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CAPITAL MARKETS

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ROC Pref Corp.
Semi-Annual Report
March 31, 2007

ROC Pref Corp. Message to Shareholders

May 23, 2007

Dear Investor,

We thank you for your investment in the preferred shares of ROC Pref Corp. (the "Company") and are pleased to present the Company's semi-annual report.

With approximately two and a quarter years left in its mandate, the Company's performance continues to be sound. The preferred shares were upgraded at the end of March from P-1 (low) to P-1, the result of the upgrade of the credit-linked note from A- to A+. All scheduled distributions on the preferred shares have been paid. With the benefit of subordination against default losses of 3.75% and the trading reserve account sufficiently funded to purchase a further 0.75% of subordination, the Company could withstand approximately 10 further defaults before the coupon or par value of the Preferred shares begins to be impacted (assuming the trading reserve account is used to purchase subordination). Ten defaults represents approximately 9.1 times the historical average rate of default on a portfolio with the same ratings distribution as the Company's reference portfolio. The trading reserve account has increased from \$516,219, at inception to \$1,622,639 on March 30, 2007.

In accordance with the amended Accounting Guideline "AcG 15 - Consolidation of Variable Interest Entities", we are no longer presenting the financial statements on a consolidated basis (see "Consolidation of the Financial Statements")

The portfolio of Reference Companies is broadly diversified by industry and geographic region and its composition is actively managed by Connor, Clark & Lunn Investment Management Inc. (the "Investment Manager"). The Investment Manager employs a disciplined, risk-averse style of fixed income management, appropriate to the principal goal of avoiding Reference Companies that are likely to default on their senior debt during the term of the note. There has been one default in the reference portfolio to date, that of Dana Corp. in March 2006. Dana Corp.'s bonds traded relatively well following the default, such that the reference portfolio recovered 75% of its potential exposure. The Investment Manager is confident in the credit quality of the remaining companies in the portfolio and is also confident the Company can fulfill its investment objectives.

The Investment Manager believes that global credit markets continue to benefit from healthy corporate balance sheets and a strong global economic environment. The result is that defaults remain at historically low levels. In this positive overall environment, the principal current risk is the increase in M&A and leveraged buyout (LBO) activity. While an increase in such activity reflects good credit conditions, it may become a concern where transactions are heavily debt financed, which in most cases leads to downgrades of the companies involved. The Investment Manager continues to actively make substitutions in the portfolio in order to take advantage of opportunities in the market, to avoid future LBOs and to avoid potential defaults. We remain confident that the investment objectives of the Company's shareholders will continue to be met.

Yours truly,



W. Neil Murdoch
Chief Executive Officer
ROC Pref Corp.

Management Report of Fund Performance

This semi-annual management report of fund performance for ROC Pref Corp. (“the Company”) contains financial highlights, but does not contain the complete semi annual financial statements of the Company. **The semi-annual financial statements and accompanying notes are attached to this report.**

Investment Objectives and Strategy

The Company was incorporated under the laws of the Province of Ontario on April 13, 2004. The Company is a mutual fund corporation whose investment portfolio (the “Common Share Portfolio”) consists of common shares of Canadian public companies that are Canadian securities for the purpose of the Income Tax Act (Canada). The Company commenced operations on June 2, 2004. The manager of the Company is Connor, Clark & Lunn Capital Markets Inc. (the “Manager”)

The Company’s investment objectives are to pay holders of preferred shares an amount per preferred share equal to the original subscription price of \$25.00 on or about September 30, 2009 and to pay quarterly, fixed cumulative distributions of \$0.26875 per preferred share to yield 4.30% per annum on the original issue price.

In order to meet its objectives, the Company’s strategy is to maintain exposure, in a tax-efficient manner, to the returns of a credit-linked note (“CLN”). The CLN was issued by HSBC Bank USA (“HSBC”) on June 7, 2004, matures on September 30, 2009, is rated A+ by Standard & Poors (“S&P”) and is structured to provide an enhanced return compared to comparably rated debt securities. The return on the CLN is linked to the performance of a globally diversified, actively managed portfolio of 140 companies (the “Reference Portfolio”). All of the companies in the Reference Portfolio were rated investment grade at the time the CLN was issued. The Reference Portfolio is managed by Connor, Clark & Lunn Investment Management (the “Investment Manager”). Please refer to Supplementary Financial Information - CLN Portfolio Schedule as of March 31, 2007 - for a listing of the companies in the Reference Portfolio.

In order to provide exposure to the CLN, the Company:

- (i) Purchased a portfolio of the common shares of 25 publicly traded Canadian companies on June 2, 2004 at an aggregate cost of \$57,161,000; and
- (ii) Entered into a forward purchase and sale agreement (the “Forward Agreement”) with the Bank of Nova Scotia (the “Counterparty”), under which the company agreed to sell the portfolio of common shares on or prior to September 30, 2009 in exchange for the value of the Credit Trust (“Credit Trust”), a vehicle formed to purchase a credit linked note (“CLN”) from HSBC. Sale of the common share portfolio under the Forward Agreement is intended to ensure that preferred shareholders have economic exposure to changes in the value of, and distributions effected by, the Credit Trust. A fee of 0.55% per annum calculated with reference to the net asset value of the Credit Trust and a hedging fee of 0.15% per annum calculated with reference to the value of the portfolio of common shares are payable to Counterparty under the Forward Agreement.

Risk

The risks associated with an investment in the Company’s preferred shares are best defined by the credit rating of the CLN and the credit rating of the Preferred Shares, which itself is largely derived from the rating of the CLN. Factors that might affect the rating of the CLN include the ratings of the companies in the Reference Portfolio and the time remaining to maturity of the CLN. Factors that influence the rating of the Preferred Shares include the rating of the CLN and the level of cash available to the Company. The CLN was issued with a rating of A- and the Preferred Shares were issued with a rating of P-1 low, both by S&P, with respect to payment of quarterly coupons and the re-payment of principal at maturity. On March 30, 2007, the rating of the CLN was upgraded to A+ and the rating of the Preferred Shares was upgraded to P-1.

A number of events could lead to the revision of the ratings on the CLN and, correspondingly, on the Preferred Shares. These events include:

- (i) Changes in the credit ratings of the companies in the Reference Portfolio;

- (ii) Occurrence of company defaults in the Reference Portfolio, which could result in the remaining first-loss amount falling below that required to affirm the rating on the CLN, which affects the ratings on the Preferred Shares; and
- (iii) Changes to the credit ratings on HSBC or HSBC Bank Canada.

The recent high pace of leveraged buyout (“LBO”) activity has led to a number of credit ratings downgrades to below investment grade. This LBO activity is largely driven by an extremely strong current overall credit environment by historical standards and the consequently low price of borrowing for sub-investment grade companies. Continued strong LBO activity could have a negative effect on the overall credit quality of the reference portfolio.

For full disclosure of risks associated with an investment in the Preferred Shares, please refer to the Prospectus dated May 27, 2004 and to the Annual Information Form dated September 2006.

Results of Operations

Investments of the Company

The common share portfolio

The value of the common share portfolio increased from \$43.04 million on September 30, 2006 to \$50.34 million at March 31, 2007. This increase resulted from the combination of an increase in the market value of the portfolio of \$8.80 million, the delivery of shares with a cost base of \$1.15 million in order to partially settle under the Forward Agreement and a realized loss (with proceeds reinvested) on dispositions of \$0.35 million. The details of the common share portfolio at March 31, 2007 are set out in the Summary of Investment Portfolio.

