



CONNOR, CLARK & LUNN

CAPITAL MARKETS

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**Connor, Clark & Lunn  
PRINTS Trust**

Annual Report

December 31, 2006

## Connor, Clark & Lunn PRINTS Trust Message to Unitholders

March 15, 2007

Dear Investor,

The following report presents the financial results of Connor, Clark & Lunn PRINTS Trust for the year ended December 31, 2006. PRINTS Trust is effectively a tax efficient zero-coupon bond maturing on December 2, 2013. The Net asset value started the period at \$21.55 and stood at \$22.62 on December 31, 2006. It is important to note the net asset value includes a prepaid forward fee which is being amortized over the life of the Trust in accordance with GAAP. As retractions have reduced the total assets of the Trust, this pre-paid fee constitutes a growing proportion of total assets. We believe that the economic value of a Unit is best reflected by the trading net asset value. The trading net asset value, which excludes the prepaid fee and which is used to calculate the amount due to unitholders who retract, was \$19.08 on December 31, 2006, up from \$18.55 at the end of 2005. This increase was driven by the passage of time in the face of stable rates. The swap rate used by the Toronto-Dominion Global Finance (TDGF) in valuing the forward agreement rose from 4.24% at the end of 2005 to 4.30% by December 31, 2006.

Of the 4,131,600 units of the Trust originally issued, 3,451,632, or 83.5%, have been retracted to date. As units are retracted, the fixed components of the Trust's operating expenses must be borne by an ever-smaller pool of investments. While we have worked hard at reducing the Trust's management expense ratio ("MER"), including by deferring any fee due to the manager on currently outstanding units until after the original investment amount \$25.00 per unit has been paid in full on termination, it is inevitable that MER will rise as total assets shrink. The MER for the year ended December 31, 2006 was 3.53%.

Also as a result of retractions, the Trust's tax loss carry forwards available per unit have increased substantially.

We announced in 2005 that, as a result of rising costs and other considerations, we intend to consider recommending strategies to take advantage of the Trust's tax loss carry-forwards to the advisory board and unitholders. Such strategies might include re-funding of the Trust, a change in investment objectives and restrictions or an outright sale, among other things. Any such initiative would require the approval of unitholders. The outcome of this process will in part depend on the total asset value of the Trust going forward.

To date there has been no significant opportunity to implement such a strategy but it remains the intention of the Manager to continue to seek out and evaluate options.

We would like to thank you for your continued support.

Yours truly,



W. Neil Murdoch  
Chief Executive Officer  
Connor, Clark & Lunn Capital Markets

# Management Report of Fund Performance

## Investment Objectives and Strategy

The Connor, Clark & Lunn PRINTS Trust's (the "Trust") investment objectives as set out in the prospectus dated November 29, 2001 are:

- (i) Distributions: to provide holders of Units ("Holders") with a stable stream of quarterly distributions targeted to be \$0.50 per Unit (\$2.00 per annum to yield 8.0% on the subscription price);
- (ii) Capital Repayment: to pay to Holders on or about December 2, 2013 (the "Termination Date") an amount per Unit equal to the subscription price paid for Units offered hereby (the "Original Investment Amount"); and
- (iii) Capital Appreciation: to pay to Holders, on the Termination Date, in addition to the Original Investment Amount, the value per Unit, if any, in excess of the Original Investment Amount.

On June 4, 2003, the Trust completed the forward sale of a portfolio of Canadian equity securities in accordance with a forward sale agreement with TD Global Finance (TDGF), the counterparty to the forward agreement, the terms of which are described in the Trust's prospectus dated November 29, 2001. The execution of the forward sale, which came about as the result of prolonged deterioration in the US equity market and falling bond yields, was in support of the capital repayment objective of the Trust. The Trust does not expect to pay distributions or to realize significant capital appreciation in excess of the original investment. As a result, the Trust's sole objective is to pay at least \$25.00 per unit to holders on or about December 2, 2013.

