CONNOR, CLARK & LUNN

CAPITAL MARKETS

2007

# Connor, Clark & Lunn PRINTS Trust

## Semi-Annual Report

## June 30, 2007

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

**June 30th, 2007**

**Dear Investor,**

The following report presents the financial results of Connor, Clark & Lunn Prints Trust for the six-month period ended June 30, 2007. Prints Trust is effectively a tax efficient zero-coupon bond maturing on December 2, 2013. Net asset value started the period at $22.62 and stood at $21.82 on June 30, 2007. It is important to note the net asset value includes a pre-paid 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 $18.53 on June 30, 2007, down from $19.08 at the end of 2006. This decline was driven by rising interest rates. The swap rate used by the Toronto-Dominion Global Finance (TDGF) in valuing the forward agreement rose from 4.29% at the end of 2006 to 4.99% by June 30.

Of the 4,131,600 units of the Trust originally issued, 3,453,152, or 83.6%, have been retracted to date.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 annualized MER for the six-month period ended June 30, 2006 was 3.53%.

Also as a result of retractions, the Trust's tax loss carry forwards available per unit have increased substantially. As at December 31, 2006, the Trust had net capital losses of $18,939,735, which may be carried forward indefinitely to reduce future realized capital gains and non-capital losses of $16,682,999, which expire within the next twenty years. These equate to $22.00 and $17.74 per unit respectively.

In December 2005 we announced 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 expect to make a further announcement in 2006.

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

This semi-annual management report of fund performance contains financial highlights but does not contain the complete semi-annual financial statements of the investment fund. You can get a copy of the annual financial statements at your request, and at no cost, by calling 416 862-2020, by writing to us at 181 University Avenue, Suite 300, Toronto, ON, M5H 3M7 or by visiting our website at www.cclcapitalmarkets.com or SEDAR at www.sedar.com.

Securityholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

## 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*** or ***www.cclcapitalmarkets.com***.

## Unitholder Redemptions

For the period ended June 30, 2007, 1,520 Units were redeemed by Unitholders, representing 0.2% of Units outstanding at the beginning of the period. Since inception in December 2001, 83.6% 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 $2,276,723 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 June 30, 2007, net asset value per unit was $18.53 for the purpose of retractions (based on a trading net asset value of $12,568,732 net of the prepaid forward agreement fees). This compares to a net asset value for the purpose of retractions of $19.08 on December 31, 2006. The decline in net asset value over the period was caused by rising interest rates and appreciation of discounts. The swap rate to maturity applicable to the units, as indicated by TDGF, rose from 4.29% to 4.99% 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 $17.70 on June 30, 2007, with 6.43 years remaining to maturity.

$[17.70 \div 25)^{-(1 \div 6.43)}] - 1 = 5.52\%$

To a unitholder at recent prices the Trust offers a tax advantaged yield to maturity of 5.52%.

## 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, 2006 and 2007.

### 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 June 30, 2007.

## 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.

## New Accounting Standards

National Instrument 81-106 “Investment Fund Continuous Disclosure” requires the net asset value of the Fund be calculated in accordance with Canadian generally accepted accounting principles (‘‘GAAP’’).

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 Fund, 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 material to the financial statements.

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 Fund.

On January 1, 2007, the Fund adopted Section 3855 on a prospective basis for financial reporting purposes (“GAAP NAV”).