Partial settlement of the Forward Agreement

Quarterly payments of the 7.05% annual coupon on the CLN and the repayment of principal at maturity on September 30, 2009 accrue to the Credit Trust. The Company partially settles the Forward Agreement from time to time, thus receiving some of the value that has built up in the Credit Trust, in order to fund distributions on the preferred shares and its own operating expenses.

During the period, the Company delivered shares with a cost base of \$1.15 million to Counterparty in exchange for \$1.68 million in cash.

Other investments of the Company

As at March 31, 2007 the Company held \$145,988 in cash and short-term investments on a non-consolidated basis net of \$1,669,481 payable for investment purchases. The Company has no other investments apart from cash and equivalents, which are held in order to fund near term operating expenses. In order to return the full principal amount per preferred share on September 30, 2009 the Company on a consolidated basis must have accumulated at least \$2,839,000 in cash and short-term investments by that time. On a consolidated basis, the Company had \$1,716,723 in cash, short-term notes and bond investments on March 31, 2007.

Investments of the Credit Trust

The CLN

The Credit Trust purchased the CLN on June 7, 2004 at par for \$57,161,000. The CLN matures on September 30, 2009 and pays a coupon of 7.05%. The CLN was issued with A- rating by S&P and was upgraded to A+ as of March 30, 2007. The value of the CLN at March 31, 2007 was \$59,792,788.

The return on the CLN is linked to the number of defaults experienced over the term of the note among the 140 reference companies in the CLN’s Reference Portfolio. Based on the Reference Portfolio’s credit quality, S&P assigns a minimum level of subordination, which reflects the degree of net losses that a portfolio must be able to absorb without impacting cash flows to shareholders. In order to retain an A+ credit rating, the CLN’s required level of subordination is currently 3.11%. The initial subordination of the CLN was 3.90% and, as a result of Dana Corp.’s default in March 2006 (see “Credit quality of the Reference Portfolio”), the current level of subordination structured into the CLN is 3.75%. If losses due to cumulative defaults, net of recoveries, over the full term of the CLN do not exceed a total of 3.75% of the initial value of the Reference Portfolio,

the Credit Trust will receive its full coupon payments and par value on maturity. **To the extent that cumulative defaults exceeded this amount, subsequent coupon payments and the amount that would be paid to the Credit Trust on maturity would decline. To the extent that cumulative losses due to defaults, net of recoveries, exceeded 4.75% there would be no amount paid to the Credit Trust and the value of the Preferred Shares would decline to the level of net current assets per share, possibly zero.** Losses of 3.75% due to defaults net of recoveries (using an estimated historical recovery rate of 37.9%) would represent approximately 7.6 times the average and 3.7 times the worst level of defaults experienced among a mix of credits comparable to that of the Reference Portfolio in any three-year period since 1981.

The CLN features an embedded trading reserve account, initially in an amount of \$516,219, which stood at \$1,622,639 on March 31, 2007. The trading reserve account is available to absorb net losses that might be incurred when the investment manager makes substitutions in the Reference Portfolio. The trading reserve account can also be used to purchase additional subordination from HSBC. At March 31, 2007, the trading reserve account would have purchased an additional 0.75% of subordination, bringing total percentage loss that could have been absorbed in the Reference Portfolio without affecting payments of interest or principal to 4.50%. The amount of additional subordination that can be purchased using the trading reserve account will vary in response to changing market conditions. The ability to absorb 4.50% losses in the portfolio currently translates into a coverage ratio of 9.1 times the average level of defaults for a portfolio with the same ratings characteristics and term as the Reference Portfolio.

Credit quality of the Reference Portfolio

Risk in the CLN is a function of Reference Portfolio credit quality and time to maturity. As the CLN ages, the risk of default for companies with a given rating decreases. Balanced against that time benefit is the fact that credit ratings have historically moved lower over time. The composition of the Reference Portfolio is designed with the objective that the CLN will maintain its initial rating as these two effects act on the portfolio. Changes in credit quality as it is measured by the market can be seen through changes in the average credit spread of the Reference Portfolio. A good indication of the performance of the Reference Portfolio is the movement in credit spread of the Reference Portfolio versus that of a corresponding index. Lower credit spread indicates less risk. The index that best corresponds to the Reference Portfolio is the Dow Jones CDX North America Investment Grade 2 Index:

	2004		2005		2006		2007
	June 30 th	September 30 th	March 31 st	September 30 th	March 31 st	September 30 th	March 31 st
Dow Jones IG 2 Index	66.34	54.1	56.28	66.11	73.74	65.37	63.2
Reference Portfolio Spread	61.53	49.07	48.83	61.29	83.96 ⁽¹⁾	80.61 ⁽²⁾	70.1 ⁽²⁾

⁽¹⁾ Includes Dana Corp. at default-spread level of 10,000. Dana Corp. is not included in the index.

⁽²⁾ Excluding Dana Corp.

Changes in the overall credit quality of the Reference Portfolio as measured by the credit ratings of its constituents may affect the rating of the CLN and of the Preferred Shares, which in turn may affect the trading price. The following table describes the Reference Portfolio's ratings characteristics on September 30, 2004, 2005, 2006 and March 31, 2007:

Rating ⁽¹⁾	Exposure to Issuers				Rating ⁽¹⁾	Exposure to Issuers			
	2004	2005	2006	2007		2004	2005	2006	2007
AAA	2	1	2	2	BBB-	14	8	6	4
AA+	0	0	0	0	BB+	0	5	2.5	3.5
AA	2	3	3	5	BB	0	2	4	5
AA-	4	5	8	10	BB-	0	1	2	3
A+	10	9	10	8	B+	0	0	2	1
A	15	17	14	13	B	0	0	2	0
A-	28	30	29.5	31.5	D	0	0	0	0
BBB+	25	28	28	27	N/R	0	0	1	0
BBB	40	31	25	26					
					Total	140	140	139	139

⁽¹⁾ S&P's rating scale runs from AAA, indicating an extremely strong capacity to meet financial obligations, to D, indicating default. Ratings from AA to CCC may be modified by the addition of a plus or minus sign.

In March 2006 the portfolio experienced its only default of a reference company to date, that of Dana Corp. Dana Corp's bonds traded relatively well following the default, such that the reference portfolio recovered 75% of its potential exposure. As described above, S&P's rating anticipates deterioration in the average credit rating of the companies in the Reference Portfolio over time, reflecting the fact that credit ratings tend to migrate lower over time. The rating also anticipates defaults. The rating upgrade to A+ and the increase in the CLN's cushion over the required subordination level indicate that the Reference Portfolio has performed better than required to maintain the CLN's credit rating. Since inception, as a result of ratings changes and trading activity, the Reference Portfolio experienced 52 reference company upgrades averaging 2.1 rating categories, or notches, per upgrade for a total 101 notch increase and 72 reference company downgrades averaging 1.3 notches per downgrade for a total 92 notch decrease, leaving the portfolio's average rating approximately constant. The companies in the Reference Portfolio are listed in the Supplementary Financial Information as at March 31, 2007.

Substitutions in the Reference Portfolio

The Reference Portfolio is actively managed by the Investment Manager. The Investment Manager's goal is to reduce the likelihood of having exposure to companies that default on their senior obligations. To that end, the Investment Manager can add or remove companies through a substitution process executed in accordance with the terms of the CLN. If the Investment Manager decides to remove a company that, in its judgment, has increased in risk, and to replace it with a lower risk company, there may be a net cost to the trading reserve account depending on the credit spread comparison between the companies being substituted. The trading reserve account described above is available to absorb net losses that may be incurred through these substitutions.

The Investment Manager made four substitutions during the six-month period ended March 31, 2007 and has made a total of twenty-five substitutions in the Reference Portfolio from June 2, 2004 (inception date) to March 31, 2007.

