

Connor, Clark & Lunn

CAPITAL MARKETS INC.

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Connor, Clark & Lunn PRINTS Trust
Annual Report

Connor, Clark & Lunn PRINTS Trust Message to Unitholders

March 7th, 2005

Dear Investor,

Given the execution of the forward sale agreement in 2003, the Connor, Clark & Lunn PRINTS Trust (“the Trust”) should now be evaluated as a tax-efficient zero-coupon bond maturing in December 2013. The Trust’s principal asset is a portfolio of Canadian equity securities which it has agreed to sell to TD Global Finance (“TDGF”), a guaranteed subsidiary of TD bank. The forward sale agreement provides the mechanism by which TDGF ensures the payment of \$25 per Unit to the Trust in exchange for delivery of the Canadian equity portfolio in December 2013.

The assets of the Trust not invested in equities subject to the forward sale agreement are sufficient to pay foreseeable ongoing expenses but not to fund regular distributions to unit holders. The Trust does not, therefore, expect to pay distributions going forward. In order to provide unit holders with further assurance of recovery of the original subscription amount of \$25.00 on the termination date the Manager of the Trust has elected to defer payment of all management fees. The Manager will accrue the management fee daily at the minimum rate set out in the prospectus (0.50%). The management fee will be payable only after, and to the extent that, the Trust has redeemed all its remaining units at \$25.00 per unit on the termination date, or on units that have been retracted.

The net asset value of the Trust as presented in the financial statements includes \$3,100,968 representing the prepaid forward agreement fee, which is being amortized over the life of the contract in accordance with GAAP. For the purposes of establishing a net asset value for unit holder retractions, the prepaid forward fee, the economic value of which is not transferable or fungible, was expensed. As at December 31, 2004, the trading net asset value of the Trust is \$19,733,159 and the trading net asset value per unit is \$17.47.

The following yield formula can be used to estimate the expected annual rate of return to termination on a unit, where \$17.05 is today’s closing price and 8.74 is the years to maturity.

$$[(17.05 \div 25)^{-(1 \div 8.74)}] - 1 = 4.48\%$$

To a unit holder at today’s prices the Trust offers a tax advantaged yield of 4.48%, or a pre-tax interest equivalent yield of 6.41%. This compares quite favourably to, for example, 7-year Canada bonds which currently yield 3.92%.

We would like to thank investors for their continued support.

Yours truly,



Neil Murdoch
Chief Executive Officer
Connor, Clark & Lunn Capital Markets Inc.
Manager of the Connor, Clark & Lunn PRINTS Trust

Connor, Clark & Lunn PRINTS Trust

Financial Statements
December 31, 2004 and 2003

February 25, 2005

Auditors' Report

**To the Unitholders of
Connor, Clark & Lunn PRINTS Trust**

We have audited the statement of investment portfolio of **Connor, Clark & Lunn PRINTS Trust** as at December 31, 2004, the statements of net assets as at December 31, 2004 and 2003 and the statements of operations, changes in net assets and changes in investments for the years then ended. These financial statements are the responsibility of the Trustee and the Manager of the Trust. 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 financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2004 and the results of its operations and the changes in its net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Connor, Clark & Lunn PRINTS Trust

Statements of Net Assets

As at December 31, 2004 and 2003

	2004	2003
Assets		
Investments at market value (average cost - \$18,151,426; 2003 - \$30,716,441)	\$ 12,910,752	\$ 33,969,575
Cash	15,686	30,550
Short-term investments	1,147,016	1,795,174
Interest receivable	2,659	4,176
Prepaid forward agreement fees (note 6)	3,100,968	3,740,359
Unrealized gain on forward agreement	5,823,809	-
Prepaid service fees (note 8)	645	57,857
	<u>23,001,535</u>	<u>39,597,691</u>
Liabilities		
Accounts payable and accrued liabilities	167,408	73,149
Unrealized loss on forward agreement (note 6)	-	3,668,337
	<u>167,408</u>	<u>3,741,486</u>
Net Assets and Unitholders' Equity	<u>\$ 22,834,127</u>	<u>\$ 35,856,205</u>
Units outstanding (note 4)	<u>1,129,363</u>	<u>2,001,207</u>
Net asset value per unit (note 6)	<u>\$ 20.22</u>	<u>\$ 17.92</u>

Approved on behalf of the Manager,
Connor, Clark & Lunn Capital Markets Inc.