## Risk

The value of the Trust should behave like a zero coupon bond maturing on December 2, 2013, and as a result will change as the Canadian dollar swap rate to maturity changes. The principal risks to the Trust include:

- a. The risk that if the size of the Trust is substantially reduced as a result of retractions, the fixed costs of operation will have to be shared among a smaller number of units. Over time, this might impair the Trust's ability to return \$25.00 per unit;
- b. The risk that rising interest rates will depress net asset value and trading price. The level of interest rates will have no impact, however, on the payment by the Trust of \$25.00 per unit at maturity; and
- c. The credit risk of TDGF. TDGF is a guaranteed subsidiary of Toronto-Dominion Bank, whose long-term debt is currently rated A+ by Standard and Poor's and Aa3 by Moody's.

For a full analysis of risks, please see the prospectus dated November 29, 2001 or the Trust's most recent annual information form. Both are available at [www.sedar.com](http://www.sedar.com) or [www.cclcapitalmarkets.com](http://www.cclcapitalmarkets.com).

## Unitholder Redemptions

For the period ended December 31, 2006, 238,215 Units were redeemed by Unitholders, representing 25.9% of Units outstanding at the beginning of the period. Since inception in December 2001, 83.5% of the 4,131,600 units originally issued have been redeemed.

## Results of Operations

Following the execution of the forward sale agreement in June 2003, the Trust should be evaluated as a tax-efficient zero-coupon bond maturing on December 2, 2013. The Trust's principal asset is a portfolio of Canadian equity securities, which it has agreed to sell to TDGF for \$25.00 per unit outstanding at maturity. At any time prior to maturity, the forward can be

settled or partially settled in exchange for the discounted value, or present value, of \$25.00 per unit delivered on December 2, 2013. This present value is calculated using the Canadian dollar swap rate to maturity as calculated by TDGF. As a result of the forward agreement, the returns earned by the Trust are expected to be taxed as capital gains at maturity or the time of sale, whichever comes first.

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 unitholders. The Trust does not, therefore, expect to pay distributions going forward. In order to provide unitholders with greater 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 accrues 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. Where units are retracted prior to maturity, the management fee accrued on those units will be paid on or subsequent to their retraction date.

The net asset value of the Trust as presented in the financial statements includes \$2,405,592 representing the prepaid forward agreement fee, which is being amortized over the life of the forward sale agreement in accordance with GAAP. For the purposes of establishing a net asset value for unitholder retractions, the prepaid forward fee, the economic value of which is not transferable or fungible, was expensed.

As at December 31, 2006, net asset value per unit was \$19.08 for the purpose of retractions (based on a trading net asset value of \$12,976,978 net of the prepaid forward agreement fees). This compares to a net asset value for the purpose of retractions of \$18.55 on December 31, 2005. The gain in net asset value over the period was caused by falling interest rates and appreciation of discounts. The swap rate to maturity applicable to the units, as indicated by TDGF, fell from 4.97% to 4.29% over the period.

The following yield formula can be used to estimate the expected annual rate of return to termination on a unit. The calculation assumes a market price of \$18.33 on March 7, 2007, with 6.75 years remaining to maturity.

$$[18.33 \div 25]^{-(1 \div 6.75)} - 1 = 4.71\%$$

To a unitholder at recent prices the Trust offers a tax advantaged yield to maturity of 4.71%.

## **Distributions**

Targeted quarterly distributions were \$0.50 per unit. The Trust distributed \$1.45 during 2002. In 2003, the Manager announced a reduction in the distribution rate to \$nil. There were no distributions paid in 2003, 2004, 2005 and 2006.

## **Recommendations or Reports by the Independent Committee**

The Independent Committee of the Board of Advisors tabled no special reports and made no material recommendations to management of the Trust during the year ended December 31, 2006.