Value of the CLN

The CLN is valued on the 10th and last business day of each month by HSBC. The CLN value reflects the amount that HSBC is willing to pay in order to discharge its obligations under the CLN and is based on HSBC's proprietary assumptions concerning current and future market conditions and events. Factors affecting the value of the CLN include the market's assessment of overall credit quality of the Reference Portfolio as measured by the trading price of the debt (and derivatives thereof) of companies in the Reference Portfolio, interest rates as measured by the Canadian dollar swap rate to the date of maturity of the note, the value of the trading reserve account and other factors, such as correlation, that are proprietary to HSBC. At March 31, 2007, the CLN value was \$59,792,788, up from \$59,564,144 on September 30, 2006.

Other investments of the Credit Trust

The Credit Trust held \$1,570,735 in cash and other investments on March 31, 2007 compared to \$1,260,401 on September 30, 2006.

Net Asset Value of the Preferred Shares

The net asset value of the preferred shares is calculated as: the value of the common share portfolio and any other investments held by the Company, plus the value of any gain or loss on the equity Forward Agreement, less any net liabilities of the Company, divided by the number of preferred shares outstanding.

On March 31, 2007, the value of the common share portfolio was \$50.34 million. Since the Company can deliver the value of the common share portfolio to HSBC in exchange for the value of the Credit Trust, the value of the Forward Agreement to the Company is equal to the value of the Credit Trust less the value of the common share portfolio. On March 31, 2007 value of the Forward Agreement was \$11.14 million. Other net assets in the Company totalled \$(1.06) million leaving a net asset value of \$60.42 million or \$25.17 per Preferred Share. The net asset value per Preferred Share was \$25.16 on September 30, 2006. The increase in net asset value over the period is primarily attributable to the increase in the value of the CLN.

Liquidity and Capital Resources

The obligations of the Company include operating expenses and declared distributions to preferred shareholders. The funding of these obligations will be satisfied primarily through partial settlements under the Forward Agreement as described above. As at March 31, 2007, the Company had current assets of \$2,641,265 and current liabilities of \$1,772,166 on a consolidated basis.

Management Expense Ratio

The management expense ratio (MER) represents the ratio of annual expenses that are required to operate the company to the value of issued Preferred Share capital. The annualized MER excluding all distributions paid to preferred shareholders and deferred management fees, which are only payable after full repayment of the original preferred share issue price, for the six-month period ended March 31, 2007 was approximately 1.32%. The MER for the same period including all distributions paid to preferred shareholders and deferred management fees was approximately 7.31%. Please refer to the Financial Highlights section of this document for more information.

Distributions

During the six-month period ended March 31, 2007, the Preferred Shares paid regular quarterly distributions of \$0.26875 per share for a total of \$0.5375 per share, representing a yield of 4.30% on the \$25.00 par value.

Related Party Transactions

Management Fees

As compensation for coordinating the organization of and managing the ongoing business and administrative affairs of the Company and the Credit Trust, the Manager receives an annual management fee in an amount equal to 0.25% per annum of the net asset value of the Company to be calculated and payable monthly in arrears, plus applicable taxes.

As compensation for management services rendered to the Credit Trust, the Manager also receives an annual management fee in an amount equal to 0.10% per annum of the net asset value of the Credit Trust, calculated and payable monthly in arrears, plus applicable taxes.

The total management fees charged to the Company on a consolidation basis for the six-month period ended March 31, 2007 were \$113,031 (\$106,990 for the six-month period ended March 31, 2006).

To the extent that any assets remain after the original issue price of the preferred shares of the Company, together with any accrued and unpaid distributions, have been paid to shareholders, the Manager will be paid an amount equal to any fees and expenses funded by the Manager on behalf of the Company and an additional one-time deferred management fee payable on redemption of the preferred shares of up to 0.65% per annum, calculated based on quarterly NAV of the Company. The deferred management fees accrued for the six-month period ended March 31, 2007 were \$505,014 (\$125,862 for the six-month period ended March 31, 2006).

The Manager pays the Investment Manager out of the above management fees.

Recommendations or Reports by the Independent Committee

The Independent Committee of the Board of Directors tabled no reports and made no material recommendations to management of the Company during the six-month period ended March 31, 2007.

Consolidation of the Financial Statements

As the Company is exposed to the future gains or losses arising on the portfolio securities held by Credit Trust, Accounting Guideline "AcG 15 - Consolidation of Variable Interest Entities" required that the Company's financial statements be presented on a consolidated basis by including the results of Credit Trust. All prior financial statements were prepared on this basis.

Effective February 2007, AcG 15 has been amended and now specifically excludes investment companies from its application. These changes were applicable for periods beginning on or after September 30, 2007, with early adoption encouraged.

The Company has adopted the amended AcG 15 for the March 31, 2007 semi annual financial statements and reclassified the comparative financial statements and financial highlights to conform to the new presentation.

Financial Highlights

The following tables show selected key financial information about the Company and are intended to help explain the Company's financial performance since inception. This information is derived from the Company's audited annual and unaudited semi annual financial statements:

The Company's Net Asset Value per Preferred share:

	March 31, 2007 ⁽²⁾	September 30, 2006	September 30, 2005	September 30, 2004 ⁽¹⁾
Net Asset Value, beginning of period	25.16	24.12	23.81	25.00
Increase (decrease) from operations:				
Total revenues	—	—	—	0.01
Total expenses	(0.37)	(0.43)	(0.40)	(0.15)
Share issue expense ⁽³⁾	—	—	—	(1.17)
Realized gains (losses) for the period	0.07	0.54	(1.15)	(0.03)
Unrealized gains (losses) for the period	0.85	2.00	2.90	0.55
Total increase (decrease) from operations⁽⁴⁾	0.55	2.11	1.38	(0.84)
Distributions:				
From income (excluding dividends)	—	—	—	—
From dividends	—	—	—	—
From capital gains	—	—	—	—
Return of capital	(0.54)	(1.07)	(1.07)	(0.35)
Total Annual Distributions⁽⁵⁾	(0.54)	(1.07)	(1.07)	(0.35)
Net Asset Value, end of period⁽⁶⁾	25.17	25.16	24.12	23.81

(1) Results for the period June 2, 2004 (Inception date) to September 30, 2004.

(2) Results for the six-month period ended March 31, 2007.

(3) Issue expense of \$2,812,422 incurred in connection with the share issuance, principally consisting of Agents' fees and other offering expenses, which has been charged to retained earnings prior to calculating the opening Net Asset Value of \$23.83.

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

(5) Distributions were paid in cash.

(6) This is not reconciliation between the opening and the closing net asset values per Share.

Ratios and Supplemental Data:

	March 31, 2007 ⁽²⁾	September 30, 2006	September 30, 2005	September 30, 2004 ⁽¹⁾
Net assets (000's)	60,417	60,395	57,891	57,149
Number of Preferred shares outstanding	2,400,000	2,400,000	2,400,000	2,400,000
Base Management expense ratio ⁽³⁾	1.32%	1.31%	1.17%	1.49%
Management expense ratio including distributions on preferred shares, deferred				
management fees and issue expenses ⁽³⁾⁽⁴⁾	7.31%	6.23%	6.06%	11.59%
before waivers or absorptions ⁽⁴⁾	7.31%	6.23%	6.06%	11.59%
Portfolio turnover rate ⁽⁵⁾	31.13%	19.89%	15.81%	5.93%
Trading expense ratio ⁽⁶⁾	0.00%	0.00%	0.00%	0.00%
Closing market price (TSX)	24.50	24.10	25.00	24.95

(1) Results for the period June 2, 2004 (Inception date) to September 30, 2004.

(2) Results for the six-month period ended March 31, 2007.