(See accompanying notes to the financial statements.)

Connor, Clark & Lunn PRINTS Trust

Statements of Operations

For the years ended December 31, 2004 and 2003

	2004 \$	2003 \$
Income		
Dividends, net of withholding taxes	-	191,010
Interest	41,673	221,637
	<u>41,673</u>	<u>412,647</u>
Expenses (note 8)		
Management fees	171,831	197,604
Custodial and other unitholder fees	72,773	92,588
Forward agreement fees	50,452	340,532
Interest	-	364
Professional fees	74,941	70,262
Sustaining fees	7,760	12,446
Amortization of prepaid forward agreement fees	348,640	215,656
	<u>726,397</u>	<u>929,452</u>
Investment loss for the year	<u>(684,724)</u>	<u>(516,805)</u>
Realized and unrealized gain (loss) on investments		
Change in unrealized appreciation (depreciation) of investments	(8,493,808)	5,173,284
Change in unrealized appreciation on foreign exchange contracts	-	717,786
Change in unrealized depreciation on foreign exchange	-	(170,494)
Change in unrealized appreciation (depreciation) on forward agreement	9,492,146	(3,668,337)
Net realized gain (loss) on investments	1,801,635	(6,000,831)
Net realized gain on foreign exchange contracts	-	7,565,606
Net realized loss on foreign exchange	-	(3,445,869)
	<u>2,799,973</u>	<u>171,205</u>
Net gain on investments	<u>2,799,973</u>	<u>171,205</u>
Increase (decrease) in net assets from operations	<u>2,115,249</u>	<u>(345,600)</u>
Increase (decrease) in net assets from operations per unit *	<u>1.12</u>	<u>(0.10)</u>

* (based on average number of units outstanding during the period)

(See accompanying notes to the financial statements.)

Connor, Clark & Lunn PRINTS Trust

Statements of Changes in Net Assets

For the years ended December 31, 2004 and 2003

	2004	2003
	\$	\$
Increase (decrease) in net assets from operations	<u>2,115,249</u>	<u>(345,600)</u>
Payments on redemption of units (note 4)	<u>(15,035,884)</u>	<u>(27,979,852)</u>
Reimbursed forward fees paid on units redeemed (note 6)	<u>(101,443)</u>	<u>-</u>
Change in net assets during the year	(13,022,078)	(28,325,452)
Net assets - Beginning of year	<u>35,856,205</u>	<u>64,181,657</u>
Net assets - End of year	<u>22,834,127</u>	<u>35,856,205</u>

(See accompanying notes to the financial statements.)

Connor, Clark & Lunn PRINTS Trust

Statements of Changes in Investments

For the years ended December 31, 2004 and 2003

	2004 \$	2003 \$
Investments at average cost - Beginning of year	30,716,441	47,632,228
Cost of investments purchased	16,718,354	84,450,280
Cost of investments sold	(29,283,369)	(101,366,067)
Investments at average cost - End of year	18,151,426	30,716,441
Unrealized appreciation (depreciation) of investments	(5,240,674)	3,253,134
Market value of investments	12,910,752	33,969,575
Proceeds from investments sold	31,085,004	95,365,236
Cost of investments sold	(29,283,369)	(101,366,067)
Net realized gain (loss) on investments	1,801,635	(6,000,831)

(See accompanying notes to the financial statements.)

Connor, Clark & Lunn PRINTS Trust

Statement of Investment Portfolio

As at December 31, 2004

	Maturity date	Number of shares or par value	Average cost \$	Market value \$
Short-term investments				
Bankers' acceptance				
Bank of Nova Scotia	01/05/05	1,150,000	<u>1,147,016</u>	<u>1,147,016</u>
Canadian common stocks				
Materials				
Inco Ltd.		26,575	1,214,212	1,169,300
Kinross Gold Corp.		131,965	1,204,840	1,115,104
Precision Drilling Corp.		14,930	961,343	1,127,514
Royal Group Technologies Ltd.		101,522	1,386,791	1,278,162
			<u>4,767,185</u>	<u>4,690,080</u>
Consumer products				
Cott Corp.		34,646	<u>1,378,911</u>	<u>1,028,293</u>
Biotechnology/pharmaceuticals				
Biovail Corp.		48,104	3,215,752	951,978
QLT Phototherapeutics Inc.		52,704	1,721,313	1,013,498
			<u>4,937,065</u>	<u>1,965,476</u>
Industrials				
Nortel Networks Corporation		354,902	<u>3,318,334</u>	<u>1,476,392</u>
Technology – hardware				
ATI Technologies Inc.		39,590	786,653	920,863
Celestica Inc.		68,328	1,428,738	1,154,743
			<u>2,215,392</u>	<u>2,075,607</u>

(See accompanying notes to the financial statements.)