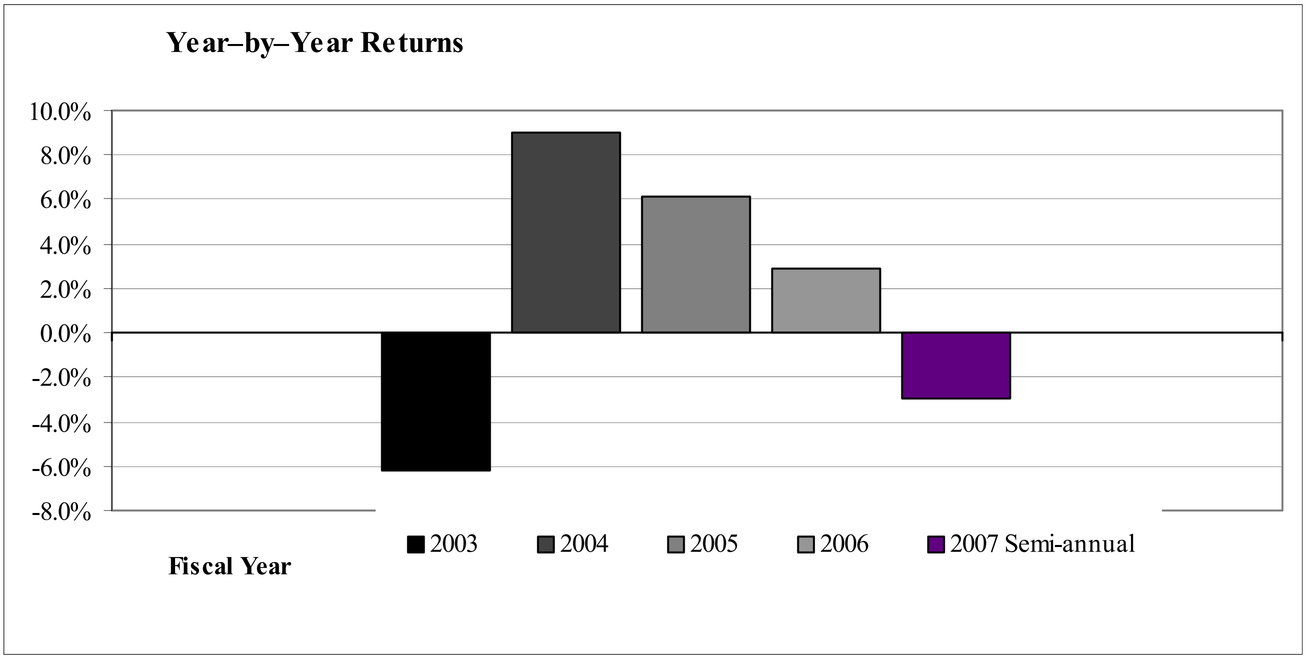
The Canadian Securities Administrators have granted temporary relief to investment funds from complying with Section 3855, for the purpose of calculating and reporting of NAV (“Trading NAV”)(other than for financial reporting purposes) until September 30, 2007, to permit review of the suitability of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

## Past Performance

The following bar chart indicates the performance of the Units by showing annual and semi-annual returns 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 past 4 years and semi-annual performance for the six-month period ended June 30, 2007. 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.


Year–by–Year Returns
10.0%
8.0%
6.0%
4.0%
2.0%
0.0%
-2.0%
-4.0%
-6.0%
-8.0%
2003
2004
2005
2006
2007 Semi-annual
Fiscal Year

## 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: (1) | **2007**(1) | **2006**(2) | **2005**(2) | **2004**(2) | **2003**(2) |
|---|---|---|---|---|---|
| **Net Asset Value, beginning of period** | **22.62** | **21.55** | **20.22** | **17.92** | **17.10** |
| **Increase (decrease) from operations:** | | | | | |
| Total revenues | 0.02 | 0.04 | 0.03 | 0.02 | 0.12 |
| Total expenses | (0.41) | (0.65) | (0.54) | (0.39) | (0.28) |
| Share issue expenses | – | – | – | – | – |
| Realized gains (losses) for the period | – | 0.93 | 0.73 | 0.96 | (0.57) |
| Unrealized gains (losses) for the period | (0.49) | (0.26) | 0.54 | 0.53 | 0.63 |
| **Total increase (decrease) from operations** (3) | **(0.88)** | **0.06** | **0.76** | **1.12** | **(0.10)** |
| **Distributions:** | | | | | |
| From income (excluding dividends) | – | – | – | – | – |
| From dividends | – | – | – | – | – |
| From capital gains | – | – | – | – | – |
| Return of capital | – | – | – | – | – |
| **Total Annual Distributions** (4) | – | – | – | – | – |
| **Net Asset Value, end of period** (5) (6) | **21.82** | **22.62** | **21.55** | **20.22** | **17.92** |

(1) This information is provided as at June 30, 2007 and December 31 of the other years shown.
(2) Results for the year ended December 31 for the year shown.
(3) 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.
(4) Distributions were paid in cash.
(5) This is not reconciliation between the opening and the closing net asset values per unit.
(6) The end of period net asst values include the prepaid forward agreement fees.