(3) A separate base management expense ratio has been presented to include the normal operating expenses of the Fund and exclude (i) deferred management fees (which are only payable on maturity date), (ii) **distributions on preferred shares** and (iii) the one time initial share offering issue expenses.

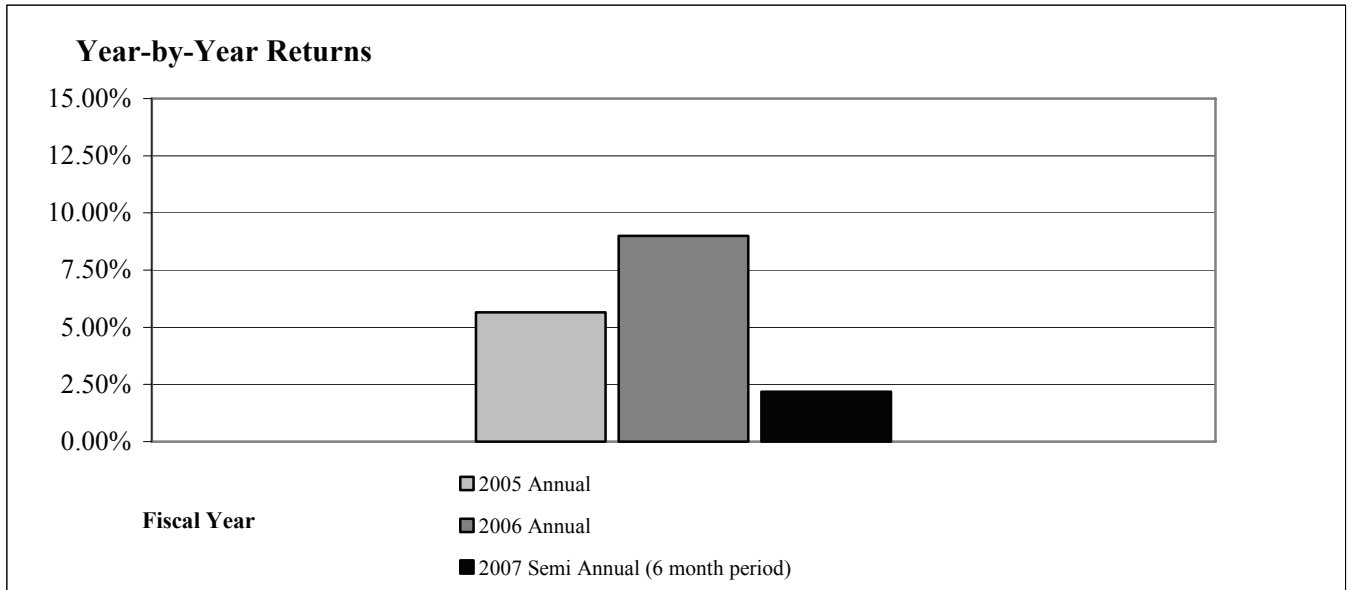
(4) Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the period. The MER for the period ending September 30, 2004 annualizes expenses incurred from commencement of operations on June 2, 2004 to September 30, 2004 and it also includes all Agents' fees and other offering expenses, which are one time expenses and therefore not annualized. To the extent that assets remain in the Company after the original issue price of the Preferred Shares together with any accrued and unpaid distributions have been paid to Shareholders, the Manager is entitled to: (a) an additional one-time management fee, the "Deferred Management Fee", payable on the Redemption Date and calculated on the quarterly net asset value of the Company on an effective basis of up to 0.65% per annum; and (b) to recover any fees and expenses funded by it on behalf of the Company, plus applicable taxes.

(5) The Company's turnover rate indicates how actively the Company's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Company's buying and selling all of the securities in its portfolio once in the course of the year. In the case of the Company, a high turnover rate may lead to a marginal increase in trading costs and may increase the chance of an investor receiving taxable capital gains in that year. There is not necessarily a relationship between turnover rate and the performance of the Company.

(6) 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.

Past Performance

The following bar chart shows the Company's annual performance for the years ended September 30, 2005 & 2006. It also shows the semi annual performance for the six-month period ended March 31, 2007 assuming all the distributions made by the Company during the period shown were reinvested. This bar chart shows, in percentage terms, how much an investment made on the first day of the period would have grown or decreased by the last day of the period. Past performance is not necessarily indicative of future performance.



Summary of Investment Portfolio as of March 31, 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		
Materials	16,551,389	27.4%
Consumer Discretionary	11,859,711	19.6%
Equity Derivatives	11,137,190	18.4%
Information Technology	9,450,760	15.6%
Energy	6,748,162	11.2%
Capital Goods	4,158,767	6.9%
Cash & Cash Equivalents	1,815,469	3.0%
Consumer Staples	811,899	1.3%
Pharmaceuticals & Biotechnology	760,456	1.3%
Top 25 Holdings		
Equity Derivatives	11,137,190	18.4%
HudBay Minerals Inc.	5,182,442	8.6%
MacDonald, Dettwiler & Associates Ltd.	5,029,388	8.3%
Mega Bloks Inc.	4,207,680	7.0%
Kinross Gold Corp.	4,191,884	6.9%
Ivanhoe Mines Ltd.	3,601,227	6.0%
Meridian Gold	3,505,526	5.8%
Western Oil Sands Inc.	3,355,133	5.6%
Forzani Group Ltd. Class A	3,272,640	5.4%
Firstservice Corp.	2,940,829	4.9%
CanWest Global Communications	2,817,591	4.7%
CGI Group Class A	2,753,940	4.6%
Cash & Cash Equivalents	1,815,469	3.0%
Compton Petroleum Corp.	1,723,548	2.8%
Galleon Energy Inc. Class A	1,669,481	2.8%
Gildan Activewear Class A	1,561,800	2.6%
ATS Automation Tooling Systems Inc.	1,217,938	2.0%
Nortel Networks Corp.	1,182,188	2.0%
Cott Corp.	811,899	1.3%
Angiotech Pharmaceuticals Inc.	477,218	0.8%
Celestica Inc.	485,244	0.8%
QLT Inc.	283,238	0.5%
Shore Gold Inc.	70,310	0.1%
Net asst value (NAV)	\$ 60,417,370	100.0%

Supplementary Financial Information

The following is an unaudited listing of the CLN Portfolio (Reference Portfolio) as at March 31, 2007:

