

2010 Annual Financial Statements

Year ended December 31, 2010



VENTURELINK
FUNDS

VentureLink Innovation Fund Inc.

Table of Contents

Management's Responsibility for Financial Reporting	1
Independent Auditor's Report	2

VENTURELINK INNOVATION FUND INC.

Financial Statements

Statement of Investment Portfolio	3
Statements of Net Assets	11
Statements of Operations	12
Statements of Changes in Net Assets	13
Statements of Cash Flows	14
Supplementary Schedules	15
Fund Specific Financial Instruments Risks	16



MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements have been prepared by VL Advisors Inc., the Manager and Investment Advisor of the Fund, and approved by the Board of Directors of the Fund. The Manager and Investment Advisor is responsible for the information and representations contained in these financial statements and other sections of this report. VL Advisors Inc., maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include certain amounts that are based on estimates and judgments. The significant accounting policies which management believes are appropriate for the Fund are described in Note 2 to the financial statements.

PricewaterhouseCoopers LLP is the external auditor of the Fund. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholders their opinion on the financial statements. Their report is set out on the following page.

John S. Varghese
Chief Executive Officer
VL Advisors Inc.

W. James Whitaker
Chief Financial Officer
VL Advisors Inc.

Toronto, Canada
March 9, 2011

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
VentureLink Innovation Fund
(the Fund)

We have audited the accompanying financial statements of the Fund, which comprise the statement of investment portfolio as at December 31, 2010, the statements of net assets as at December 31, 2010 and December 31, 2009 and the statements of operations, changes in net assets and cash flows for the years then ended, and the related notes including a summary of significant accounting policies.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2010 and December 31, 2009, the results of its operations, the changes in its net assets and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants
Toronto, Ontario
March 9, 2011

VENTURELINK INNOVATION FUND INC.

Financial Statements

Statement of Investment Portfolio (as at December 31, 2010)

Par Value/ Number of Shares	Description	Maturity date/ Expiration Date	Average Cost (in \$000's)	Fair Value (in \$000's)
Linked Notes (24.1%)				
5,000,000	S&P/TSX 60 Total Return Index Linked Note	January 31, 2014	5,835	6,428
5,000,000	S&P/TSX Canadian Financial Sector Index Linked Note (TD)	January 31, 2012	5,000	8,367
10,000,000	S&P/TSX Capped Financial Index Note (CIBC)	January 31, 2012	10,000	9,483
7,000,000	S&P/TSX Capped Financial Total Return Index Linked Note	January 31, 2013	7,000	8,161
3,170,000	S&P/TSX Capped Income Trust Index Linked Note	January 31, 2011	5,493	6,320
5,500,000	Toronto-Dominion Bank S&P Depository Index Linked Note	January 28, 2011	5,500	12,391
500,000	Toronto-Dominion Bank S&P/TSE Index Linked Note	January 28, 2011	524	578
Total Linked Notes			39,352	51,728
Marketable Securities (3.7%)				
263,450	Canadian Imperial Bank of Commerce, strip bond	December 31, 2013	244	241
51,600	iShares S&P/TSX 60 Index Fund		920	993
7,610,511	Ontario Hydro, Residual Strip, Debenture	October 17, 2014	6,957	6,882
Total Marketable Securities			8,121	8,116
Venture Investments (55.7%)*				
Publicly traded securities (4.6%)				
1,106,350	Biox Corp., common shares		1,250	1,272
2,053,000	Clearford Industries Inc., common shares		452	842
948,658	Coventree Inc.		3,462	2,846
508,565	Dragonwave Inc., common shares		3,840	4,262
3,860,000	Futura Loyalty Group Inc.		154	58
1,832	Macquarie Group Ltd.		5	69
2,744	Macquarie Group Ltd.		4	36
389,070	MP Western Properties Inc.		25	19
389,070	MP Western Properties Inc., Class A		-	-
464,216	Xceed Mortgage Corp.		2,171	371
			11,363	9,775
Financial Services (20.4%)				
40,000	Clubb Finance Corp., common shares		100	
1,500,000	Clubb Finance Corp., debenture	October 15, 2012	1,500	
1,500,000	Clubb Finance Corp., debenture	October 15, 2012	1,500	
359,900	Clubb Finance Corp., debenture	November 2, 2012	360	
4,140,100	Clubb Finance Corp., debenture	November 2, 2012	4,140	
383,333	Clubb Finance Corp., warrant	December 31, 2015	-	
500,000	Clubb Finance Corp., warrant	December 31, 2015	-	
4,725,579	Covarity Inc., Class B, preferred shares		2,363	
795	Covarity Inc., common shares		-	
500,000	Covarity Inc., debenture	September 15, 2013	500	
2,333,336	Coventree Inc., debenture	December 31, 2011	2,333	
126,136,364	DCR Strategies Inc., common shares		-	
4,000,000	DCR Strategies Inc., debenture	July 11, 2011	4,000	
9,000	Fund 321 Limited Partnership		8,924	

*A portion of the Fund's venture investment portfolio is in the form of debt investments with interest rates ranging from 5% to 16%. Percentages shown in brackets relate investments at fair value to net assets of the Fund. The accompanying notes are an integral part of these financial statements.

VENTURELINK INNOVATION FUND INC.

Financial Statements

Statement of Investment Portfolio (as at December 31, 2010) (cont'd)