Connor, Clark & Lunn PRINTS Trust

Statement of Investment Portfolio ...continued

As at December 31, 2004

	Number of shares or par value	Average cost \$	Market value \$
Technology – software			
CGI Group Inc.	148,818	1,186,079	1,190,544
Cognos Inc.	9,170	348,460	484,359
		<u>1,534,539</u>	<u>1,674,903</u>
Total Canadian common stocks		<u>18,151,426</u>	<u>12,910,752</u>
Total investments including short-term investments		<u>19,298,442</u>	14,057,768
Other assets, net of liabilities			<u>8,776,359</u>
Net assets			<u>22,834,127</u>

(See accompanying notes to the financial statements.)

Connor, Clark & Lunn PRINTS Trust

Notes to Financial Statements

December 31, 2004 and 2003

1 Establishment of Trust

The Connor, Clark & Lunn PRINTS Trust (the Trust) is an investment trust established under the laws of the Province of Ontario by a trust agreement dated November 29, 2001. The Manager of the Trust is Connor, Clark & Lunn Capital Markets Inc. The Royal Trust Company is the Trustee and acts as custodian of the Trust. The Trust commenced operations on December 12, 2001 and will terminate on or about December 2, 2013 (the termination date) when the net assets will be distributed to the unitholders unless the unitholders determine to continue the Trust by majority vote at a meeting called for such purpose.

2 Investment objectives

The Trust's investment objectives as set out in the Prospectus dated November 28, 2001 are (i) to provide unitholders with a stable stream of quarterly distributions; (ii) to return at least the original subscription price paid for units to holders upon termination of the Trust; and (iii) to return to unitholders any value in excess of the original subscription price.

The assets of the Trust were initially invested primarily in a diversified portfolio of the equity securities of companies selected from the S&P 500 Index (the managed portfolio). In order to generate income in excess of the dividend income earned on this portfolio, covered call options were written with respect to a portion of the securities in the portfolio (or, in the case of cash covered put options, securities eligible to be included in the portfolio). During 2002 and 2003, as equity markets declined and bond prices increased in support of the Trust's objective to return the original subscription price to unitholders, the Trust ceased writing options and gradually liquidated its U.S. equity portfolio. There are no options outstanding and no U.S. equities held as at December 31, 2004.

To assist in the objective of returning at least the original subscription price to unitholders, the Trust has entered into a forward purchase and sale agreement with TD Global Finance, a member of the TD Bank Financial Group. The Trust purchased a portfolio of equity securities (the Capital Portfolio) for sale to TD Global Finance (the counterparty) at the termination of the Trust. Under the forward agreement, on the termination date the counterparty has agreed to pay the gross aggregate subscription price of all the units then outstanding (the original investment amount) to the Trust in exchange for the Capital Portfolio securities owned by the Trust (note 6).

3 Summary of significant accounting policies

These financial statements, prepared in accordance with Canadian generally accepted accounting principles, include estimates and assumptions by management that affect the reported amounts of assets, liabilities, income and expenses during the reporting period. Actual results could differ from these estimates. The following is a summary of the significant accounting policies of the Trust.

Valuation of investments

Common shares or other securities are valued at the last board lot sale price on the principal stock exchange on which they are traded or, if no sale price is available, at the average of the bid and the ask price.

Short-term investments are valued at cost, which together with accrued interest approximates market value.

Listed options are valued at market values reported on recognized exchanges. Over-the-counter options are valued using an appropriate valuation model.

Investment transactions, income and expenses

Investment transactions are accounted for on the trade date. Realized and unrealized gains and losses on investments are determined using the average cost basis.

Interest income and expenses are recognized on an accrual basis. Dividend income is recorded on the ex-dividend date.

