. [“Sun Life”], a unitholder of CI. These transactions are in the normal course of operations and have been recorded at the agreed upon exchange amounts. During the year ended December 31, 2007, CI incurred charges for deferred sales commissions of \$46,366 [seven-month period ended December 31, 2006 – \$20,328; year ended May 31, 2006 – \$44,376], and trailer fees of \$101,713 [seven-month period ended December 31, 2006 – \$50,944; year ended May 31, 2006 – \$78,264] which were paid or payable to Sun Life. The balance payable to Sun Life as at December 31, 2007 of \$8,476 [December 31, 2006 – \$7,799; May 31, 2006 – \$7,106] is included in accounts payable and accrued liabilities. In addition, Sun Life has agreed to reimburse CI for a portion of any losses realized on certain investments related to the acquisition of IQON Financial Management Inc. in fiscal 2005. Based on the estimated fair value of these investments as at December 31, 2006, CI’s portion of the estimated losses is not significant to its financial position or results of operations.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of dollars, except per unit amounts)

### 13. Income Taxes

CI qualifies as a “mutual fund trust” as defined in the Income Tax Act (Canada) [“Tax Act”]. CI intends to make sufficient distributions of its net income for tax purposes and net realized capital gains each year such that it will generally not be liable in that year for income tax under Part I of the Tax Act. Canadian International LP is not subject to tax under the Tax Act. Each partner is required to include in computing the partner’s income for a particular taxation year the partner’s share of the net income or loss of Canadian International LP. All corporate subsidiaries of CI are subject to tax and their income tax expense is reflected in the consolidated financials statements.

On June 12, 2007, federal legislation was substantively enacted to impose a tax, at a rate of 31.5%, on distributions paid by publicly traded income trusts effective January 1, 2011. Prior to this, CI estimated the future income tax relating to certain future tax liabilities at a nil effective tax rate. As a result of the new legislation, CI is required to record a future tax liability on the post 2010 reversals of temporary differences at a rate of 31.5%. This resulted in an increase in future income tax liability and corresponding income tax expense of \$5,385 during the year ended December 31, 2007.

On October 31, 2007, the federal government proposed that the federal corporate income tax rates for 2008 to 2012 and later years be reduced from the then enacted range of 20.5% to 18.5% to the reduced rate range of 19.5% to 15%. On December 14, 2007, these tax rate changes became substantively enacted. As a result, CI’s net future income tax liability was reduced by \$36,423, which was recognized during the year ended December 31, 2007.

The following is a reconciliation between CI’s statutory and effective income tax rates:

|  | Year ended<br>December 31, 2007<br>% | Seven-month period ended<br>December 31, 2006<br>% | Year ended<br>May 31, 2006<br>% |
|--|--------------------------------------|--|---------------------------------|
| Combined Canadian federal and provincial income tax rate | 36.0                                 | 36.0   | 36.0                            |
| Increase (decrease) in income taxes resulting from:      |                                      |  |                                 |
| Income distributed to unitholders                        | (41.0)                               | (34.3)   | –                               |
| Impact of rate changes on future income taxes            | (6.8)                                | (11.1)   | –                               |
| Non-taxable portion of capital gains                     | –                                    | –  | (1.3)                           |
| Other, net   | 0.4                                  | (0.2)  | 0.2                             |
|  | (11.4)                               | (9.6)  | 34.9                            |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of dollars, except per unit amounts)

Future 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. Significant components of CI's future income tax liabilities and assets as at period end are as follows:

|  | As at<br>December 31, 2007<br>\$ | As at<br>December 31, 2006<br>\$ | As at<br>May 31, 2006<br>\$ |
|--|----------------------------------|----------------------------------|-----------------------------|
| <b>Future income tax liabilities</b>       |                                  |                                  |                             |
| Fund contracts                             | 284,702                          | 318,896                          | 351,177                     |
| Deferred sales commissions                 | 171,768                          | 163,335                          | 162,485                     |
| Other                                      | 3,969                            | 7,258                            | 22,271                      |
| <b>Total future income tax liabilities</b> | <b>460,439</b>                   | <b>489,489</b>                   | <b>535,933</b>              |
| <b>Future income tax assets</b>            |                                  |                                  |                             |
| Equity-based compensation                  | 8,756                            | 14,572                           | 34,020                      |
| Non-capital loss carry forwards            | 85,282                           | 34,147                           | 5,180                       |
| Other                                      | 28,190                           | 11,728                           | 7,579                       |
| <b>Total future income tax assets</b>      | <b>122,228</b>                   | <b>60,447</b>                    | <b>46,779</b>               |
| <b>Net future income tax liabilities</b>   | <b>338,211</b>                   | <b>429,042</b>                   | <b>489,154</b>              |