Par Value/ Number of Shares	Description	Maturity date/ Expiration Date	Average Cost (in \$000's)	Fair Value (in \$000's)
Financial Services (20.4%) (cont'd)				
1,025,738	Futura Loyalty Group Inc., debenture	June 30, 2011	1,026	
1,250,000	Futura Loyalty Group Inc., warrant	March 13, 2011	-	
3,750,000	Futura Loyalty Group Inc., warrant	June 29, 2011	-	
1,071	Global Leasing Group Inc., common shares		-	
100,000	Global Leasing Group Inc., promissory note	September 4, 2013	100	
460	Global Leasing Group Inc., option		-	
2,000,000	Global Leasing Group Inc., debenture	March 10, 2015	2,000	
2,000	Global Leasing Group Inc., warrant	March 10, 2016	-	
60	GP 4321 Ltd. (Wellington), Class C		-	
2,000	Intrepid Business Acceleration Fund		1,400	
551	Kensington Capital Partners Ltd., - 2B Units		9	
1,291,543	Kensington Capital Partners Ltd., debenture	December 15, 2018	1,292	
2,000,000	Kensington Capital Partners Ltd., debenture	April 17, 2012	2,000	
580,455	Kensington Capital Partners Ltd., debenture	July 31, 2014	580	
898,320	Lexfund Inc., promissory note	September 15, 2011	898	
50,000	Lexfund Inc., promissory note	September 15, 2011	50	
50,000	Lexfund Inc., promissory note	September 15, 2011	50	
100,000	Lexfund Inc., promissory note	September 15, 2011	100	
50,000	Lexfund Inc., promissory note	September 15, 2011	50	
2,231,960	Lexfund Inc., promissory note	September 15, 2011	2,232	
6,000,000	Mavrix Fund Management Inc., debenture	July 2, 2014	6,000	
185,528	N-Brook Lender Services Inc., debenture	August 1, 2012	186	
1,310,000	N-Brook Lender Services Inc., debenture	August 1, 2012	1,310	
516,779	N-Brook Lender Services Inc., debenture	August 1, 2012	517	
415,401	N-Brook Lender Services Inc., debenture	August 1, 2012	415	
1,063,150	N-Brook Lender Services Inc., debenture	August 1, 2012	1,063	
1,134,472	N-Brook Lender Services Inc., debenture	August 1, 2012	1,134	
5,328	Nexgen Financial, common shares		1	
4,000,000	PerformINS Canada Inc., common shares		-	
2,000,000	PerformINS Canada Inc., debenture	January 1, 2011	2,000	
485,000	PerformINS Canada Inc., debenture	January 1, 2011	485	
300,000	PerformINS Canada Inc., debenture	January 1, 2011	300	
715,000	PerformINS Canada Inc., debenture	January 1, 2011	715	
1,000,000	PerformINS Canada Inc., debenture	January 1, 2011	1,000	
350,000	PerformINS Canada Inc., debenture	January 1, 2011	350	
1,200,000	PerformINS Canada Inc., debenture	January 1, 2011	1,200	
955,451	The Futura Loyalty Group Inc., warrant	July 1, 2011	-	
60	Wellington General Partnership Corp.		-	
1,500	WF Fund III Limited Partnership		1,396	
8,900	WF Fund III Limited Partnership		-	
			55,579	43,585

*A portion of the Fund's venture investment portfolio is in the form of debt investments with interest rates ranging from 5% to 16%. Percentages shown in brackets relate investments at fair value to net assets of the Fund. The accompanying notes are an integral part of these financial statements.

VENTURELINK INNOVATION FUND INC.

Financial Statements

Statement of Investment Portfolio (as at December 31, 2010) (cont'd)

Par Value/ Number of Shares	Description	Maturity date/ Expiration Date	Average Cost (in \$000's)	Fair Value (in \$000's)
Biotechnology (2.1%)				
2,344,060	Cytochroma Inc, Class B, common shares		2,578	
516,075	Cytochroma Inc, Class C, common shares		707	
800,000	Cytochroma Inc., Class B, preferred shares		880	
3,803,306	Performance Plants Inc., common shares		-	
500,000	Performance Plants Inc., loan	July 31, 2010	500	
			4,665	4,540
Energy & Environmental (7.9%)				
75,000	Adventus Intellectual Property Inc, demand loan		75	
210,907	Adventus Intellectual Property Inc., common shares		-	
1,984,477	Adventus Intellectual Property Inc., preferred shares		992	
446,425	Biox Corp., special warrant	March 1, 2015	-	
55,633	EcoSynthetix Adhesives Inc, exchangeable shares		1,325	
7,980	EcoSynthetix Adhesives Inc, exchangeable shares, USD		165	
55,633	EcoSynthetix Adhesives Inc, special voting shares		-	
277,060	EcoSynthetix Adhesives Inc., exchangeable shares		5,738	
277,060	EcoSynthetix Adhesives Inc., special voting shares		-	
44,550	EcoSynthetix Inc., preferred shares		1,061	
5,006	EcoSynthetix Inc., Series A3, preferred shares		93	
26,263,131	EnerWorks Inc., common shares		3	
75,000	EnerWorks Inc., preferred shares		75	
80,000	Planet Energy Corp., warrant	January 6, 2015	400	
2,000,000	Sprott Power Corp., units		1,960	
2,000,000	Sprott Power Corp., warrants	June 14, 2012	-	
			11,887	16,860
Information Technology (9.9%)				
1,666,667	Aimetis Corp, common shares		2,500	
1,200,000	Ebuild.ca Inc., Series A, preferred shares		-	
265,000	NexJ Systems Inc., common shares		1,524	
265,000	NexJ Systems Inc., rights	March 31, 2011	-	
99,946	Panorama Software Inc., common shares		-	
8,125	Panorama Software Inc., common shares		-	
4,875	Panorama Software Inc., common shares		-	
916,668	Peraso Technologies Inc., Class A, preferred shares		917	
891,679	Peraso Technologies Inc., Class B, preferred shares		892	
1,097,000	Peraso Technologies Inc., warrants	October 1, 2014	-	
6,449,311	SCI Ltd., common shares		4,902	
2,333,333	SCI Ltd., debenture	October 15, 2012	2,333	
779,390	SCI Ltd., preferred shares		5,000	
302,105	SCI Ltd., purchase warrants	October 15, 2014	-	

*A portion of the Fund's venture investment portfolio is in the form of debt investments with interest rates ranging from 5% to 16%. Percentages shown in brackets relate investments at fair value to net assets of the Fund. The accompanying notes are an integral part of these financial statements.

VENTURELINK INNOVATION FUND INC.

Financial Statements

Statement of Investment Portfolio (as at December 31, 2010) (cont'd)

Par Value/ Number of Shares	Description	Maturity date/ Expiration Date	Average Cost (in \$000's)	Fair Value (in \$000's)
Information Technology (9.9%) (cont'd)				
116,908	SCI Ltd., warrants	October 9, 2017	–	
2,189,040	Showcare Event Management Inc., Class D		1,400	
600,000	Showcare Event Management Inc., debenture	December 31, 2010	600	
4,292,024	Sidense Corp., Class B, preferred shares		1,875	
400,102	Streamlogics Inc., common shares		–	
1,181,845	Streamlogics Inc., warrants	January 31, 2011	–	
			21,943	21,226
Services and Others (2.3%)				
2,000,000	Investigative Research Group Inc., debenture	July 31, 2012	2,000	
450	Investigative Research Group Inc., common shares		–	
531,170	Groove Media Inc., common shares		–	
920140	Groove Media Inc., common shares		–	
5,000,000	Koprash Inc., debenture	July 31, 2012	1,000	
450	Koprash Inc., common shares		–	
250,000	Koprash Inc., promissory note	July 31, 2012	250	
100,000	ONTrack Media and Entertainment Inc., common shares		–	
2,750,000	ONTrack Media and Entertainment Inc., debenture	September 30, 2013	2,171	
109,539	ONTrack Media and Entertainment Inc., participating Notes	September 30, 2013	101	
			5,522	5,007
Underlying Funds (8.5%)				
365,000	Brighter Future CSBIF(I) Funds Inc. (see Schedule A)		7,453	
365,000	Brighter Future CSBIF(II) Funds Inc. (see Schedule B)		7,293	
430,000	Diversified Balanced CSBIF(I) Fund Inc. (see Schedule C)		1,471	
430,000	Diversified Balanced CSBIF(II) Fund Inc. (see Schedule D)		1,475	
			17,692	18,335
Total Venture Investments			128,651	119,328
Short Term Notes (16.3%)			34,967	34,980
Total Investments (99.8%)			211,091	214,152
Other net assets (0.2%)				322
Total net assets (100.0%)			211,091	214,474

*A portion of the Fund's venture investment portfolio is in the form of debt investments with interest rates ranging from 5% to 16%. Percentages shown in brackets relate investments at fair value to net assets of the Fund. The accompanying notes are an integral part of these financial statements.