## **Related Party Transactions**

### ***Management Fees***

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, 2004 the Manager has elected that all future management fees payable to it will be deferred and will accrue 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 \$25.00 per unit on the

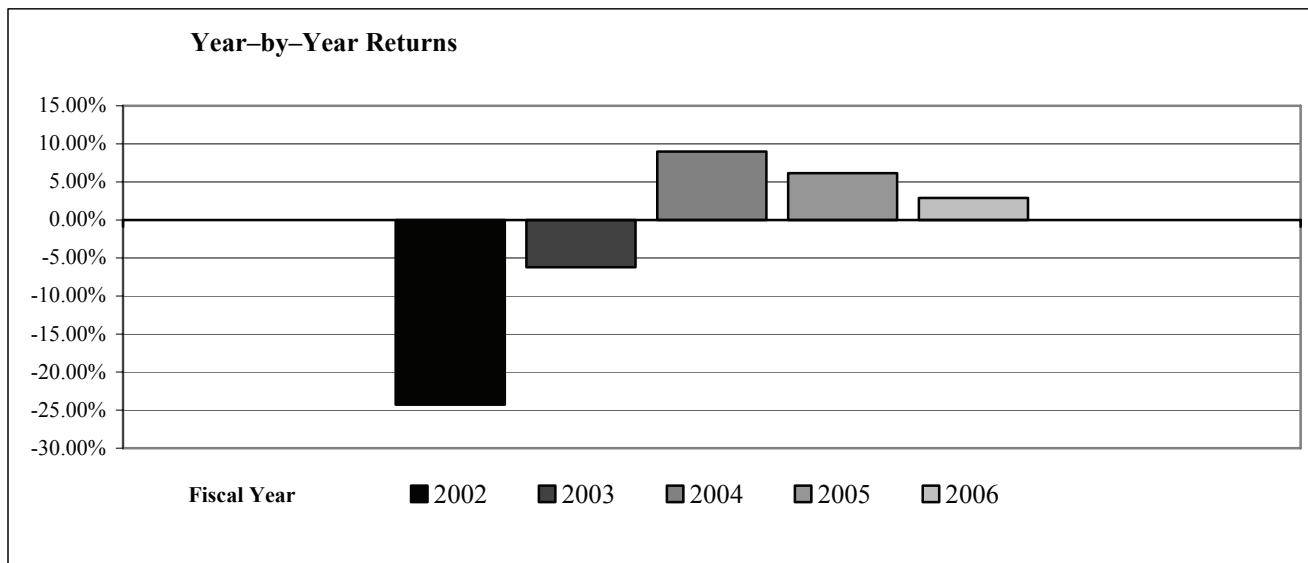
termination date, or on units that have been retracted, prior to the termination date.

## Past Performance

The following bar chart and table indicate the performance of the Units by showing both annual returns by fiscal year and annualized compound returns from inception assuming all the distributions made by the Trust in the periods shown were reinvested. Past performance is not necessarily indicative of future performance.

### Year – by –Year Returns

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



### Annual Compound Returns

	Past Year	Three Years <sup>(1)</sup>	Five Years <sup>(1)</sup>	Since Inception <sup>(1)</sup>
Based on NAV <sup>(2)</sup>	2.90%	5.98%	-3.30%	-2.69%
Bloomberg Government of Canada 5-7 year <sup>(3)</sup>	3.96%	4.97%	6.06%	N/A

<sup>(1)</sup> Annualized for the periods January 1, 2004, January 1, 2002 and December 12, 2001 (commencement of operations date) to December 31, 2006 respectively.

<sup>(2)</sup> Calculated from December 31, 2005 trading net asset value of \$18.55, December 31, 2003 trading net asset value of \$16.03, December 31, 2001 net asset value of \$24.23 and the initial net asset value of \$23.50, respectively, assuming all distributions reinvested.

<sup>(3)</sup> Because of the change in strategy and the nature of the underlying investments of the Trust, there is no appropriate benchmark for the five year period and since inception.