| Ratios and Supplemental Data: | **2007** | **2006** | **2005** | **2004** | **2003** |
|---|---|---|---|---|---|
| Net assets (000's) (1) | 14,758 | 15,383 | 19,782 | 22,834 | 35,856 |
| Number of units outstanding (1) | 678,448 | 679,968 | 918,183 | 1,129,263 | 2,001,207 |
| Base Management expense ratio (2) | 3.79% | 3.00% | 2.44% | 1.99% | 1.73% |
| Management expense ratio including issue expenses and deferred management fees (3) | 4.32% | 3.53% | 2.96% | 2.32% | 1.73% |
| Portfolio turnover rate (4) | 0.00% | 25.05% | 73.72% | 59.62% | 193.16% |
| Trading expense ratio (5) | 0.00% | 0.00% | 0.00% | 0.00% | 0.01% |
| Closing market price | 17.70 | 18.53 | 17.29 | 16.61 | 15.39 |

(1) This information is provided as at June 30, 2007 and December 31 of the other years shown.
(2) 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, 2006 and 2007.
(3) 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.
(4) 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.
(5) 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 June 30, 2007

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

| | **Market Value $** | **% of NAV** |
|---|---|---|
| **Portfolio by Category** | | |
| Information Technology | 7,522,637 | 50.8% |
| Energy | 2,987,716 | 20.2% |
| Industrials | 2,194,185 | 14.8% |
| Materials | 1,416,945 | 9.6% |
| Consumer Discretionary | 1,265,521 | 8.5% |
| Cash & Cash Equivalents | 547,969 | 3.7% |
| Consumer Staples | 476,833 | 3.2% |
| Health Care | 7,743 | 0.1% |
| Unrealized gain (loss) on forward agreement | (3,608,236) | (24.4%) |
| | | |
| **Top 25 Holdings** | | |
| Research In Motion | 3,969,141 | 26.8% |
| Western Oil Sands Inc. | 2,298,536 | 15.5% |
| Bombardier Inc. Class B | 2,194,185 | 14.8% |
| CGI Group Class A | 1,948,166 | 13.2% |
| Kinross Gold Corp. | 1,416,945 | 9.6% |
| CanWest Global Communications Sub Voting | 1,265,521 | 8.5% |
| Cognos Inc. | 1,058,636 | 7.2% |
| OPTI Canada Inc. | 689,180 | 4.7% |
| Cash & Cash Equivalents | 547,969 | 3.7% |
| Cott Corp. | 476,833 | 3.2% |
| Nortel Networks Corp. | 274,648 | 1.9% |
| Celestica Inc. | 272,046 | 1.8% |
| QLT Inc. | 7,743 | 0.1% |
| Unrealized gain (loss) on forward agreement | (3,608,236) | (24.4%) |
| | | |
| **Net asst value (NAV)** | **14,801,909** | **100.0%** |

# Connor, Clark & Lunn PRINTS Trust

Financial Statements (unaudited)
**June 30, 2007**

Notice to Reader:

These interim financial statements and related notes for the sim month period ended June 30, 2007 have been prepared by Management of Connor, Clark & Lunn Capital Markets Inc. The auditors of the Fund have not audited or reviewed these interim financial statements.

## Connor, Clark & Lunn PRINTS Trust

Statements of Net Assets

**As at June 30, 2007 and December 31, 2006**

| | June 30, 2007 (Unaudited) | December 31, 2006 (Audited) |
|---|---|---|
| | $ | $ |
| **Assets** | | |
| Cash | 101,903 | 27,536 |
| Short-term investments | 446,066 | 644,597 |
| Investments at market value (average cost - $11,638,508; 2006 - $11,664,583) | 15,871,580 | 13,740,680 |
| Interest and dividends receivable | - | - |
| Prepaid forward agreement fees (note 5) | 2,276,723 | 2,405,592 |
| | 18,696,272 | 16,818,405 |
| **Liabilities** | | |
| Accounts payable and accrued liabilities | 55,368 | 73,823 |
| Deferred management fees payable | 230,759 | 245,564 |
| Unrealized loss on forward agreement | 3,608,236 | 1,116,448 |
| | 3,894,363 | 1,435,835 |
| **Net Assets and Unitholders' Equity** | 14,801,909 | 15,382,570 |
| **Units outstanding** (note 4) | 678,448 | 679,968 |
| **Net asset value per unit** (note 5) | 21.82 | 22.62 |

| | | |
|---|---|---|
| **Unitholders' Equity** | | |
| Unit Capital | 16,961,200 | 16,999,200 |
| Contributed surplus | 28,308,933 | 28,298,162 |
| Deficit | (30,468,224) | (29,914,792) |
| **Unitholders' Equity** | 14,801,909 | 15,382,570 |