VENTURELINK INNOVATION FUND INC.

Statement of Investment Portfolio (as at December 31, 2010)

Par Value/ Number of Shares	Description	Maturity date/ Expiration Date	Average Cost (in \$000's)	Fair Value (in \$000's)
Schedule A				
Brighter Future CSBIF(I) Funds Inc.				
Marketable Securities (89.0%)				
7,285,662	Ontario Hydro, Residual Strip, debenture	October 17, 2014	6,668	6,588
Total Marketable Securities			6,668	6,588
Venture Investments (4.1%)				
Publicly traded securities (1.7%)				
109,663	Biox Corp., common shares		763	126
Energy & Environmental (2.4%)				
37,198	Adventus Intellectual Property Inc., common shares		-	
350,000	Adventus Intellectual Property Inc., preferred shares		350	
184,372	EnerWorks Inc., common shares		720	
			1,070	175
Total Venture Investments			1,833	301
Total Investments (93.1%)			8,501	6,889
Other net assets (6.9%)				521
Total net assets (100.0%)			8,501	7,410

Percentages shown in brackets relate investments at fair value to net assets of the Fund.
The accompanying notes are an integral part of these financial statements.

VENTURELINK INNOVATION FUND INC.

Financial Statements

Statement of Investment Portfolio (as at December 31, 2010)

Par Value/ Number of Shares	Description	Maturity date/ Expiration Date	Average Cost (in \$000's)	Fair Value (in \$000's)
Schedule B				
Brighter Future CSBIF(II) Funds Inc.				
Marketable Securities (88.6%)				
4,236,550	Canadian Imperial Bank of Commerce, Strip Bond	December 31, 2013	3,822	3,874
2,818,368	Ontario Hydro, Residual Strip, debenture	October 17, 2014	2,537	2,548
Total Marketable Securities			6,359	6,422
Venture Investments (4.1%)				
Publicly traded securities (1.7%)				
109,663	Biox Corp., common shares		763	126
Energy & Environmental (2.4%)				
37,198	Adventus Intellectual Property Inc., common shares		–	
350,000	Adventus Intellectual Property Inc., preferred shares		350	
184,372	EnerWorks Inc., common shares		720	
			1,070	175
Total Venture Investments			1,833	301
Total Investments (92.7%)			8,192	6,723
Other net assets (7.3%)				526
Total net assets (100.0%)			8,192	7,249

Percentages shown in brackets relate investments at fair value to net assets of the Fund.
The accompanying notes are an integral part of these financial statements.

Financial Statements

Statement of Investment Portfolio (as at December 31, 2010)

Par Value/ Number of Shares	Description	Maturity date/ Expiration Date	Average Cost (in \$000's)	Fair Value (in \$000's)
Schedule C				
Diversified Balanced CSBIF(I) Fund Inc.				
Marketable Securities (60.4%)				
1,226,675	Ontario Hydro, Residual Strip, debenture	October 17, 2014	1,018	1,109
Total Marketable Securities			1,018	1,109
Venture Investments (37.9%)*				
Publicly traded securities (0.1%)				
90,000	Futura Loyalty Group Inc.		75	1
Information Technology (37.8%)				
59,095	SCI Ltd., debenture	October 15, 2012	59	
792,393	SCI Ltd., common shares		850	
7,651	SCI Ltd., purchase warrants	October 15, 2014	-	
			909	693
Financial Services (0.0%)				
618,612	Covarity Inc., common shares		850	-
Total Venture Investments			1,834	694
Total Investments (98.3%)			2,852	1,803
Other net assets (1.7%)				33
Total net assets (100.0%)			2,852	1,836

*A portion of the Fund's venture investment portfolio is in the form of debt investments with interest rates ranging from 5% to 16%. Percentages shown in brackets relate investments at fair value to net assets of the Fund. The accompanying notes are an integral part of these financial statements.

VENTURELINK INNOVATION FUND INC.

Financial Statements

Statement of Investment Portfolio (as at December 31, 2010)

Par Value/ Number of Shares	Description	Maturity date/ Expiration Date	Average Cost (in \$000's)	Fair Value (in \$000's)
Schedule D				
Diversified Balanced CSBIF(II) Fund Inc.				
Marketable Securities (60.4%)				
1,228,784	Ontario Hydro, Residual Strip, debenture	October 17, 2014	1,020	1,111
Total Marketable Securities			1,020	1,111
Venture Investments (37.8%)*				
Publicly traded securities (0.1%)				
90,000	Futura Loyalty Group Inc.		75	1
Information Technology (37.7%)				
59,095	SCI Ltd., debenture	October 15, 2012	59	
792,393	SCI Ltd., common shares		850	
7,651	SCI Ltd., purchase warrants	October 15, 2014	-	
			909	693
Financial Services (0.0%)				
618,612	Covarity Inc., common shares		850	-
Total Venture Investments			1,834	694
Total Investments (98.2%)			2,854	1,805
Other net assets (1.8%)				35
Total net assets (100.0%)			2,854	1,840

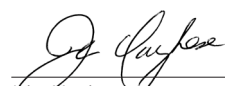
*A portion of the Fund's venture investment portfolio is in the form of debt investments with interest rates ranging from 5% to 16%. Percentages shown in brackets relate investments at fair value to net assets of the Fund. The accompanying notes are an integral part of these financial statements.

Financial Statements

Statements of Net Assets (in \$000's except for per share amounts and number of shares outstanding)

	As at December 31, 2010	As at December 31, 2009
ASSETS		
Investments at fair value *	179,172	104,646
Cash	2,623	15,416
Short term notes	34,980	-
Accrued interest	2,333	1,776
Subscriptions receivable	154	60
Total assets	219,262	121,898
LIABILITIES		
Accounts payable and accrued liabilities	840	783
Performance fees payable	3,706	3,293
Redemptions payable	242	59
Class P Shares	-	-
Total liabilities	4,788	4,135
Net assets	214,474	117,763
*Investments at cost	176,124	97,864
Net assets by class (see Schedule of Net Assets Reconciliation)		
Class A, Series I shares	57,760	54,712
Class A, Series II shares	29,027	7,300
Class A, Series III shares	87,813	41,948
Class A, Series IV shares	38,550	13,695
Class A, Series VI shares	1,324	108
Net assets per share (Note 3) (see Schedule of Net Assets per Share and Net Asset Value per Share)		
Net assets per Class A, Series I share	9.91	10.19
Net assets per Class A, Series II share	9.90	10.15
Net assets per Class A, Series III share	9.91	9.63
Net assets per Class A, Series IV share	9.92	9.64
Net assets per Class A, Series VI share	9.92	8.89
Number of shares outstanding (see Schedule of Fund Share Transactions)		
Class A, Series I shares outstanding	5,830,593	5,369,337
Class A, Series II shares outstanding	2,931,872	719,581
Class A, Series III shares outstanding	8,863,643	4,354,265
Class A, Series IV shares outstanding	3,885,819	1,420,914
Class A, Series VI shares outstanding	133,500	12,183

Approved by the Board of Directors:


 John Varghese
 CEO


 James Whitaker
 CFO

The accompanying notes are an integral part of these financial statements.