## Financial Highlights

The following tables show selected key financial information about the Trust and are intended to help understand the Trust's financial performance since inception. This information is derived from the Trust's past five year audited annual financial statements:

The Trust's Net Asset Value per unit: <sup>(1)</sup>	2006	2005	2004	2003	2002
<b>Net Asset Value, beginning of period</b>	<b>21.55</b>	<b>20.22</b>	<b>17.92</b>	<b>17.10</b>	<b>24.23</b>
<b>Increase (decrease) from operations:</b>					
Total revenues	0.04	0.03	0.02	0.12	0.35
Total expenses	(0.65)	(0.54)	(0.39)	(0.28)	(0.53)
Share issue expenses	—	—	—	—	(0.19)
Realized gains (losses) for the period	0.93	0.73	0.96	(0.57)	(4.16)
Unrealized gains (losses) for the period	(0.26)	0.54	0.53	0.63	(1.27)
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>0.06</b>	<b>0.76</b>	<b>1.12</b>	<b>(0.10)</b>	<b>(5.80)</b>
<b>Distributions:</b>					
From income (excluding dividends)	—	—	—	—	—
From dividends	—	—	—	—	—
From capital gains	—	—	—	—	—
Return of capital	—	—	—	—	(1.45)
<b>Total Annual Distributions <sup>(3)</sup></b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(1.45)</b>
<b>Net Asset Value, end of period <sup>(4) (5)</sup></b>	<b>22.62</b>	<b>21.55</b>	<b>20.22</b>	<b>17.92</b>	<b>17.10</b>

<sup>(1)</sup> Results for the year ended December 31 of the year shown.

<sup>(2)</sup> Net asset value and distributions are based on the actual number of units outstanding at the relevant time. The increase / decrease from operations is based on the weighted average number of units outstanding over the financial period.

<sup>(3)</sup> Distributions were paid in cash.

<sup>(4)</sup> This is not reconciliation between the opening and the closing net asset values per unit.

<sup>(5)</sup> The end of period net asset values include the prepaid forward agreement fees.

Ratios and Supplemental Data:	2006	2005	2004	2003	2002
Net assets (000's) <sup>(1)</sup>	15,383	19,782	22,834	35,856	64,182
Number of units outstanding <sup>(1)</sup>	679,968	918,183	1,129,263	2,001,207	3,754,291
Base Management expense ratio <sup>(2)</sup>	3.00%	2.44%	1.99%	1.73%	2.59%
Management expense ratio including issue expenses and deferred management fees <sup>(3)</sup>	3.53%	2.96%	2.32%	1.73%	3.51%
Portfolio turnover rate <sup>(4)</sup>	25.05%	73.72%	59.62%	193.16%	358.81%
Trading expense ratio <sup>(5)</sup>	0.00%	0.00%	0.00%	0.01%	0.17%
Closing market price	18.53	17.29	16.61	15.39	16.20

<sup>(1)</sup> This information is provided as at December 31 for the years shown.

<sup>(2)</sup> A separate base management expense ratio has been presented to include the normal ongoing operating expenses and excluding the one time initial share offering issue expenses and the deferred Management fees portion in the years 2004, 2005 and 2006.

<sup>(3)</sup> Management expense ratio is based on the total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the period. The Management expense ratio is based on all the ongoing expenses, deferred management fees and any initial share offering issue expenses.

<sup>(4)</sup> The trust's turnover rate indicates how actively the Trust's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Trust's buying and selling all of the securities in its portfolio once in the course of the year. There is not necessarily a relationship between turnover rate and the performance of the Trust.

<sup>(5)</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.

## Summary of Investment Portfolio as of December 31, 2006

The summary of investment portfolio may change due to ongoing portfolio transactions of the Trust. A quarterly update is available at [www.cclcapitalmarkets.com](http://www.cclcapitalmarkets.com) and at [www.sedar.com](http://www.sedar.com).

	<b>Market Value</b>	<b>% of NAV</b>
	<b>\$</b>	
<b>Portfolio by Category</b>		
Information Technology	6,056,756	39.4%
Energy	2,719,349	17.7%
Materials	1,580,483	10.3%
Consumer Discretionary	1,498,822	9.7%
Industrials	1,360,600	8.8%
Cash & Cash Equivalents	672,133	4.4%
Consumer Staples	514,770	3.3%
Health Care	9,900	0.1%
Unrealized gain (loss) on forward agreement	(1,116,448)	-7.3%
<b>Top 25 Holdings</b>		
Research In Motion	2,772,890	18.0%
Western Oil Sands Inc.	2,119,085	13.8%
Kinross Gold Corp.	1,580,483	10.3%
CanWest Global Communications Sub Voting	1,498,822	9.7%
Bombardier Inc. Class B	1,360,600	8.8%
CGI Group Class A	1,326,515	8.6%
Cognos Inc.	1,243,903	8.1%
Cash & Cash Equivalents	672,133	4.4%
OPTI Canada Inc.	600,264	3.9%
Cott Corp.	514,770	3.3%
Celestica Inc.	378,908	2.5%
Nortel Networks Corp.	334,540	2.2%
QLT Inc.	9,900	0.1%
Unrealized gain (loss) on forward agreement	(1,116,448)	-7.3%
<b>Net asst value (NAV)</b>	<b>15,382,570</b>	<b>100.0%</b>