The net future income tax liabilities are classified in the consolidated balance sheets as follows:

|   | As at<br>December 31, 2007<br>\$ | As at<br>December 31, 2006<br>\$ | As at<br>May 31, 2006<br>\$ |
|---|----------------------------------|----------------------------------|-----------------------------|
| Current future income tax assets          | 8,756                            | 14,572                           | 35,960                      |
| Non-current future income tax liabilities | 346,967                          | 443,614                          | 525,114                     |

**14. 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 and United excluding AWM, 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 Blackmont and 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Segmented information for the year ended December 31, 2007 is as follows:

|  | Asset<br>Management<br>\$ | Asset<br>Administration<br>\$ | Intersegment<br>Elimination<br>\$ | Total<br>\$      |
|--|---------------------------|-------------------------------|-----------------------------------|------------------|
| Management fees  | 1,292,726                 | –                             | –                                 | 1,292,726        |
| Administration fees  | –                         | 402,578                       | (110,281)                         | 292,297          |
| Other revenue  | 55,618                    | 14,266                        | –                                 | 69,884           |
| <b>Total revenue</b>   | <b>1,348,344</b>          | <b>416,844</b>                | <b>(110,281)</b>                  | <b>1,654,907</b> |
| Selling, general and administrative                              | 242,055                   | 104,640                       | –                                 | 346,695          |
| Trailer fees   | 384,045                   | –                             | (15,200)                          | 368,845          |
| Investment dealer fees   | –                         | 280,215                       | (91,083)                          | 189,132          |
| Amortization of deferred sales<br>commissions and fund contracts | 124,214                   | 1,504                         | (2,240)                           | 123,478          |
| Other expenses   | 18,705                    | 7,161                         | –                                 | 25,866           |
| <b>Total expenses</b>  | <b>769,019</b>            | <b>393,520</b>                | <b>(108,523)</b>                  | <b>1,054,016</b> |
| <b>Income before income taxes<br/>and non-segmented items</b>    | <b>579,325</b>            | <b>23,324</b>                 | <b>(1,758)</b>                    | <b>600,891</b>   |
| Interest expense   |                           |                               |                                   | (39,598)         |
| Recovery of income taxes   |                           |                               |                                   | 63,762           |
| <b>Net income for the period</b>                                 |                           |                               |                                   | <b>625,055</b>   |
| Identifiable assets  | 1,988,253                 | 517,973                       | (12,603)                          | 2,493,623        |
| Goodwill   | 858,703                   | 274,223                       | –                                 | 1,132,926        |
| <b>Total assets</b>  | <b>2,846,956</b>          | <b>792,196</b>                | <b>(12,603)</b>                   | <b>3,626,549</b> |



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Segmented information for the seven-month period ended December 31, 2006 is as follows:

|  | Asset<br>Management<br>\$ | Asset<br>Administration<br>\$ | Intersegment<br>Elimination<br>\$ | Total<br>\$      |
|--|---------------------------|-------------------------------|-----------------------------------|------------------|
| Management fees  | 693,759                   | –                             | –                                 | 693,759          |
| Administration fees  | –                         | 138,974                       | (59,169)                          | 79,805           |
| Other revenue  | 26,983                    | 4,422                         | –                                 | 31,405           |
| <b>Total revenue</b>   | <b>720,742</b>            | <b>143,396</b>                | <b>(59,169)</b>                   | <b>804,969</b>   |
| Selling, general and administrative                              | 119,299                   | 28,496                        | –                                 | 147,795          |
| Trailer fees   | 200,891                   | –                             | (7,543)                           | 193,348          |
| Investment dealer fees   | –                         | 110,924                       | (49,741)                          | 61,183           |
| Amortization of deferred sales<br>commissions and fund contracts | 59,694                    | 877                           | (1,293)                           | 59,278           |
| Other expenses   | 5,964                     | 189                           | –                                 | 6,153            |
| <b>Total expenses</b>  | <b>385,848</b>            | <b>140,486</b>                | <b>(58,577)</b>                   | <b>467,757</b>   |
| <b>Income before income taxes<br/>and non-segmented items</b>    | <b>334,894</b>            | <b>2,910</b>                  | <b>(592)</b>                      | <b>337,212</b>   |
| Interest expense   |                           |                               |                                   | (13,600)         |
| Recovery of income taxes   |                           |                               |                                   | 31,057           |
| <b>Net income for the year</b>                                   |                           |                               |                                   | <b>354,669</b>   |
| Identifiable assets  | 1,761,965                 | 38,370                        | (11,959)                          | 1,788,376        |
| Goodwill   | 815,303                   | 135,723                       | –                                 | 951,026          |
| <b>Total assets</b>  | <b>2,577,268</b>          | <b>174,093</b>                | <b>(11,959)</b>                   | <b>2,739,402</b> |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of dollars, except per unit amounts)