Financial Statements

Statements of Operations (in \$000's except for per share amounts)

	Year Ended December 31	
	2010	2009
INVESTMENT INCOME		
Dividends	19	5
Interest	4,026	2,269
Placement and participation fees	254	638
Miscellaneous	84	12
	<u>4,383</u>	<u>2,924</u>
EXPENSES		
Management fees (Note 5)	1,805	1,368
Performance fees (Note 5)	66	703
Shareholder administration	1,885	1,515
Sponsor's fees (Note 5)	361	274
Audit fees	152	92
Legal fees	22	41
Capital tax	(9)	116
Distribution service fees	1,227	762
Investment advisory fees (Note 5)	2,887	2,188
Goods and services tax/Harmonized sales tax	912	286
	<u>9,308</u>	<u>7,345</u>
Net investment income (loss) for the year	(4,925)	(4,421)
Realized and unrealized gain (loss) on investments and commissions and other portfolio transaction costs		
Realized gain (loss) on investments	5,166	(490)
Capital gain distribution from investments	-	-
Commissions and other portfolio transaction costs (Note 7)	(2)	(1)
Change in unrealized appreciation (depreciation) of marketable securities and short term notes	(571)	16,449
Change in unrealized appreciation (depreciation) of venture investments	(3,150)	2,471
Net gain (loss) on investments	1,443	18,429
Increase (decrease) in net assets from operations	(3,482)	14,008
Increase (decrease) in net assets from operations per class:		
Class A, Series I shares	(915)	6,879
Class A, Series II shares	(362)	873
Class A, Series III shares	(1,616)	4,661
Class A, Series IV shares	(576)	1,581
Class A, Series VI shares	(13)	14
Increase (decrease) in net assets from operations per share:		
Class A, Series I shares	(0.16)	1.27
Class A, Series II shares	(0.12)	1.21
Class A, Series III shares	(0.18)	1.13
Class A, Series IV shares	(0.14)	1.18
Class A, Series VI shares	(0.10)	1.42

The accompanying notes are an integral part of these financial statements.

VENTURELINK INNOVATION FUND INC.

Financial Statements

Statements of Changes in Net Assets (in \$000's)

For the years ended December 31	Fund		Class A, Series I		Class A, Series II	
	2010	2009	2010	2009	2010	2009
Net assets, beginning of year	117,763	94,508	54,712	48,645	7,300	6,530
CAPITAL TRANSACTIONS						
Proceeds from shares issued	15,793	10,502	3,097	3	1,033	-
Amounts paid for shares redeemed	(29,157)	(1,255)	(20,577)	(815)	(4,044)	(103)
Aquisition of net assets from other funds (Note 1)	113,557	-	21,443	-	25,100	-
	100,193	9,247	3,963	(812)	22,089	(103)
DIVIDENDS TO INVESTORS						
Dividends from realized gains	-	-	-	-	-	-
Dividends from net income	-	-	-	-	-	-
Return of capital	-	-	-	-	-	-
	-	-	-	-	-	-
Increase (decrease) in net assets from operations	(3,482)	14,008	(915)	6,879	(362)	873
Net assets, end of year	214,474	117,763	57,760	54,712	29,027	7,300

For the years ended December 31	Class A, Series III		Class A, Series IV		Class A, Series VI	
	2010	2009	2010	2009	2010	2009
Net assets, beginning of year	41,948	30,015	13,695	9,287	108	31
CAPITAL TRANSACTIONS						
Proceeds from shares issued	8,602	7,535	2,978	2,901	83	63
Amounts paid for shares redeemed	(3,664)	(263)	(817)	(74)	(55)	-
Aquisition of net assets from other funds (Note 1)	42,543	-	23,270	-	1,201	-
	47,481	7,272	25,431	2,827	1,229	63
DIVIDENDS TO INVESTORS						
Dividends from realized gains	-	-	-	-	-	-
Dividends from net income	-	-	-	-	-	-
Return of capital	-	-	-	-	-	-
	-	-	-	-	-	-
Increase (decrease) in net assets from operations	(1,616)	4,661	(576)	1,581	(13)	14
Net assets, end of year	87,813	41,948	38,550	13,695	1,324	108

VENTURELINK INNOVATION FUND INC.

Financial Statements

Statements of Cash Flows (in \$000's)

	Year Ended Decembre 31	
	2010	2009
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net investment income (loss)	(4,925)	(4,421)
Proceeds of disposition of investments	27,553	10,502
Purchase of investments	(46,572)	(6,389)
Net change in non-cash balances related to operations	(3,176)	(1,151)
	(27,120)	(1,459)
INVESTING ACTIVITIES		
Cash acquired on amalgamation	27,602	-
	27,602	-
FINANCING ACTIVITIES		
Dividends paid	-	-
Proceeds from shares issued	15,699	10,480
Cost of shares redeemed	(28,974)	(1,208)
	(13,275)	9,272
Increase (decrease) in cash and cash equivalents during the year	(12,793)	7,813
Cash, beginning of year	15,416	7,603
Cash, end of year	2,623	15,416

The accompanying notes are an integral part of these financial statements.

VENTURELINK INNOVATION FUND INC.