## Management's Responsibility for Financial Reporting

The accompanying financial statements of Connor, Clark & Lunn PRINTS Trust (the "Trust") and all the information have been prepared by Connor, Clark & Lunn Capital Markets Inc. in its capacity as Manager of the Trust and have been approved by the Board of Directors of the Manager. The Trust's Manager is responsible for all the information and representations contained in these financial statements and other sections of the Annual Report

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Financial statements are not precise since they include certain amounts based on estimates and judgements. The Manager has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has ensured that the other financial information presented in this annual report is consistent with the financial statements.

The financial statements have been audited by PricewaterhouseCoopers LLP on behalf of the unitholders. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the unitholders their opinion on the financial statements.



W. Neil Murdoch  
President and Chief Executive Officer  
Connor, Clark & Lunn Capital Markets Inc.



Philip Gow  
Chief Financial Officer  
Connor, Clark & Lunn Capital Markets Inc.

Toronto, Canada  
March 7, 2007

PricewaterhouseCoopers LLP  
Chartered Accountants  
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March 7, 2007

## 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, 2006, the statements of net assets as at December 31, 2006 and 2005 and the statements of operations, changes in net assets and deficit 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, 2006 and 2005 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**

PricewaterhouseCoopers refers to the Canadian firm of PricewaterhouseCoopers LLP and the other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

# Connor, Clark & Lunn PRINTS Trust

Statements of Net Assets

As at December 31, 2006 and 2005

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	2006	2005
	\$	\$
<b>Assets</b>		
Cash	27,536	8,219
Short-term investments	644,597	897,878
Investments at market value (average cost - \$11,664,583 2005 - \$15,218,460)	13,740,680	13,553,267
Prepaid forward agreement fees (note 5)	2,405,592	2,753,280
Unrealized gain on forward agreement	-	2,852,014
	<u>16,818,405</u>	<u>20,064,658</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	73,823	72,037
Deferred management fees payable	245,564	210,234
Unrealized loss on forward agreement	1,116,448	-
	<u>1,435,835</u>	<u>282,271</u>
<b>Net Assets and Unitholders' Equity</b>	<u>15,382,570</u>	<u>19,782,387</u>
<b>Units outstanding</b> (note 4)	<u>679,968</u>	<u>918,183</u>
<b>Net asset value per unit</b> (note 5)	<u>22.62</u>	<u>21.55</u>
<b>Unitholders' Equity</b>		
Unit Capital	16,999,200	22,954,575
Contributed surplus	28,298,162	26,798,999
Deficit	(29,914,792)	(29,971,187)
<b>Unitholders' Equity</b>	<u>15,382,570</u>	<u>19,782,387</u>

Approved by the Manager  
Connor, Clark & Lunn Capital Markets Inc.