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

Director

Director

(See accompanying notes to financial statements)

## Connor, Clark & Lunn PRINTS Trust

Statements of Operations (Unaudited)

**For the periods ended June 30, 2007 and 2006**

| | **2007** | **2006** |
|---|---|---|
| | **$** | **$** |
| **Income** | | |
| Interest | 13,074 | 16,218 |
| **Expenses** (note 7) | | |
| Amortization of prepaid forward agreement fees | 172,416 | 172,415 |
| Deferred management fees | 34,214 | 43,884 |
| Custodial and other unitholder fees | 35,418 | 42,461 |
| Professional fees | 24,699 | 23,472 |
| Administration fees | 9,571 | 8,267 |
| Forward agreement fees (recovery) | - | - |
| | 276,318 | 290,499 |
| **Investment gain (loss) for the period** | (263,244) | (274,281) |
| **Realized and unrealized gain (loss) on investments** | | |
| Change in unrealized gain on investments | 2,156,975 | 76,219 |
| Change in unrealized gain on foreign exchange | (490) | - |
| Change in unrealized (loss) on forward agreement | (2,448,242) | (657,674) |
| Net realized gain on investments | 1,563 | 55,793 |
| **Net gain (loss) on investments** | (290,188) | (525,662) |
| **(Decrease) in net assets from operations** | (553,432) | (799,943) |
| **(Decrease) in net assets from operations per unit*** | (0.81) | (0.76) |

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

(See accompanying notes to financial statements)

## Connor, Clark & Lunn PRINTS Trust

Statements of Changes in Net Assets and Deficit (Unaudited)

**For the periods ended June 30, 2007 and 2006**

| | 2007 | 2006 |
|---|---|---|
| | $ | $ |
| **Increase (decrease) in net assets from operations** | (553,432) | (799,943) |
| **Payments on redemption of units** (note 4) | (27,229) | (993,628) |
| **Change in net assets during the period** | (580,661) | (1,793,571) |
| **Net assets - Beginning of period** | 15,382,570 | 19,782,387 |
| **Net assets - End of period** | 14,801,909 | 17,988,816 |
| **Deficit, beginning of period** | (29,914,792) | (29,971,187) |
| Increase (decrease) in net assets from operations | (553,432) | (799,943) |
| **Deficit, end of period** | (30,468,224) | (30,771,130) |
| **Contributed surplus, beginning of period** | 28,298,162 | 26,798,999 |
| Cost of shares redeemed at less than (in excess of) original issue price | 10,771 | 433,872 |
| **Contributed surplus, end of period** | 28,308,933 | 27,232,871 |

(See accompanying notes to financial statements)

## Connor, Clark & Lunn PRINTS Trust

Schedule of Changes in Investments (Unaudited)

**For the periods ended June 30, 2007 and 2006**

| | 2007 | 2006 |
|---|---|---|
| | $ | $ |
| **Investments at average cost - Beginning of period** | 11,664,583 | 15,218,460 |
| Cost of investments purchased | - | - |
| Cost of investments sold | (26,075) | (946,388) |
| **Investments at average cost - End of period** | 11,638,508 | 14,272,072 |
| Unrealized gain (loss) on investments | 4,276,618 | (1,588,974) |
| **Market value of investments** | 15,915,126 | 12,683,098 |
| Proceeds from investments sold | 27,638 | 1,002,181 |
| Cost of investments sold | (26,075) | (946,388) |
| **Net realized gain on investments** | 1,563 | 55,793 |

## Connor, Clark & Lunn PRINTS Trust

Statement of Investment Portfolio (Unaudited)