Financial Statements

Supplementary Schedules

Schedule of Fund Share Transactions

For years ended December 31	Class A, Series I		Class A, Series II		Class A, Series III	
	2010	2009	2010	2009	2010	2009
Balance, beginning of year	5,369,337	5,453,030	719,581	730,342	4,354,265	3,491,255
Issued during the year	302,759	362	103,347	-	900,163	892,034
Redeemed during the year	(2,022,903)	(84,055)	(402,736)	(10,761)	(383,082)	(29,024)
Shares issued upon acquisition of net assets from other funds (Note 1)	2,181,400	-	2,511,680	-	3,992,297	-
Balance, end of year	5,830,593	5,369,337	2,931,872	719,581	8,863,643	4,354,265

For years ended December 31	Class A, Series IV		Class A, Series VI	
	2010	2009	2010	2009
Balance, beginning of year	1,420,914	1,079,082	12,183	3,929
Issued during the year	312,170	349,960	9,133	8,254
Redeemed during the year	(84,760)	(8,128)	(5,546)	-
Shares issued upon acquisition of net assets from other funds (Note 1)	2,237,495	-	117,730	-
Balance, end of year	3,885,819	1,420,914	133,500	12,183

Schedule of Loss Carry Forwards (in \$000's) as at December 31, 2010

	2010									
Net capital loss carried forward	14,681									
Year of expiry	2012	2013	2014	2024	2025	2026	2027	2028	2029	2030
Non-capital loss carried forward	-	1,282	2,338	1,686	3,925	3,597	4,587	8,368	3,023	1,454

Schedule of Net Assets per Share and Net Asset Value per Share (Note 3)

As at December 31, 2010

	Class A Series I	Class A Series II	Class A Series III	Class A Series IV	Class A Series VI
Net Assets per share	9.91	9.90	9.91	9.92	9.92
Net Asset Value per share	9.88	9.87	9.88	9.89	9.89

As at December 31, 2009

	Class A Series I	Class A Series II	Class A Series III	Class A Series IV	Class A Series VI
Net Assets per share	10.19	10.15	9.63	9.64	8.89
Net Asset Value per share	10.28	10.20	9.63	9.64	8.89

The accompanying notes are an integral part of these financial statements.

VENTURELINK INNOVATION FUND INC.

Financial Statements

Fund Specific Financial Instruments Risks (Note 12)

Portfolio Breakdown as at December 31, 2010

Industry Sector	Number of companies	Cost (in \$000's)	Fair Value (in \$000's)	% of cost	% of FV
Sector					
Financial Services	14	58,512	45,874	52.7	45.4
Energy and environmental	8	13,614	18,993	12.3	18.8
Biotechnology	2	4,666	4,541	4.2	4.5
Information Technology and Communications	8	28,645	26,578	25.8	26.3
Other services	3	5,522	5,007	5.0	5.0
	35	110,959	100,993	100.0	100.0

In 2009 the Fund's investments were concentrated in the financial services segment (see Note 1).

The Fund generally maintains a portfolio of venture investments and eligible reserves in the form of index linked notes, short-term notes and cash. At December 31, 2010 and 2009, the assets of the Fund consisted of the following:

as at December 31, 2010	Fair value (in \$000's)	Total assets held for trading (%)
Cash	2,623	1.2
Short term notes	34,980	16.1
Linked notes	51,728	23.9
Marketable securities	8,116	3.7
Publicly traded equity securities	9,775	4.5
Private debt investments	40,172	18.5
Private equity investments	51,046	23.5
Underlying funds	18,335	8.6
Financial assets held for trading	216,775	100.0

as at December 31, 2009	Fair value (in \$000's)	Total assets held for trading (%)
Cash	15,416	12.9
Linked notes	52,705	43.9
Publicly traded equity securities	2,676	2.2
Private debt investments	40,754	33.9
Private equity investments	8,511	7.1
Financial assets held for trading	120,062	100.0

Other Price Risk

The Fund is exposed to other price risk through its holdings in index linked and publicly traded equity securities and private equity investments. All equity investments present a risk of loss of capital; the maximum risk for equity investments is equal to their fair value. The value of the Fund's publicly traded investments will be negatively impacted by a decrease in equity prices on the Toronto Stock Exchange and other major exchanges. The value for each investment is influenced by the outlook of the issuer and by general economic and political conditions, as well as industry and market trends.

As at December 31, 2010, had the relevant index to the Fund increased or decreased by 10%, with all other variables held constant, index linked and publicly traded equity securities and private equity investments would have increased or decreased, respectively, by approximately \$11,255,000 (December 31, 2009 - \$5,538,000). In practice, the actual results may differ materially.

The accompanying notes are an integral part of these financial statements.

Annual Financial Statements as at December 31, 2010

VENTURELINK INNOVATION FUND INC.

Financial Statements

Fund Specific Financial Instruments Risks (Note 12) (cont'd)

Interest Rate Risk

The tables below summarize the Fund's exposure to interest rate risk. It includes the assets and liabilities of the Fund at fair values, categorized by the contractual maturity date.

as at December 31, 2010	Less than 1 Year (in \$000's)	1 - 3 Years (in \$000's)	3 - 5 Years (in \$000's)	Greater than 5 Years (in \$000's)	Total (in \$000's)
Interest Rate Exposure	51,671	17,956	14,063	1,210	84,900

as at December 31, 2009	Less than 1 Year (in \$000's)	1 - 3 Years (in \$000's)	3 - 5 Years (in \$000's)	Greater than 5 Years (in \$000's)	Total (in \$000's)
Interest Rate Exposure	15,416	28,219	11,009	1,526	56,170

As at December 31, 2010, had the prevailing interest rates increased or decreased by 1.00% (December 31, 2009 – 1.00%), assuming a parallel shift in the yield curve, with all other variables held constant, net assets of the Fund would have decreased or increased, respectively, by approximately \$1,412,000 (December 31, 2009 – \$1,362,000). In practice, the actual results may differ from this analysis and the difference may be material.

In addition, the Fund is indirectly exposed to interest rate risk on the debt investments of the underlying funds totalling approximately \$15,230,000 (December 31, 2009 - nil).

Liquidity Risk

The liquidity of the Fund's holdings of private investments is low as there is no active market for these investments. The expected realization for the debt investments is to hold them to maturity and the expected realization of the equity investments is over a three to five year period. The Fund manages the liquidity risk related to private investments by holding a portion of the portfolio in liquid reserves and in cash. In addition, the Fund looks to match the duration of its investments with the expected redemption horizon of shareholders.

The financial liabilities of the Fund mature in less than three months with the exception of performance fees payable. The maturity of performance fees is uncertain and is dependent upon realizations of venture investments.

Currency Risk

The tables below summarize the Fund's exposure to currency risk.

as at December 31, 2010

CURRENCY	Total (in \$000's)	Net Assets (%)
US Dollar	11,890	5.5
Total	11,890	5.5

as at December 31, 2009

CURRENCY	Total (in \$000's)	Net Assets (%)
US Dollar	-	-
Total	-	-

As at December 31, 2010, had the Canadian dollar strengthened or weakened by 10% in relation to the U.S Dollar, with all other variables held constant, net asset of the Fund would have decreased or increased by approximately \$1,189,000 (December 31, 2009 - nil). In practice, the actual results may differ from this analysis and the difference may be material.

The accompanying notes are an integral part of these financial statements.

VENTURELINK INNOVATION FUND INC.

Financial Statements

Fund Specific Financial Instruments Risks (Note 12) (cont'd)

Credit Risk

The Fund holds a portion of its investment portfolio in short term notes, strip bonds and private debt investments. The private debt investments are typically high yielding, relatively high risk debt investments that are unrated.