Entity Description	SP Rating	Industry	Country
Accor	BBB	Lodging & casinos	France
Agrium Inc.	BBB	Farming/agriculture	Canada
Air Liquide S.A.	A+	Chemicals & plastics	France
Albertson's Inc.	BB-	Food/drug retailers	USA
Alcan Inc.	BBB+	Nonferrous metals/minerals	Canada
Alltel Corporation	A-	Telecommunications	USA
Altria Group Inc.	BBB+	Beverage & Tobacco	USA
Ambac Financial Group Inc.	AA	Insurance	USA
American International Group Inc.	AA	Insurance	USA
Aon Corporation	BBB+	Insurance	USA
Arcelor Finance	BBB	Steel	Luxembourg
Avis Budget Car Rental Inc.	BB+	Lodging & casinos	USA
BAA Plc	BBB+	Air transport	Britain
BAE Systems Plc	BBB	Aerospace & Defence	Britain
Bank Of America Corp	AA	Financial intermediaries	USA
Barrick Gold Corporation	A-	Nonferrous metals/minerals	Canada
Baxter International Inc.	A	Health care	USA
Bayer Aktiengesellschaft	BBB+	Chemicals & plastics	Germany
BCE Inc.	A-	Telecommunications	Canada
Bear Stearns Companies Inc.	A+	Brokers Dealers & Investment houses	USA
Boeing Capital Corporation	A+	Air transport	USA
Bombardier Inc.	BB	Aerospace & Defence	Canada
Borgwarner Inc.	A-	Automotive	USA
Bristol-Myers Squibb Company	A+	Drugs	USA
British American Tobacco P.L.C.	BBB+	Beverage & Tobacco	Britain
British Telecommunications Public Limited Company	BBB+	Telecommunications	Britain
Brookfield Asset Management	A-	Building & Development	Canada
Burlington Northern Santa Fe Corporation	BBB	Rail industries	USA
Cargill Incorporated	A	Farming/agriculture	USA
Casino Guichard-Perrachon	BBB-	Food/drug retailers	France
Centex Corporation	BBB	Building & Development	USA
Centurytel Inc.	BBB	Telecommunications	USA
Cingular Wireless Llc	A	Telecommunications	USA
Cit Group Inc.	A	Financial intermediaries	USA
Citigroup Inc.	AA	Financial intermediaries	USA
Comcast Cable Communications Inc.	BBB+	Cable & satellite television	USA
Compagnie De Saint-Gobain	BBB+	Building & Development	France
Compagnie Financiere Michelin	BBB	Automotive	Switzerland
Compass Group Plc	BBB+	Food service	Britain
Computer Associates International Inc.	BB	Electronics/electrical	USA
Computer Sciences Corporation	A-	Electronics/electrical	USA
Constellation Energy Group Inc.	BBB+	Utilities	USA
Continental Ag	BBB+	Automotive	Germany
Countrywide Home Loans Inc.	A	Financial intermediaries	USA
CSX Corporation	BBB-	Surface transport	USA
CVS Corporation	BBB+	Food/drug retailers	USA
Daimlerchrysler AG	BBB	Automotive	Germany
Deere & Company	A	Farming/agriculture	USA
Deutsche Bank Aktiengesellschaft	AA-	Financial intermediaries	Germany
Deutsche Lufthansa AG	BBB	Air transport	Germany
Deutsche Telekom AG	A-	Telecommunications	Germany

Entity Description	SP Rating	Industry	Country
Diamond Offshore Drilling Inc.	A-	Oil & gas	USA
Domtar Inc.	BB-	Forest products	Canada
Duke Capital LLC	BBB	Utilities	USA
Eastman Chemical Company	BBB	Chemicals & plastics	USA
Eastman Kodak Company	B+	Leisure goods/activities/movies	USA
EMI Group Plc	BB-	Leisure goods/activities/movies	Britain
Endesa S.A.	A	Utilities	Spain
European Aeronautic Defense And Space Company Eads N.V.	A-	Aerospace & Defence	Netherlands
Federated Department Stores Inc.	BBB	Retailers (except food & drug)	USA
Firstenergy Corp.	BBB	Utilities	USA
France Telecom	A-	Telecommunications	France
Gannett Co Inc	A-	Publishing	USA
General Electric Capital Corporation	AAA	Conglomerates	USA
General Motors Acceptance Corporation	BB+	Automotive	USA
Hannover Rueckversicherungs-AG	AA-	Insurance	Germany
Hongkong Land Company Limited	BBB+	Building & Development	Hong Kong
Hutchison Whampoa Limited	A-	Conglomerates	Hong Kong
Imperial Chemical Industries Plc	BBB	Chemicals & plastics	Britain
Ingersoll-Rand Company	A-	Industrial equipment	USA
International Business Machines Corporation	A+	Electronics/electrical	USA
International Lease Finance Corporation	AA-	Equipment leasing	USA
International Paper Company	BBB	Forest products	USA
J.P. Morgan Chase & Co.	AA-	Financial intermediaries	USA
Johnson Controls Inc.	A-	Automotive	USA
Koninklijke Dsm NV	A-	Chemicals & plastics	Netherlands
Koninklijke Kpn NV	BBB+	Telecommunications	Netherlands
Korea Electric Power Corporation	A	Utilities	South Korea
Korea Telecom	A-	Telecommunications	South Korea
Kraft Foods Inc.	A-	Food products	USA
Kroger Co.	BBB-	Food/drug retailers	USA
Land Securities Plc	A-	Building & Development	Britain
Lehman Brothers Holdings Inc.	A+	Financial intermediaries	USA
Lockheed Martin Corporation	A-	Aerospace & Defence	USA
Loews Corporation	A	Conglomerates	USA
Marriott International Inc.	BBB+	Lodging & casinos	USA
Marsh & McLennan Companies Inc	BBB	Insurance	USA
May Department Stores Company	BBB	Retailers (except food & drug)	USA
MBIA Inc.	AA	Insurance	USA
Meadwestvaco Corporation	BBB	Forest products	USA
Merck & Co Inc	AA-	Drugs	USA
Merrill Lynch & Co. Inc.	AA-	Financial intermediaries	USA
Metro AG	BBB	Retailers (except food & drug)	Germany
Monsanto Company	A-	Farming/agriculture	USA
Morgan Stanley	A+	Brokers Dealers & Investment houses	USA
Muenchener Rueckversicherungs-Gesellschaft AG	AA-	Insurance	Germany
Nabors Industries Inc.	A-	Oil & gas	USA
Newell Rubbermaid Inc.	BBB+	Home furnishings	USA
Newmont Mining Corporation	BBB+	Nonferrous metals/minerals	USA
News America Incorporated	BBB	Publishing	USA
Nordstrom Inc.	A	Retailers (except food & drug)	USA
Novartis AG	AAA	Drugs	Switzerland
Omnicom Group Inc.	A-	Business equipment & services	USA
PCCW - HKT Telephone Limited	BBB	Telecommunications	Hong Kong
Petroliam Nasional Berhad	A-	Oil & gas	Malaysia
Pulte Homes Inc.	BBB	Building & Development	USA
Qantas Airways Limited	BBB+	Air transport	Australia

Entity Description	SP Rating	Industry	Country
Radioshack Corporation	BB	Retailers (except food & drug)	USA
Reuters Group Plc	BBB+	Business equipment & services	Britain
Schering-Plough Corporation	A-	Drugs	USA
Scor	A-	Insurance	France
Securitas AB	BBB+	Business equipment & services	Sweden
Sherwin-Williams Company	A-	Chemicals & plastics	USA
Siemens Aktiengesellschaft	AA-	Conglomerates	Germany
Southwest Airlines Co.	A	Air transport	USA
Sprint Corporation	BBB	Telecommunications	USA
Stmicroelectronics N.V.	A-	Electronics/electrical	Switzerland
Suez	A-	Utilities	France
Swiss Reinsurance Co	AA-	Insurance	USA
Target Corporation	A+	Retailers (except food & drug)	USA
Teco Energy Inc.	BB	Utilities	USA
Telecom Italia SpA	BBB+	Telecommunications	Italy
The Dow Chemical Company	A-	Chemicals & plastics	USA
The Goldman Sachs Group Inc.	AA-	Brokers Dealers & Investment houses	USA
Time Warner Inc.	BBB+	Leisure goods/activities/movies	USA
Transocean Inc.	A-	Oil & gas	USA
Tribune Company	BB-	Publishing	USA
Txu Corporation	BB	Utilities	USA
Tyson Foods Inc.	BBB-	Food products	USA
Union Fenosa S.A.	BBB+	Utilities	Spain
Universal Corp	BBB-	Beverage & Tobacco	USA
UST Inc.	A	Beverage & Tobacco	USA
Volkswagen Aktiengesellschaft	A-	Automotive	Germany
Walt Disney Company	A-	Leisure goods/activities/movies	USA
Weyerhaeuser Company	BBB	Forest products	USA
Windstream	BB+	Telecommunications	USA
Wolters Kluwer N.V.	BBB+	Publishing	Netherlands
Wpp Group Plc	BBB+	Business equipment & services	Britain
Wyeth	A	Drugs	USA
XL Capital Ltd	A-	Insurance	Bermuda

ROC Pref Corp.