**As at June 30, 2007**

| | Maturity date | Number of shares or par value | Average cost $ | Market value $ | % of NAV |
|---|---|---|---|---|---|
| **Short-term investments** | | | | | |
| **Bearer Deposit Notes** | | | | | |
| Bank of Montreal | 09/11/07 | 450,000 | 445,028 | 446,066 | 3.0% |
| **Canadian common stocks (pledged to the Counterparty under the Forward Agreement)** | | | | | |
| **Energy** | | | | | |
| OPTI Canada Inc. | | 30,347 | 525,003 | 689,180 | 4.7% |
| Western Oil Sands Inc. | | 64,784 | 1,154,235 | 2,298,536 | 15.5% |
| | | | 1,679,238 | 2,987,716 | 20.2% |
| **Materials** | | | | | |
| Kinross Gold Corp. | | 114,362 | 952,917 | 1,416,945 | 9.6% |
| **Industrials** | | | | | |
| Bombardier Inc. Class B | | 344,456 | 1,150,483 | 2,194,185 | 14.8% |
| **Consumer Discretionary** | | | | | |
| CanWest Global Communications Sub Voting | | 135,640 | 1,150,227 | 1,265,521 | 8.5% |
| **Consumer Staples** | | | | | |
| Cott Corp. | | 30,843 | 1,143,387 | 476,833 | 3.2% |
| **Health Care** | | | | | |
| QLT Inc. | | 1,003 | 32,758 | 7,743 | 0.1% |
| **Information Technology** | | | | | |
| CGI Group Class A | | 163,163 | 1,329,528 | 1,948,166 | 13.2% |
| Cognos Inc. | | 25,104 | 1,102,285 | 1,058,636 | 7.2% |
| Celestica Inc. | | 40,483 | 846,500 | 272,046 | 1.8% |
| Nortel Networks Corp. | | 10,695 | 771,775 | 274,648 | 1.9% |
| Research In Motion | | 18,610 | 1,479,405 | 3,969,141 | 26.8% |
| | | | 5,529,493 | 7,522,637 | 50.9% |
| **Total Canadian common stocks** | | | 11,638,503 | 15,871,580 | 107.2% |
| **Other assets, net of liabilities** | | | | (1,515,737) | -10.2% |
| **Net assets** | | | | 14,801,909 | 100.0% |

(See accompanying notes to financial statements)

## 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") 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 June 30, 2007.

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

**Basis of presentation**

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.

**New Accounting Standards**

National Instrument 81-106 "Investment Fund Continuous Disclosure" requires the net asset value of the Fund be calculated in accordance with Canadian generally accepted accounting principles (''GAAP'').

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 Fund, 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 material to the financial statements.

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 Fund.

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 ("Trading 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.

On January 1, 2007, the Fund adopted Section 3855 on a prospective basis for financial reporting purposes ("GAAP NAV"). The provisions of Section 3855 have been also applied to the opening NAV on October 31, 2006 without restating prior period financial statements. The reconciliation between the Trading NAV and the GAAP NAV as a result of the adoption of Section 3855 is as follows:

| | Trading NAV | Section 3855 Adjustment | GAAP NAV |
|---|---|---|---|
| **Net Asset Value** | | | |
| Opening NAV – December 31,2006 | 15,382,570 | - | 15,370,277 |
| Closing NAV – June 30,2007 | 14,801,910 | - | 14,758,153 |
| **Net Asset Value Per Unit** | | | |
| Opening NAV – December 31,2006 | 22.62 | - | 22.62 |
| Closing NAV – June 30,2007 | 21.82 | - | 21.82 |

**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.

Changes in outstanding units are summarized as follows:

| | Number of units | |
|---|---|---|
| | **June 30, 2007** | **June 30, 2006** |
| Balance - Beginning of year | 679,968 | 918,183 |
| Units redeemed | (1,520) | (57,100) |
| Balance - End of year | 678,448 | 861,083 |

## 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 TDFG 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 TDFG, 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 June 30, 2007, the trading net asset value of the Trust is $12,568,732 and the trading net asset value per unit is $18.53.

## 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, 2006 and 2007.

## 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, 2006 and 2007.

## 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 period ended June 30, 2007 in connection with portfolio transactions (2006 - $nil). No soft dollar services were included in the broker commission charges.