The Fund was invested in short term notes and debt securities with the following credit ratings, as per tables below.

as at December 31, 2010

CREDIT RATING*	Net Assets (%)
R-1 (high)	16.1
AA/Aa/A+	3.3
Not Rated	18.5
Total	37.9

as at December 31, 2009

CREDIT RATING	Net Assets (%)
AAA	-
AA/Aa/A+	34.0
Not Rated	-
Total	34.0

*Credit ratings are obtained from Dominion Bond Rating Services.

In addition, the Fund is indirectly exposed to credit risk on the debt investments held by the underlying funds. The debt investments of the underlying funds total approximately \$15,230,000 (December 31, 2009 - nil) and are AA/Aa/A+ rated.

Fair Value Hierarchy

The tables below summarize the inputs used by the Fund in valuing the Fund's investments and derivatives carried at fair value.

Long Positions at fair value as at December 31, 2010

	Level 1 (in \$000's)	Level 2 (in \$000's)	Level 3 (in \$000's)	Total (in \$000's)
Short term notes	34,980	-	-	34,980
Equities investments	9,775	498	50,548	60,821
Debt investments	-	-	40,172	40,172
Index linked notes - public index	-	51,728	-	51,728
Marketable securities	8,116	-	-	8,116
Underlying funds	-	-	18,335	18,335
Total	52,871	52,226	109,055	214,152

Long Positions at fair value as at December 31, 2009

	Level 1 (in \$000's)	Level 2 (in \$000's)	Level 3 (in \$000's)	Total (in \$000's)
Equities investments	2,676	-	8,511	11,187
Debt investments	-	-	40,754	40,754
Index linked notes - public index	-	44,380	-	44,380
Index linked notes - not public index	-	-	8,325	8,325
Total	2,676	44,380	57,590	104,646

The accompanying notes are an integral part of these financial statements.

VENTURELINK INNOVATION FUND INC.

Financial Statements

Fund Specific Financial Instruments Risks (Note 12) (cont'd)

Fair value measurements using level 3 inputs

The tables below summarize the movement in Level 3 financial instruments at fair value using unobservable inputs.

For the year ended December 31, 2010

	Balance at Dec 31, 2009 (in \$000's)	Net purchases (in \$000's)	Net sales (in \$000's)	Net transfers in (out) (in \$000's)	Realized gain (loss) (in \$000's)	Unrealized gain (loss)* (in \$000's)	Balance at Dec. 31, 2010 (in \$000's)
Long Positions/Assets							
Equities investments	8,511	40,042	-	-	-	1,995	50,548
Debt investments	40,754	15,433	(9,890)	-	-	(6,125)	40,172
Index linked notes							
- not public index	8,325	-	(8,772)	-	1,272	(825)	-
Underlying funds	-	17,691	-	-	-	644	18,335
Total	57,590	73,166	(18,662)	-	1,272	(4,311)	109,055

*Change in unrealized gain (loss) related to investments held at December 31, 2010 was \$4,086,000.

For the year ended December 31, 2009

	Balance at Dec. 31, 2008 (in \$000's)	Net purchases (in \$000's)	Net sales (in \$000's)	Net transfers in (out) (in \$000's)	Realized gain (loss) (in \$000's)	Unrealized gain (loss)* (in \$000's)	Balance at Dec. 31, 2009 (in \$000's)
Long Positions/Assets							
Equities investments	8,668	125	-	-	(842)	560	8,511
Debt investments	43,522	6,065	(10,104)	-	-	1,271	40,754
Index linked notes							
- not public index	5,873	-	-	-	-	2,452	8,325
Total	58,063	6,190	(10,104)	-	(842)	4,283	57,590

*Change in unrealized gain (loss) related to investments held at December 31, 2009 was \$2,845,000.

The fair value of each level 3 investment is generally related to the underlying value and/or creditworthiness of a small to medium sized privately held business. Management reviews a number of applicable valuation techniques for each investment depending on a number of factors including: stage of business; the period since the last third party financing; the ability to compare the businesses to similar publicly held companies; the reliability of future cash flow projections; and disclosed information related to transactions involving similar businesses. In addition to the range of valuation techniques employed, a significant number of the key assumptions used in the valuation of individual investments are company specific. Due to the nature of this detailed, investment by investment approach to fair value determination and the number of different key assumptions, there are no alternative assumptions that are broadly applicable across the investment portfolio of the Fund, however, changes in key assumptions may cause material changes in the value of the investments held by the Fund. If the value of the Level 3 investments were to increase or decrease by 10%, the value of the Fund would increase or decrease by approximately \$10,905,000 (December 31, 2009 -\$5,759,000).

The accompanying notes are an integral part of these financial statements.

Annual Financial Statements as at December 31, 2010

Notes to the Financial Statements (audited)

1. CORPORATE STATUS AND ACTIVITIES

VentureLink Innovation Fund Inc. (the "Fund") was created by articles of amalgamation pursuant to the CBCA on September 10, 2010 from the amalgamation of VentureLink Balanced Fund Inc., VentureLink Brighter Future Fund Inc., VentureLink Diversified Income Fund Inc. and VentureLink Financial Services Innovation Fund Inc. The Fund is registered as a labour-sponsored venture capital corporation under the Income Tax Act (Canada), as amended (the "Federal Tax Act") and as a labour sponsored investment fund corporation under the Community Small Business Investment Funds Act (Ontario), as amended (the "Ontario Act").

Fund Name	Inception date of Series I	Inception date of Series II	Inception date of Series III	Inception date of Series IV	Inception date of Series VI
VentureLink Innovation Fund Inc.	Sep. 10, 2010	Sep. 10, 2010	Sep. 10, 2010	Sep. 10, 2010	Sep. 10, 2010

As at December 31, 2010, Series III, Series IV and Series VI of the Fund were available for purchase.

Fund Amalgamations

Effective September 10, 2010, ("the Effective Date"), the VentureLink Innovation Fund Inc. ("the Continuing Fund") was created from the amalgamation of the VentureLink Financial Services Innovation Fund Inc., VentureLink Balanced Fund Inc., VentureLink Brighter Future Fund Inc. and VentureLink Diversified Income Fund Inc. ("the Terminating Funds"). The net assets of the Terminating Funds were transferred to the Continuing Fund in exchange for units of the Continuing Fund. The amalgamation was recorded as a reverse acquisition for accounting purposes. The VentureLink Financial Services Innovation Fund Inc. (VL Financial) was identified for accounting purposes as the acquiring fund based on its size relative to the other funds and the continuation of its fee structure, although the VentureLink Innovation Fund was the legally continuing fund. The use of reverse takeover accounting resulted in the following:

- As VL Financial is deemed the acquirer for accounting purposes, its assets and liabilities are included in the financial statements at their historical values and the financial statements present the continuation of VL Financial. The results of the VentureLink Balanced Fund Inc., VentureLink Brighter Future Fund Inc. and VentureLink Diversified Income Fund Inc. are included only from the effective date of the merger.
- The comparative figures reported are those of VL Financial.
- The number and class of outstanding shares as at December 31, 2010 are those of the Continuing Fund.