Segmented information for the year ended May 31, 2006 is as follows:

|  | Asset<br>Management<br>\$ | Asset<br>Administration<br>\$ | Intersegment<br>Elimination<br>\$ | Total<br>\$      |
|--|---------------------------|-------------------------------|-----------------------------------|------------------|
| Management fees  | 1,110,019                 | –                             | –                                 | 1,110,019        |
| Administration fees  | –                         | 241,502                       | (109,721)                         | 131,781          |
| Other revenue  | 72,148                    | 9,480                         | –                                 | 81,628           |
| <b>Total revenue</b>   | <b>1,182,167</b>          | <b>250,982</b>                | <b>(109,721)</b>                  | <b>1,323,428</b> |
| Selling, general and administrative                              | 303,105                   | 50,517                        | –                                 | 353,622          |
| Trailer fees   | 307,113                   | –                             | (16,131)                          | 290,982          |
| Investment dealer fees   | –                         | 187,123                       | (87,776)                          | 99,347           |
| Amortization of deferred sales<br>commissions and fund contracts | 82,360                    | 1,504                         | (1,843)                           | 82,021           |
| Other expenses   | 7,928                     | 954                           | –                                 | 8,882            |
| <b>Total expenses</b>  | <b>700,506</b>            | <b>240,098</b>                | <b>(105,750)</b>                  | <b>834,854</b>   |
| <b>Income before income taxes<br/>and non-segmented items</b>    | <b>481,661</b>            | <b>10,884</b>                 | <b>(3,971)</b>                    | <b>488,574</b>   |
| Interest expense   |                           |                               |                                   | (13,932)         |
| Provision for income taxes                                       |                           |                               |                                   | (165,604)        |
| <b>Net income for the year</b>                                   |                           |                               |                                   | <b>309,038</b>   |
| Identifiable assets  | 1,704,914                 | 180,257                       | (11,367)                          | 1,873,804        |
| Goodwill   | 815,303                   | 135,723                       | –                                 | 951,026          |
| <b>Total assets</b>  | <b>2,520,217</b>          | <b>315,980</b>                | <b>(11,367)</b>                   | <b>2,824,830</b> |

### 15. Commitments and Contingencies

#### Lease commitments

CI has entered into leases relating to the rental of office premises and computer equipment. The approximate future minimum annual rental payments under such leases are as follows:

|                     | \$     |
|---------------------|--------|
| 2008                | 18,999 |
| 2009                | 14,207 |
| 2010                | 10,811 |
| 2011                | 7,200  |
| 2012                | 5,608  |
| 2013 and thereafter | 8,736  |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of dollars, except per unit amounts)

### Unitholder advisor agreements

CI is a party to unitholder advisor agreements, which provide that the unitholder advisor has the option to require CI to purchase a practice that cannot otherwise be transitioned to a qualified buyer. The purchase price would be in accordance with a pre-determined formula contained in the unitholder advisor agreements.

### Indemnities

CI has agreed to indemnify its trustees, directors and officers, and certain of its employees in accordance with its by-laws. CI maintains insurance policies that may provide coverage against certain claims.

### Litigation

CI is engaged in litigation arising in the ordinary course of business. None of this litigation is expected to have a material adverse effect on the financial position or results of operations of CI.

### 16. Future Accounting Changes

On January 1, 2008, CI will adopt CICA Handbook Section 1535, *Capital Disclosures*, Section 3862, *Financial Instruments – Disclosures* and Section 3863, *Financial Instruments – Presentation*.