Deferred gains and losses on options are recognized in investments and as a component of net unrealized appreciation (depreciation) in the value of investments in unitholders' equity.

Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the end of the period.

Purchases and sales of investments and income and expenses are translated into Canadian dollars at the exchange rate prevailing on the transaction dates.

Foreign currency forward contracts

The Trust may enter into foreign currency forward contracts to hedge against exposure to foreign currency fluctuations. The carrying value of these contracts is the gain or loss that would be realized if the position were closed out on the valuation date, and is recorded as an unrealized gain or loss. Upon closing of a contract, the gain or loss is recorded as a net realized gain or loss on foreign currency forward contracts.

Forward contracts

Forward contracts entered into by the Trust are valued at an amount that is equal to the gain or loss that would be realized if the position were to be closed out, and is equivalent to the present value of the notional amount based on the rate to maturity applicable to that forward contract, less the market value of any assets deliverable under the contract. Any difference resulting from revaluation of a forward contract or the assets deliverable under such a contract is included as unrealized gain or loss on investments.

Connor, Clark & Lunn PRINTS Trust

Notes to Financial Statements

December 31, 2004 and 2003

Options

Option premiums paid or received by the Trust, as long as the options are outstanding, reflect an asset or liability, respectively, in the statement of investment portfolio and are valued at an amount equal to the current market value of an option that would have the effect of closing the position. Any difference resulting from revaluation is treated as an unrealized gain or loss on investments. Gains or losses realized upon exercise or expiration of options are included in net realized gain or loss on investments.

Prepaid forward agreement fees

Forward agreement fees prepaid by the Trust are deferred and amortized over the life of the forward agreement.

4 Unitholders' equity

The Trust is authorized to issue an unlimited number of transferable, redeemable trust units of one class, each of which represents an equal, undivided interest in the net assets of the Trust.

Units may be surrendered at any time for redemption but will be redeemed only on a monthly basis on the third Friday of a month (the valuation date). Units redeemed on the December valuation date will be redeemed at a price per unit equal to the net asset value on that date. On any other monthly valuation date, units will be redeemed at a redemption price per unit equal to the net asset value less the lesser of: (i) 4% of such net asset value per unit; and (ii) \$1.00.

Changes in outstanding units are summarized as follows:

	Number of units	
	December 31, 2004	December 31, 2003
Balance - Beginning of year	2,001,207	3,754,291
Units redeemed	(871,844)	(1,753,084)
Balance - End of year	1,129,363	2,001,207

5 Foreign currency forward contracts

The Trust may enter into foreign currency forward contracts as a hedge against fluctuations in foreign exchange rates. These contracts are limited to the market value of foreign securities owned by the Trust and quoted in that currency. Contracts do not exceed one year in duration.

There are no open foreign currency forward contracts as at December 31, 2004.

6 Forward contracts and Capital Portfolio

To provide the Trust with the means to meet its objective to return the original issue price, the Trust has entered into a forward agreement with the counterparty, a member of the TD Bank Financial Group.

Under the forward agreement, the counterparty will be required to pay the original investment amount to the Trust on the termination date in exchange for the Capital Portfolio securities even if, on the determination date, the net asset value of the Trust is insufficient to enable the Trust to acquire Capital Portfolio securities with a value at least equal to the forward value. The obligations of the counterparty pursuant to the forward agreement are guaranteed by The Toronto-Dominion Bank, whose credit rating is A+ as at December 31, 2004.

On June 4, 2003, the Trust purchased and then sold forward a portfolio of Canadian equity securities in accordance with the forward sale agreement with TD Global Finance (TDGF). The execution of the forward sale supports the commitment of the Trust to return to unitholders their original subscription price of \$25.00 on the termination date. On the termination date, unitholders are also entitled to any residual value of the Trust.

In connection with the execution of the forward sale agreement, the Trust has delivered the present value of the fixed price forward fee that is payable to TDGF over the term of the agreement. The full amount of the present value of the prepaid forward agreement fee was \$4,119,089, or 6.9% of the Trust's net assets at the time of purchase.