After the amalgamation, shares of each of the Terminating Funds were exchanged for shares of VentureLink Innovation Fund Inc. as follows:

- Class A Shares, Series II, Class A Shares, Series III, Class A Shares, Series IV and Class A Shares, Series VI of each of the Terminating Funds were entitled to receive, in exchange for those shares, Class A Shares of the same series in the capital of Continuing Fund equal to the number of the Original Fund's Class A Shares of the series so held multiplied by the net asset value per Class A Share of the series held of Terminating Fund divided by the net asset value per Class A Share of the same series of Continuing Fund all as determined on the Effective Date;
- VentureLink Brighter Futures Fund Inc., VentureLink Diversified Income Fund Inc., and VentureLink Financial Services Fund Inc., Class A, Series I were entitled to receive, in exchange for those shares, Class A Shares, Series I in the capital of Continuing Fund equal to the number of the Original Fund's Class A Shares of the series so held multiplied by the net asset value per Class A Share held of the Terminating Fund divided by the net asset value per Class A Share, Series I of Continuing Fund all as determined on the Effective Date;
- VentureLink Balanced Fund Inc. Class A, Series I and VentureLink Brighter Future Fund Inc. Class A, Series V were entitled to receive, in exchange for those shares, Class A Shares, Series II in the capital of Continuing Fund equal to the number of Class A Shares of the series so held multiplied by the net asset value per Class A Share so held divided by the net asset value per Class A Share, Series II of the Continuing Fund as determined on the Effective Date.

The net assets acquired consist of \$89,045 of investments, \$27,602 of cash and \$(3,090) of other assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP").

In applying GAAP, management makes estimates and assumptions that affect the reported amounts of assets, liabilities, investment income and expenses reported during the period. Actual results could differ from those estimates.

The following is a summary of significant accounting policies of the Fund:

(a) Valuation of Investments

At the financial reporting date, listed securities are valued based on the bid price for securities held long and the ask price for securities held short. Unlisted securities are valued based on price quotations from recognized investment dealers, or failing that, their fair value as determined by the Manager on the basis of the latest reported information available. Fixed income securities, debentures, money market investments and other debt instruments including short-term investments, are valued at the bid quotation from recognized investment dealers. Underlying funds are valued on each business day at their net asset value as reported by the underlying funds' manager.

Notes to the Financial Statements (audited) (cont'd)

Venture investments for which no quoted market value exists, or venture investments in restricted securities, are recorded at estimated fair value. The fair values of investments are determined using the appropriate valuation methodology after considering: the history and nature of the business; operating results and financial conditions; the general economic, industry and market conditions; capital market and transaction market conditions; independent valuations of the business; contractual rights relating to the investment; public market comparable transactions and results multiples, where applicable and other pertinent considerations.

The process of valuing venture investments for which no published market or market observable factors exist is subject to inherent uncertainties and the resulting values may differ from values which would have been used had a ready market existed for those investments. These differences could be material to the fair value of venture investments.

Canadian GAAP requires the fair value of financial instruments traded in an active market to be measured based on an investment's bid/ask price depending on the investment position (long/short). For the purpose of processing shareholder transactions, net asset value is calculated based on the closing market price of investments (referred to as "Net Asset Value" or "NAV"), while for financial statement purposes net assets are calculated based on bid/ask price of investments (referred to as "Net Assets").

In accordance with National Instrument 81-106, a comparison between the Net Asset Value per share and the Net Assets per share is disclosed in the Schedule of Net Assets per Share and Net Asset Value per Share as at December 31, 2010 and 2009.

(b) Commissions and Other Portfolio Transaction Costs

Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities, are included in "Commissions and other portfolio transaction costs" in the Statement of Operations.

Fees and commission income are recognized as income over the period in which the related service is rendered.

(c) Cost of Investments

Cost of investments represents the amount paid for each security, and is determined on an average cost basis excluding commissions and transactions costs.

(d) Investment Transactions and Income Recognition

Investment transactions relating to private venture investments are accounted for on the closing date of the transaction, or in the case of a series of funding tranches, the dates funds are advanced. Realized gains and losses from venture investment transactions are calculated on an average cost basis. Other investment transactions are accounted for on the trade date for financial reporting purposes and any unrealized and realized gains and losses on such transactions are calculated on an average cost basis.

Dividend income and distributions from investments are recognized on the ex-dividend/ex-distribution date and interest income is accounted for on the accrual basis.

(e) Placement and Participation Fees

Placement and participation fees include all fees received by the Fund from venture investments that are not interest, dividends, or capital in nature. Examples of these fees include royalty income, profit participation and commitment fees. Income is recorded on an accrual basis.

(f) Income and Expense Allocation

Expenses directly attributable to a Class are charged to that Class. Other income and expenses, and gains and losses, are allocated to each Class proportionately based upon the relative total net asset value of each Class.

(g) Increase (Decrease) in Net Assets from Operations per Share

Increase (decrease) in net assets from operations per series of Class A share in the Statement of Operations is calculated by dividing the increase (decrease) in net assets from operations per series by the weighted average number of shares outstanding for each relevant series of Class A shares during the period.

(h) Underlying Funds

VentureLink Innovation Fund Inc. acquired ownership interests in the following underlying funds as a result of the amalgamation September 10, 2010.

Underlying fund	% Ownership of Underlying Fund
Brighter Future Balanced CSBIF (I) Fund Inc.	100
Brighter Future Balanced CSBIF (II) Fund Inc.	100
Diversified Balanced CSBIF (I) Fund Inc.	100
Diversified Balanced CSBIF (II) Fund Inc.	100

The investments held by these Funds are reflected in the Statement of Investment Portfolio.

3. NET ASSETS PER SHARE AND NET ASSET VALUE PER SHARE

The comparison of the Net Asset Value per Share and Net Assets per Share at December 31, 2010 is disclosed in the Net Assets per Share and Net Asset Value per Share schedule.

4. SHARE CAPITAL

The following is a description of the authorized and issued share capital for the Fund:

Authorized

Unlimited Class A shares, issuable in series, discretionary dividend entitlement, voting, restrictions on transfer and redemption, entitled to elect one or two of the directors.

Unlimited Class B shares, issuable only to the Sponsor, no dividend entitlement, voting, entitled to elect the remaining directors.

Unlimited Class P shares, issuable in series, discretionary dividend entitlement, non-voting. All Class P Shares are held by VentureLink LP, the 100% shareholder of the Manager and Investment Advisor.

In accordance with accounting standards for financial instruments, the Class P shares have been recorded as a liability of the Fund and the payment of dividends will be recorded as dividend expense.