Financial Statements (unaudited)

March 31, 2007

Notice to Reader:

These interim financial statements and related notes for the six month period ended March 31, 2007 have been prepared by Management of Connor, Clark & Lunn Capital Markets Inc. The auditors of the Company have not audited or reviewed these interim financial statements.

ROC Pref Corp.

Statements of Financial Position (unaudited)

As at March 31, 2007 and September 30, 2006

	2007	2006
	\$	\$
Assets		
Cash	1,715,787	14,646
Short-term investments	99,682	148,910
Interest receivable	35	53
Prepaid expenses	23,207	30,761
Investments pledged to counter party under forward agreement (cost - 2007 - \$46,360,576; 2006 - \$47,862,698)	50,341,144	43,042,239
Unrealized gain on forward agreement	11,137,190	17,892,904
	<u>63,317,045</u>	<u>61,129,513</u>
Liabilities		
Payable for investment purchases	1,669,481	-
Accounts payable and accrued liabilities	73,065	83,217
Management fees payable	14,048	13,531
Preferred share capital (note 5)	60,417,370	60,394,698
Deferred management fees payable (note 8)	1,142,981	637,967
	<u>63,316,945</u>	<u>61,129,413</u>
Shareholders' Equity		
Share capital (note 5)	100	100
Retained earnings (Deficit)	-	-
	<u>100</u>	<u>100</u>
Total Liabilities and Shareholders' Equity	<u>63,317,045</u>	<u>61,129,513</u>
Number of Preferred Shares outstanding (note 5)	2,400,000	2,400,000
Value per Preferred Shares outstanding	<u>25.17</u>	<u>25.16</u>
Number of Class A Shares outstanding (note 5)	100	100
Value per Class A Shares outstanding	<u>1.00</u>	<u>1.00</u>

On behalf of the Board:



Director



Director

ROC Pref Corp.

Statements of Operations (unaudited)

For the six month periods ended March 31, 2007 and 2006

	2007	2006
	\$	\$
Revenue		
Interest	<u>3,204</u>	<u>8,395</u>
Expenses		
Forward and hedging fees	209,663	198,377
Deferred management fees	505,014	125,862
Management fees	79,458	76,259
Directors' fees	15,653	14,877
Custodial fees	11,171	13,067
Rating agency fees	18,673	18,673
Audit fees	9,604	8,813
Legal fees	9,604	10,132
Transfer agent fees	5,055	6,990
Administrative fees	9,818	-
Sustaining fees	6,389	5,390
Printing and mailing charges	1,982	4,807
Capital tax expense	11,215	4,414
Other	<u>6,023</u>	<u>5,080</u>
	<u>899,322</u>	<u>492,741</u>
Net investment income (loss) before the undernoted	(896,118)	(484,346)
Distributions to Preferred shareholders	<u>(1,290,000)</u>	<u>(1,290,000)</u>
Net investment income (loss)	(2,186,118)	(1,774,346)
Net realized gain (loss) on investments (note 6)	165,519	997,374
Net realized gain (loss) on foreign exchange	(2,163)	-
Change in unrealized gain (loss) on Forward Agreement (notes 2 and 6)	(6,755,714)	(1,115,231)
Change in unrealized gain (loss) on investments	<u>8,801,148</u>	<u>1,709,580</u>
Increase (decrease) in net assets from operations	<u>22,672</u>	<u>(182,623)</u>
Increase (decrease) in net assets from operations per Preferred share*	<u>0.01</u>	<u>(0.08)</u>

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

ROC Pref Corp.

Statements of Changes in Shareholders' Equity and Retained Earnings (unaudited)

For the six month periods ended March 31, 2007 and 2006

	2007	2006
	\$	\$
Changes in shareholders' equity		
Share capital - beginning of year	100	100
Proceeds from issuance of class A shares	<u>-</u>	<u>-</u>
Share capital - end of year	<u>100</u>	<u>100</u>
Changes in Retained Earnings		
Retained earnings - beginning of period	-	-
Increase (decrease) in net assets from operations	22,672	(182,623)
Deficit (surplus) attributable to preferred shareholders (note 5)	<u>(22,672)</u>	<u>182,623</u>
Retained earnings - end of period	<u>-</u>	<u>-</u>

ROC Pref Corp.

Statements of Cash Flow (unaudited)

For the six month periods ended March 31, 2007 and 2006

	2007	2006
	\$	\$
Operating Activities		
Increase (decrease) in net assets from operations	22,672	(182,623)
Items not affecting cash:		
Net realized (gain) loss on investments	(165,519)	(997,374)
Change in unrealized (gain) loss on forward agreement	6,755,714	1,115,231
Change in unrealized gain (loss) on investments	(8,801,148)	(1,709,580)
Changes in non-cash working capital		
(Increase) decrease in interest receivable	18	(7,511)
(Increase) decrease in prepaid expenses	7,554	9,320
Increase (decrease) in accounts payable and accrued liabilities	(10,152)	(7,876)
Increase (decrease) in deferred management fees payable	505,014	125,860
Increase (decrease) in management fees payable	517	(50,787)
Net cash flow provided by operating activities	<u>(1,685,330)</u>	<u>(1,705,340)</u>
Investing Activities		
Purchase of common stocks	(13,592,833)	(9,228,977)
Proceeds on disposition of investments	<u>16,930,076</u>	<u>10,913,982</u>
Net cash used in investing activities	<u>3,337,243</u>	<u>1,685,005</u>
Net increase in cash and short-term investments	1,651,913	(20,335)
Cash and short-term investments - beginning of period	<u>163,556</u>	<u>100,653</u>
Cash and short-term investments - end of period	<u>1,815,469</u>	<u>80,318</u>
Supplemental cash flow information:		
Distributions to Preferred shareholders	1,290,000	1,290,000

ROC Pref Corp.

Statements of Changes in Investments (unaudited)

For the six month periods ended March 31, 2007 and 2006

	2007	2006
	\$	\$
Investments at average cost - Beginning of period	47,862,819	49,970,757
Cost of investments purchased	15,262,314	9,228,977
Cost of investments sold	<u>(16,764,557)</u>	<u>(9,916,608)</u>
Investments at average cost - End of period	46,360,576	49,283,126
Unrealized appreciation (depreciation) of investments	<u>3,980,568</u>	<u>511,360</u>
Investments at market value	<u>50,341,144</u>	<u>49,794,486</u>
Proceeds from investments sold	16,930,076	10,913,982
Cost of investments sold	<u>(16,764,557)</u>	<u>(9,916,608)</u>
Net realized gain (loss) on investments	<u>165,519</u>	<u>997,374</u>

ROC Pref Corp.