As a result of discussions with TDGF initiated by the Manager, TDGF has agreed to reimburse a portion of the forward fee equating to approximately \$0.07 per unit, net of fees payable to TDGF, based on the number of units outstanding on June 4, 2003. The gross value of the reimbursement of approximately \$300,000 has reduced the carrying amount of prepaid forward agreement fees. An amount of approximately \$101,000 was distributed by the Trust to those unitholders who had redeemed units between June 2003 and April 2004, equating to approximately \$0.07 per unit redeemed. The remainder has been added to the property of the fund for the benefit of those who continue to hold units.

For the purposes of establishing the financial reporting net asset value of the Trust, the amount of forward agreement fees has been deferred and will be amortized over the life of the contract. For the purposes of establishing the trading net asset value of the Trust, this amount was expensed in the period in which it was incurred. As at December 31, 2004, the trading net asset value of the Trust is \$19,733,159 and the trading net asset value per unit is \$17.47.

Connor, Clark & Lunn PRINTS Trust

Notes to Financial Statements

December 31, 2004 and 2003

7 Distributions

Targeted monthly distributions are \$0.50 per unit. In 2003, the Manager announced a reduction in the distribution rate to \$nil. There were no distributions in 2003 or in the year ended December 31, 2004.

8 Management fees and other expenses

The Manager is entitled to a fee payable from the Trust at an annual rate equal to 1.10% of the net asset value of the Trust and calculated and payable monthly, plus applicable taxes. In the event the Trust does not distribute at least \$0.50 per unit in respect of any quarter, the fee payable to the Manager in respect of each month in the subsequent quarter is reduced pro rata based on the amount by which the distribution in respect of the previous quarter is less than \$0.50 per unit, subject to a minimum fee of 0.50% of the net asset value of the Trust, calculated and payable monthly, plus applicable taxes. Effective January 1, 2003, the Manager reduced its fee payable to an annual rate of 0.62% of net assets calculated and payable monthly, plus applicable taxes, followed by a reduction to 0.50% in April 2003 and 0.20% in June 2003. The Manager has voluntarily waived the difference between the fees it is entitled to and the fees charged to the Trust for the period ended December 31, 2003.

Effective January 1, 2004 the Manager has elected that all future management fees payable to it will be deferred and will accrue at the daily at the minimum level set out in the prospectus (a rate of 0.50% of the net asset value of the Trust). Such fees will be payable only after and to the extent that the Trust has redeemed all remaining units at \$25 per unit on the termination date, or on units that have been retracted, prior to the termination date.

The Manager pays and recovers from the Trust a service fee to dealers equal to 0.40% of the net asset value, calculated and paid at the end of each calendar quarter. In the event that the Trust does not distribute at least \$0.50 per unit in respect of any quarter, the service fee payable for that calendar quarter shall be reduced pro rata based on the amount by which the distribution in respect of such quarter is less than \$0.50 per unit. Service fees were reduced to nil in 2003 and 2004.

Since no distributions were paid in 2003 and in 2004, the amount paid to dealers has been recorded as prepaid service fees. The prepaid service fees will be recovered out of fees that become payable to the Manager upon the redemption of units.

9 Income taxes

The Trust is a mutual fund trust as defined by the Income Tax Act (Canada). No provisions for income taxes are made in the financial statements as all investment income and net realized capital gains for income tax purposes are distributed to unitholders.

As at December 31, 2004, the Trust had net capital losses of \$18,939,735 (2003 - \$18,939,735), which may be carried forward indefinitely to reduce future realized capital gains and non-capital losses of \$13,400,116 (2003 - \$12,121,350), which expire within the next seven years.

10 Broker commission charges

There were \$nil broker commissions paid during the year ended December 31, 2004 in connection with portfolio transactions (2003 - \$3,782).

11 Net asset value

The financial reporting net asset value per unit as at December 31 is as follows:

	<u>Net asset value per unit</u>
	<u>December 31</u>
2004	\$20.22
2003	17.92
2002	17.10
2001	24.23

12 Statement of cash flow

A statement of cash flow has not been presented as the information that would be presented therein is evident from these financial statements.

13 Statement of portfolio transactions

In accordance with Regulations under the Securities Act of Ontario, an unaudited statement of portfolio transactions for the year ended December 31, 2004 will be provided without charge upon written request by any unitholder to the Trust at: Connor, Clark & Lunn Capital Markets Inc., Suite 5700, Box 416, 1 First Canadian Place, 100 King Street West, Toronto, Ontario, M5X 1E3.