CICA Section 1535 requires the disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

CICA Section 3862 and CICA Section 3863 enhance disclosures to enable users to evaluate the significance of financial instruments, the nature and extent of risks arising from financial instruments and how an entity manages such risks. The new standards require specific qualitative and quantitative disclosures about each type of risk. This includes new requirements to quantify certain risk exposures and to provide sensitivity analysis for some risks.

These standards require significant new disclosures in the notes to the consolidated financial statements. However, they are not expected to have a significant impact on the financial position or results of operations of CI.

## Corporate Directory

### CI Financial

#### Trustees

Ronald D. Besse  
President,  
Beseco Holdings Inc.;  
Lead Trustee

Toronto, Ontario

G. Raymond Chang  
President,  
G. Raymond Chang Ltd.;  
Trustee and Chairman  
of the Board (non-executive)

Toronto, Ontario

Paul W. Derksen  
Corporate Director;  
Trustee

Clarksburg, Ontario

William T. Holland  
Chief Executive Officer,  
CI Financial;  
Trustee

Toronto, Ontario

A. Winn Oughtred  
Partner,  
Borden Ladner Gervais LLP;  
Trustee

Toronto, Ontario

David J. Riddle  
President,  
C-Max Capital Inc.;  
Trustee

Vancouver, B.C.

Stephen T. Moore  
Managing Director,  
Newhaven Asset Management;  
Trustee

Toronto, Ontario

Donald A. Stewart  
Chief Executive Officer,  
Sun Life Financial Inc.;  
Trustee

Toronto, Ontario

Kevin P. Dougherty  
President,  
Sun Life Global Investments;  
Trustee

Toronto, Ontario

#### Officers

William T. Holland  
Chief Executive Officer

Stephen A. MacPhail  
President

Peter W. Anderson  
Executive Vice-President

Sheila A. Murray  
Senior Vice-President,  
General Counsel and  
Corporate Secretary

Douglas J. Jamieson  
Senior Vice-President and  
Chief Financial Officer

David C. Pauli  
Chief Operating Officer

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### CI Investments

#### Executives

Peter W. Anderson  
Chief Executive Officer

Douglas J. Jamieson  
Chief Financial Officer

David C. Pauli  
Executive Vice-President and  
Chief Operating Officer

Munir T. Issa  
Executive Vice-President and  
Chief Technology Officer

Derek J. Green  
President and National  
Sales Manager

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### Assante Wealth Management

#### Executives

Joseph C. Canavan  
Chairman and  
Chief Executive Officer

Steven J. Donald  
President and  
Chief Operating Officer

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### Blackmont Capital

#### Executives

Bruce M. Kagan  
Chief Executive Officer

Wayne D. Adlam  
President

# Corporate Information

## Head Office

2 Queen Street East  
Twentieth Floor  
Toronto, Ontario M5C 3G7  
Telephone: 416-364-1145  
Toll Free: 1 800 268-9374  
[www.ci.com/cix](http://www.ci.com/cix)

## Investor Relations

Contact: Douglas J. Jamieson, Senior Vice-President and Chief Financial Officer  
Telephone: 416-364-1145  
Toll Free: 1 800 268-9374  
E-mail: [investorrelations@ci.com](mailto:investorrelations@ci.com)

## Trading Symbol

CI Financial trades on the Toronto Stock Exchange under the symbol "CIX.UN".

## Auditors

Ernst & Young LLP  
Chartered Accountants  
Toronto-Dominion Centre  
P.O. Box 251  
Toronto, Ontario M5K 1J7

## Registrar and Transfer Agent

Computershare Investor Services Inc.  
9th Floor, 100 University Avenue  
Toronto, Ontario M5J 2Y1  
Telephone: 1 800 564-6253  
E-mail: [caregistry@computershare.com](mailto:caregistry@computershare.com)

## Digital Report

This Annual Report can be downloaded from CI's website at [www.ci.com/cix](http://www.ci.com/cix) under "Reports".

This Annual Report contains forward-looking statements with respect to CI, including its business operations and strategy and financial performance and condition. Although management believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties. Actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from expectations include, among other things, general economic and market factors, including interest rates, business competition, changes in government regulations or in tax laws, and other factors discussed in materials filed with applicable securities regulatory authorities from time to time.







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