Director



Director

# Connor, Clark & Lunn PRINTS Trust

## Statements of Operations

For the years ended December 31, 2006 and 2005

	2006	2005
	\$	\$
<b>Income</b>		
Interest	<u>39,353</u>	<u>28,603</u>
<b>Expenses (note 7)</b>		
Amortization of prepaid forward agreement fees	347,688	347,688
Deferred management fees	86,603	106,000
Custodial and other unitholder fees	79,873	62,560
Professional fees	50,710	60,963
Administration fees	15,606	-
Forward agreement fees (recovery)	<u>(7,854)</u>	<u>27,707</u>
	<u>572,626</u>	<u>604,918</u>
<b>Investment gain (loss) for the period</b>	<u>(533,273)</u>	<u>(576,315)</u>
<b>Realized and unrealized gain (loss) on investments</b>		
Change in unrealized gain on investments	3,741,290	3,575,481
Change in unrealized gain on foreign exchange	244	-
Change in unrealized (loss) on forward agreement	(3,968,462)	(2,971,795)
Net realized gain on investments	<u>816,596</u>	<u>822,268</u>
<b>Net gain (loss) on investments</b>	<u>589,668</u>	<u>1,425,954</u>
<b>Increase in net assets from operations</b>	<u>56,395</u>	<u>849,639</u>
<b>Increase in net assets from operations per unit*</b>	<u>0.06</u>	<u>0.76</u>

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

**Connor, Clark & Lunn PRINTS Trust**  
 Statements of Changes in Net Assets and Deficit  
 For the years ended December 31, 2006 and 2005

	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
<b>Increase (decrease) in net assets from operations</b>	<u>56,395</u>	<u>849,639</u>
<b>Payments on redemption of units</b> (note 4)	<u>(4,456,212)</u>	<u>(3,901,379)</u>
<b>Change in net assets during the period</b>	(4,399,817)	(3,051,740)
<b>Net assets - Beginning of period</b>	<u>19,782,387</u>	<u>22,834,127</u>
<b>Net assets - End of period</b>	<u>15,382,570</u>	<u>19,782,387</u>
<b>Deficit, beginning of period</b>	(29,971,187)	(30,820,826)
Increase (decrease) in net assets from operations	<u>56,395</u>	<u>849,639</u>
<b>Deficit, end of period</b>	<u>(29,914,792)</u>	<u>(29,971,187)</u>
<b>Contributed surplus, beginning of period</b>	26,798,999	25,420,878
Cost of shares redeemed at less than (in excess of) original issue price	<u>1,499,163</u>	<u>1,378,121</u>
<b>Contributed surplus, end of period</b>	<u>28,298,162</u>	<u>26,798,999</u>

**Connor, Clark & Lunn PRINTS Trust**  
 Schedule of Changes in Investments  
 For the years ended December 31, 2006 and 2005

	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
<b>Investments at average cost - Beginning of period</b>	15,218,460	18,151,426
Cost of investments purchased	3,572,645	10,903,182
Cost of investments sold	<u>(7,126,522)</u>	<u>(13,836,148)</u>
<b>Investments at average cost - End of period</b>	11,664,583	15,218,460
Unrealized gain (loss) on investments	<u>2,076,097</u>	<u>(1,665,193)</u>
<b>Market value of investments</b>	<u>13,740,680</u>	<u>13,553,267</u>
Proceeds from investments sold	7,943,118	14,658,416
Cost of investments sold	<u>(7,126,522)</u>	<u>(13,836,148)</u>
<b>Net realized gain on investments</b>	<u>816,596</u>	<u>822,268</u>

## Connor, Clark & Lunn PRINTS Trust

Statement of Investment Portfolio

As at December 31, 2006

	Maturity date	Number of shares or par value	Average cost \$	Market value \$	% of NAV
<b>Short-term investments</b>					
<b>Bearer Deposit Notes</b>					
Bank of Nova Scotia	03/13/07	650,000	643,000	644,597	4.2%
<b>Canadian common stocks (pledged to the Counterparty under the Forward Agreement)</b>					
<b>Energy</b>					
OPTI Canada Inc.		30,347	525,003	600,264	3.9%
Western Oil Sands Inc.		64,784	1,154,235	2,119,085	13.8%
			1,679,238	2,719,349	17.7%
<b>Materials</b>					
Kinross Gold Corp.		114,362	952,917	1,580,483	10.3%
<b>Industrials</b>					
Bombardier Inc. Class B		344,456	1,150,483	1,360,600	8.8%
<b>Consumer Discretionary</b>					
CanWest Global Communications Sub Voting		135,640	1,150,227	1,498,822	9.7%
<b>Consumer Staples</b>					
Cott Corp.		30,843	1,143,387	514,770	3.3%
<b>Health Care</b>					
QLT Inc.		1,003	32,758	9,900	0.1%
<b>Information Technology</b>					
CGI Group Class A		163,163	1,329,528	1,326,515	8.6%
Cognos Inc.		25,104	1,102,285	1,243,903	8.1%
Celestica Inc.		41,730	872,574	378,908	2.5%
Nortel Networks Corp.		10,695	771,781	334,540	2.2%
Research In Motion		18,610	1,479,405	2,772,890	18.0%
			5,555,573	6,056,756	39.4%
<b>Total Canadian common stocks</b>			11,664,583	13,740,680	89.3%
<b>Other assets, net of liabilities</b>				997,293	6.5%
<b>Net assets</b>				15,382,570	100.0%