Statement of Investments (unaudited)

As at March 31, 2007

	Maturity date	Number of shares or par value	Average cost \$	Market value \$	% of Portfolio
Short-term investments					
Bearer deposit notes					
Toronto Dominion Bank	4/25/2007	100,000	99,682	99,682	100.0%
Total short-term investments			99,682	99,682	100.0%
Investments					
Canadian common stocks (pledged to the Counterparty under the Forward Agreement)					
Energy					
Compton Petroleum Corp.		148,326	1,802,161	1,723,548	3.4%
Galleon Energy Inc. Class A		99,079	1,669,481	1,669,481	3.3%
Western Oil Sands Inc.		98,391	2,686,074	3,355,133	6.7%
			6,157,716	6,748,162	13.4%
Materials					
HudBay Minerals Inc.		254,916	3,568,824	5,182,442	10.3%
Ivanhoe Mines Ltd.		271,996	2,472,444	3,601,227	7.2%
Kinross Gold Corp.		263,144	2,105,152	4,191,884	8.3%
Meridian Gold		118,912	2,194,470	3,505,526	7.0%
Shore Gold Inc.		9,288	50,434	70,310	0.1%
			10,391,324	16,551,389	32.9%
Capital Goods					
ATS Automation Tooling Systems Inc.		148,529	2,642,331	1,217,938	2.4%
Firstservice Corp.		92,508	1,850,160	2,940,829	5.8%
			4,492,491	4,158,767	8.2%
Consumer Discretionary					
Gildan Activewear Class A		23,032	452,579	1,561,800	3.1%
Mega Bloks Inc.		165,918	3,897,414	4,207,680	8.4%
CanWest Global Communications		255,912	2,884,973	2,817,591	5.6%
Forzani Group Ltd. Class A		168,000	2,286,480	3,272,640	6.5%
			9,521,446	11,859,711	23.6%

(See accompanying notes to financial statements)

ROC Pref Corp.

Statement of Investments (unaudited)continued

As at March 31, 2007

	Maturity date	Number of shares or par value	Average cost \$	Market value \$	% of Portfolio
Consumer Staples					
Cott Corp.		53,100	<u>2,288,079</u>	<u>811,899</u>	<u>1.6%</u>
Pharmaceuticals & Biotechnology					
Angiotech Pharmaceuticals Inc.		76,600	2,285,744	477,218	0.9%
QLT Inc.		31,541	<u>1,001,427</u>	<u>283,238</u>	<u>0.6%</u>
			<u>3,287,171</u>	<u>760,456</u>	<u>1.5%</u>
Information Technology					
CGI Group Class A		276,500	2,286,655	2,753,940	5.5%
MacDonald, Dettwiler & Associates Ltd.		104,910	3,897,406	5,029,388	10.0%
Celestica Inc.		68,829	1,751,698	485,244	1.0%
Nortel Networks Corp.		42,740	<u>2,286,590</u>	<u>1,182,188</u>	<u>2.3%</u>
			<u>10,222,349</u>	<u>9,450,760</u>	<u>18.8%</u>
Total investments			<u>46,360,576</u>	<u>50,341,144</u>	<u>100.0%</u>

ROC Pref Corp.

Notes to Financial Statements (unaudited)

March 31, 2007

1 Corporate Activities

ROC Pref Corp. (the "Company") was incorporated under the laws of the Province of Ontario on April 13, 2004. The Company is a mutual fund corporation whose investment portfolio (the "Common Share Portfolio") consists of common shares of Canadian public companies that are Canadian securities for the purpose of the Income Tax Act (Canada) (the "Tax Act"). The Company commenced operations on June 2, 2004.

2 Investment objectives

The Company's investment objectives as set out in the Prospectus dated May 27, 2004 are (i) to pay to holders of Preferred Shares ("Shareholders"), on or about September 30, 2009 (the "Redemption Date"), an amount per Preferred Share equal to the original subscription price of \$25.00 per Preferred Share; and (ii) to provide Shareholders with quarterly fixed cumulative preferential distributions of \$0.26875 per Preferred Share (\$1.075 per annum to yield 4.30% on the original subscription price of \$25.00 per Preferred Share). Preferred Share distributions will consist primarily of returns of capital and may include capital gains dividends.

The Company will meet its investment objectives through a forward purchase and sale agreement (the "Forward Agreement") (note 6) with the Bank of Nova Scotia (the "Counterparty") which will provide the Company with the economic return generated by a credit-linked note ("Credit-Linked Note"). Under the terms of the Forward Agreement, the Counterparty has agreed to pay to the Company on or about the Redemption Date, as the purchase price for the Common Share Portfolio acquired by the Company with the net proceeds of the offering of Preferred Shares (the "Offering"), the economic return provided by the Credit-Linked Note.

The Credit-Linked Note is owned by the Credit Trust ("Credit Trust"), which was established under the laws of Ontario as of May 27, 2004 by a Trust Agreement (the "Trust Agreement") made by Connor, Clark & Lunn Capital Markets Inc. (the "Manager") and RBC Dexia Investor Services Trust ("RBC Dexia") (formerly "The Royal Trust Company") as trustee of the Credit Trust. The Credit-Linked Note has been issued by HSBC Bank USA ("HSBC"). The Credit-Linked Note is issued at par, will mature on September 30, 2009 and pays a Canadian dollar coupon of 7.05% per annum on the outstanding principal amount. The return on the Credit-Linked Note is linked to the number of defaults experienced over the term of the Credit-Linked Note among companies in an equally weighted portfolio (the "CLN Portfolio") of 140 companies (the "Reference Companies") all of which were rated investment grade by Standard & Poor's, a division of The McGraw Hill Companies, Inc. ("S&P") as of the issue date of the Credit-Linked Note on June 2, 2004.

In the event HSBC determines that a default has occurred in respect of one or more Reference Companies in the CLN Portfolio and the market value of any of such companies' debt obligations, as selected by HSBC, has declined as compared to their par value, a loss amount will be calculated in respect of such decline in value. A default in respect of the Reference Companies in the CLN Portfolio includes the occurrence of bankruptcy, failure to pay or restructuring. The principal amount of the Credit-Linked Note will be reduced to the extent that the aggregate of all such loss amounts exceeds 3.75% of the initial value of the CLN portfolio. As a result, the amount payable upon redemption of the Credit-Linked Note may be substantially less than the initial principal amount thereof and, in some cases, may be nil. In addition, interest on the Credit-Linked Note will cease to accrue on the portion of the principal amount of the Credit-Linked Note that has been reduced.

The Company may have exposure to cash and cash equivalents by virtue of the Forward Agreement because the Credit-Linked Note pays cash distributions to the Credit Trust. Any excess received by the Credit Trust over what is paid out will be reinvested by the Credit Trust and held in cash, cash equivalents and other evidences of indebtedness.

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 Company.

Consolidation of the financial statements

As the Company is exposed to the future gains or losses arising on the CLN held by Credit Trust, Accounting Guideline "AcG 15 - Consolidation of Variable Interest Entities" required that the Company's financial statements be presented on a consolidated basis by including the results of Credit Trust. The 2006 financial statements were prepared on this basis.

Effective February 2007, AcG 15 has been amended and now specifically excludes investment companies from its application. These changes were applicable for periods beginning on or after September 30, 2007, with early adoption encouraged.

The Company has adopted the amended AcG for the September 31, 2007 current year-end and reclassified the comparative financial statements to conform to the new presentation.

Valuation of investments

Investments in common shares or other securities are valued at their quoted market value, being the bid price recorded by the securities exchanges on which such investments are principally traded. Brokerage fees and other transaction costs are charged to net income.

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.

ROC Pref Corp.

Notes to Financial Statements (unaudited)

March 31, 2007

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 Company 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 Company 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, which is equivalent to the difference between the deliverable asset and the value of the asset to be received. Changes in the value of a forward contract or the assets deliverable under such a contract are included as unrealized gains or losses on investments.

Preferred share capital

The Company accounts for preferred share capital and retained earnings attributable to preferred shareholders as a financial liability, in accordance with the recommendations contained in section 3860 of the Handbook of the Canadian Institute of Chartered Accountants.

Value per preferred share

The value per preferred share presented in the statements of net assets represents the assets of the Company less its liabilities (excluding preferred share capital) and the value of Class A shares outstanding, divided by the number of preferred shares outstanding.

4 Custodian

Pursuant to a custodian agreement ("the Custodian Agreement"), the Company has retained RBC Dexia to act as custodian of the assets of the Company. The Custodian is also responsible for certain aspects of the Company's day-to-day operations. In consideration for these services, the Company will pay a fee to the Custodian.

5 Share capital

The Company is authorized to issue an unlimited number of redeemable, retractable cumulative preferred shares (the "Preferred Shares") and Class A shares.

Preferred Shares

The holders of Preferred Shares are entitled to receive quarterly fixed cumulative preferential cash distributions of \$0.26875 per Preferred Share on the last business day of March, June, September and December in each year (each, a "Distribution Payment Date").

Preferred Shares may be surrendered at any time for retraction to the Company's registrar and transfer agent, but will be retracted only on the last day of the month (a "Valuation Date"). On retraction, holders will be entitled to receive a retraction price per share ("Preferred Share Retraction Price") equal to 95% of the net asset value per Preferred Share determined as of the relevant Valuation Date less \$0.25. Any declared and unpaid distributions payable to holders of record on or before a Valuation Date in respect of Preferred Shares tendered for retraction on such Valuation Date will also be paid on the retraction payment date.

For purposes of determining the Preferred Share Retraction Price, the net asset value per Preferred Share will be equal to the aggregate value of (i) the Forward Agreement, and (ii) any other assets of the Company, less liabilities of the Company (excluding preferred share capital) and less the amount paid for the Company's Class A Shares, divided by the number of Preferred Shares outstanding.

Preferred Shares will be redeemed by the Company on the Redemption Date at a price per Preferred Share (the "Preferred Share Redemption Price") equal to the lesser of (i) \$25.00 plus the Residual Amount, if any, and (ii) the amount received on settlement of the Forward Agreement (which will be an amount equal to the maturity value of the Credit-Linked Note) less liabilities of the Company (excluding preferred share capital) and less the amount paid for the Company's Class A Shares, divided by the number of Preferred Shares outstanding. The Residual Amount is equal to the amount, if any, remaining after payment of \$25.00 per Preferred Share issued and outstanding on the Redemption Date together with any accrued and unpaid distributions, setting aside of the amount payable on the Company's Class A Shares and payment to the Manager of any deferred management fees and any fees and expenses previously funded by the Manager on behalf of the Company.

On June 2, 2004, the Company issued 2,400,000 Preferred Shares at a price of \$25.00 per Preferred Share for aggregate gross proceeds of \$60 million. Issue costs of \$2,812,422 incurred in connection with the share issuance have been charged against retained earnings. No Preferred Shares were retracted or redeemed during the period from June 2, 2004 (inception date) to March 31, 2007.

Class A Shares

The holders of Class A Shares are entitled to receive dividends as and when declared by the board of directors of the Company in their discretion. However, holders of Class A Shares are not entitled to receive any dividends on the Class A Shares at any time when there are Preferred Shares outstanding.

The holders of the Class A Shares will be entitled to one vote per share. The Class A Shares are retractable at any time. For retractions occurring at a time when any Preferred Shares are outstanding prior to the Redemption Date, the retraction will be \$1.00 per share; for other retractions, the retraction price will be based on the net asset value of the Company. The Class A Shares are redeemable by the Company at any time for a redemption price equal to \$1.00 per share when any Preferred Shares are outstanding; for

ROC Pref Corp.

Notes to Financial Statements (unaudited)

March 31, 2007

other redemptions, the redemption price will be based on the net asset value of the Company. The Class A Shares rank subsequent to the Preferred Shares with respect to dividends, distributions on retractions and redemptions, and distributions on the dissolution, liquidation or winding-up of the Company. Each Class A Share entitles the holder thereof to participate in the distribution of the remaining net assets of the Company on a dissolution, liquidation or winding-up of the Company.

On April 13, 2004, the Company issued 100 Class A Shares for cash consideration of \$100.

A trust, a related party, was established for the benefit of the Class A Shareholders and owns all of the issued and outstanding Class A Shares of the Company.

6 Forward Agreement and Common Share Portfolio

Since the Company can deliver the value of the common share portfolio to HSBC in exchange for the value of the Credit Trust, the value of the Forward Agreement to the Company is equal to the value of the Credit Trust less the value of the common share portfolio.

The Company will partially settle the Forward Agreement prior to the Redemption Date in order to fund quarterly distributions as well as retractions of Preferred Shares by holders and expenses and other liabilities of the Company. In addition, the Manager may, on behalf of the Company, settle all or part of the Forward Agreement prior to the Redemption Date and invest the net proceeds (after any distributions to holders necessary to ensure that the Company is not liable for income tax) in additional investments such as cash and cash equivalents. Similarly, the Manager may, on behalf of the Company, dispose of securities in the Common Share Portfolio and reinvest the proceeds in the Common Share Portfolio or adjust the Forward Agreement and enter into additional forward purchase and sale agreements to provide exposure to the Credit Trust.

The payment obligations of the Counterparty to the Company under the Forward Agreement will be determined by reference to the performance of the Credit Trust. The Counterparty may hedge its exposure under the Forward Agreement to the economic performance of the Credit Trust. While the value of the Forward Agreement will be based primarily on the value of the Credit-Linked Note, the Counterparty will have no involvement in the pricing or valuation of the Credit-Linked Note.

The Company pays to the Counterparty a fee under the Forward Agreement of approximately 0.55% per annum of the net asset value of the Credit Trust, plus a fee related to share borrow costs incurred by the Counterparty which in the first year is expected to be approximately 0.15% of the market value of the Common Share Portfolio, calculated and payable quarterly in arrears.

7 Distributions

Quarterly distributions are \$0.26875 per Preferred Share. During the six month period ended March 31, 2007, the Company made its quarterly distributions, paying total distributions of \$1,290,000, or \$0.5375 per unit (\$0.26875 per quarter), representing return of capital to holders of Preferred Shares.

8 Management fee and deferred management fee

Pursuant to a management agreement ("the Management Agreement") the Company has retained Connor, Clark & Lunn Capital Markets Inc. ("the Manager") to act as manager. As compensation for management services rendered to the Company, the Manager receives an annual management fee in an amount equal to 0.25% of the net asset value of the Company's preferred shares, calculated and payable monthly in arrears, plus applicable taxes.

As compensation for management services rendered to the Credit Trust, the Manager also receives an annual management fee in an amount equal to 0.10% of the net asset value of the Credit Trust, calculated and payable monthly in arrears, plus applicable taxes.

The Manager is entitled to an additional one-time management fee, the "Deferred Management Fee", payable on the Redemption Date and calculated on the quarterly net asset value of the Company on an effective basis of up to 0.65% per annum together with any fees and expenses funded by the Manager, on behalf of the Company, plus applicable taxes, to be paid after the original issue price of the Preferred Shares together with any accrued and unpaid distributions have been paid to Shareholders.

9 Income taxes

The Company qualifies as a mutual fund corporation as defined by the Income Tax Act (Canada). As a mutual fund corporation the Company is entitled to capital gains refunds in respect of (i) capital gains dividends paid by it; and (ii) qualifying redemptions to the extent that the Company has paid or is liable to pay Canadian federal income tax on its taxable capital gains. As a result thereof, and of the deduction of expenses in computing its taxable income, no provisions for income taxes are made in the financial statements.

As at taxable year end September 30, 2006, the Company had net capital losses of \$2,828,914 (2005 - \$2,828,914), which may be carried forward indefinitely to reduce future realized capital gains and non-capital losses of \$2,559,311 (2005 - \$2,034,499), which expire within the next ten years.

10 Reclassification

Certain of the 2006 comparative figures have been reclassified from the statements previously presented to conform to the presentation of the 2007 semi annual financial statements (see note 1 - Consolidation of the financial statements).