(See accompanying notes to financial statements)

# Connor, Clark & Lunn PRINTS Trust

## Notes to Financial Statements

### For the year ended December 31, 2006

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#### 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. RBC Dexia Investor Services Trust ("RBC Dexia") (formerly "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, 2006.

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 5).

#### 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.

##### 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.

##### 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.

##### 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.

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**Notes to Financial Statements**  
**For the year ended December 31, 2006**

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Changes in outstanding units are summarized as follows:

	<u>Number of units</u>	
	<b>December 31, 2006</b>	<b>December 31, 2005</b>
Balance - Beginning of year	918,183	1,129,363
Units redeemed	<u>(238,215)</u>	<u>(211,180)</u>
Balance - End of year	<u>679,968</u>	<u>918,183</u>

**5 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 TD Global Finance (TDGF), 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 termination 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, 2006.

On June 4, 2003, the Trust purchased and then pledged forward a portfolio of Canadian equity securities in accordance with the forward sale agreement with 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 in 2001.

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 Trust 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, 2006, the trading net asset value of the Trust is \$12,976,978 and the trading net asset value per unit is \$19.08.

**6 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, 2004, 2005 and 2006.

**7 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, 2004 the Manager has elected that all future management fees payable to it will be deferred and will accrue 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 \$25.00 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 2004, 2005 and 2006.

# Connor, Clark & Lunn PRINTS Trust

## Notes to Financial Statements

### For the year ended December 31, 2006

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#### 8 Income taxes

The Trust is a mutual fund trust as defined by the Income Tax Act (Canada). No provision 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, 2006, the Trust had net capital losses of \$18,939,735 (2005 - \$18,939,735), which may be carried forward indefinitely to reduce future realized capital gains and non-capital losses of \$16,682,990 (2005 -\$15,277,186), which expire within the next twenty years.

#### 9 Broker commission charges and soft dollar services

There were \$nil broker commissions paid during the year ended December 31, 2006 in connection with portfolio transactions (2005 - \$nil). No soft dollar services were included in the broker commission charges.

#### 10 Future Accounting Standards

The Canadian Institute of Chartered Accountants ("CICA") has issued Section 3855, Financial Instruments: Recognition and Measurement, effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2006. The adoption of this section will impact the valuation and disclosure of the net asset value ("NAV") of the Trust, and the way transaction costs are recorded for financial reporting purposes.

Section 3855 requires that the fair value of financial instruments which are traded in active markets be measured based on the bid price for long securities and the ask price for securities held short. Prior to this new section, the fair value was based on the last traded price for the day, when available. The impact of adopting the amended policy is not expected to be material to the financial statements, however, the effect has not yet been quantified.

Section 3855 also requires that transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities be charged to net income in the period. Prior to this new section, these costs have been added to the cost of the securities purchased or deducted from the proceeds of sale. Adoption of this policy is not expected to have a material impact to the financial statements and does not impact the daily price of the Trust.

On January 1, 2007, the Company adopted Section 3855 on a prospective basis for financial reporting purposes.

The Canadian Securities Administrators have granted temporary relief to investment funds from complying with Section 3855, for the purpose of calculating and reporting of NAV (other than for financial reporting purposes) until September 30, 2007, to permit review of the suitability of these financial reporting requirements for purposes other than the financial statements, such as the purchase and redemption price of an investment fund.