Redemption of Class A shares

A shareholder may redeem all or part of the Class A shares held at the NAV per Class A share subject to certain redemption restrictions, the withholding of any amount required to be withheld and the deduction of the redemption fees. If the Fund does not redeem Class A shares in the fiscal period requested, it will redeem those shares in the following fiscal period before it redeems any other Class A shares that it has been requested to redeem.

For Class A shares, Series I and Class A shares, Series III a redemption fee is charged in the amount of up to 10% of the original issue price calculated as 1.25% of the original issue price times the number of periods or part periods remaining until the eighth anniversary date of issue.

For Class A shares, Series II and Class A shares, Series IV a redemption fee is charged in the amount of up to 6% of the original issue price calculated as 0.75% of the original issue price times the number of periods or part periods remaining until the eighth anniversary date of issue.

No redemption fees are applicable to Class A shares, Series IV.

5. FEES AND EXPENSES

The Fund has contracted with the following parties for services as follows:

Sponsor - The Canadian Federal Pilots Association (the "Sponsor") is the sponsor of the Fund. Under the terms of the Sponsor Agreement, the Sponsor is entitled to receive from the Fund an annual fee of 0.25% of the NAV of the Fund.

Manager and Investment Advisor - Under the terms of the Management and Investment Advisory Agreement, VL Advisors Inc., the Manager and Investment Advisor of the Fund is entitled to receive from the Fund an annual fee of 3.25% of the NAV of the Fund plus two-thirds of any service fee payments related to Class A shares, Series I and II and all of any service fee payments related to Class A shares, Series III, IV and VI.

Administrator - CI Investments Inc. acts as registrar, transfer agent and administrator of the Fund. Under the terms of the Fund Administrator Agreement, the Administrator is entitled to receive from the Fund an annual fee of 0.90% of the NAV of the Fund.

In addition to the services provided under the Fund Administrator Agreement, the Fund is responsible for its own administrative expenses including audit and legal fees, and all other costs and fees imposed by statute or regulation, such as fees related to the establishment and operation of the Independent Review Committee and expenses incurred by providing services in relation to reporting and making distributions to shareholders.

Performance Bonus

The performance bonus plan ("Performance Bonus Plan") retains historical performance and performance fee calculations from the predecessor funds. The plan consists of four parts:

Performance Bonus – Historical VentureLink Financial Services Innovation Fund Inc. investments and new investments ("Continuing Plan")

The Manager and Investment Advisor, ("VL Advisors") will be entitled to a performance bonus (the "Performance Bonus" or "Performance Fee") based on realized gains and cumulative performance of the Continuing Plan Investments. Before any Performance Bonus is paid by the Fund on realization of a Continuing Plan Investment, the Continuing Plan Portfolio must have:

- (i) earned sufficient income to generate a return on eligible investments in excess of a cumulative annualized threshold return of 6%. The income on eligible investments includes realized and unrealized investment gains and realized and unrealized losses earned and incurred since inception.
- (ii) earned income from the eligible investment which provides a cumulative investment return at an average annual rate in excess of 6% since the date of the investment; and
- (iii) fully recouped an amount equal to all principal invested in the eligible investment.

Subject to all of the above, the Performance Bonus will be an amount equal to the lesser of (i) 20% of all income earned from the eligible investment, and (ii) the portion of that amount that does not reduce returns to shareholders on the Continuing Plan Portfolio below a Cumulative Annualized Threshold Return of 6%.

Performance Bonus – Investments of predecessor fund, VentureLink Diversified Income Fund Inc. (the “DI Fund”)

VL Advisors will be entitled to a Performance Bonus based on realized gains and cumulative performance of the DI Fund Investments. Before any Performance Bonus is paid by the Fund on realization of a DI Fund Investment, the DI Fund Portfolio must have:

- (i) earned sufficient income to generate a return on eligible investments in excess of a cumulative annualized threshold return of 6%. The income on eligible investments includes realized and unrealized investment gains and realized and unrealized losses earned and incurred since inception.
- (ii) earned income from the eligible investment which provides a cumulative investment return at an average annual rate in excess of 6% since the date of the investment; and
- (iii) fully recouped an amount equal to all principal invested in the eligible investment.

Subject to all of the above, the Performance Bonus will be an amount equal to the lesser of (i) 20% of all income earned from the eligible investment, and (ii) the portion of that amount that does not reduce returns on the DI Fund Portfolio below a Cumulative Annualized Threshold Return of 6%.

Performance Bonus – Investments of the Underlying Funds owned by the Fund (the “CSBIFs”)

VL Advisors will be entitled to half of the Performance Bonus, with the other half payable to the sponsoring universities involved in sponsoring the CSBIF, based on realized gains and cumulative performance of the CSBIFs Investments. Before any Performance Bonus is paid by the Fund on realization of a CSBIF Investment, a CSBIF Portfolio must have:

- (i) earned sufficient income to generate a return on eligible investments in excess of a cumulative annualized threshold return of 6%. The income on eligible investments includes realized and unrealized investment gains and realized and unrealized losses earned and incurred since inception.
- (ii) earned income from the eligible investment which provides a cumulative investment return at an average annual rate in excess of 6% since the date of the investment; and
- (iii) fully recouped an amount equal to all principal invested in the eligible investment.

Subject to all of the above, the Performance Bonus will be an amount equal to the lesser of (i) 20% of all income earned from the eligible investment, and (ii) the portion of that amount that does not reduce returns on a CSBIF Portfolio below a Cumulative Annualized Threshold Return of 6%.

Performance Bonus – Investments of the predecessor fund, VentureLink Brighter Future Fund Inc. (the “BF Fund”)

VL Advisors will be entitled to a Performance Bonus based on the realized gains and cumulative performance of the BF Fund Investments. The Performance Bonus will consist of two parts as follows:

The first part pays VL Advisors a 5% bonus on proceeds in excess of the fair value of an eligible investment as at July 31, 2006 plus the threshold rate of return. Before the 5% performance bonus is paid by the Fund on the realization of an eligible investment, the BF Fund Portfolio must have:

- (i) earned sufficient income to generate a rate of return on eligible investments in excess of a cumulative annualized threshold return of 6% since July 31, 2006. The income on eligible investments includes realized and unrealized investment gains and losses earned and incurred since July 31, 2006;
- (ii) earned income from the eligible investment which provides a cumulative investment return at an average annual rate in excess of 6% since July 31, 2006; and
- (iii) fully recouped an amount equal to all principal invested in the eligible investment.

Subject to all of the above, the Performance Bonus will be an amount equal to the lesser of: (i) 5% of proceeds (realized gains and income) less the greater of the carrying value on July 31, 2006 plus 6% per annum and original cost; and (ii) the portion of the amount in section (i) immediately above that does not reduce returns on the BF Fund Portfolio since July 31, 2006 below a cumulative annualized threshold return of 6%.

The second part pays VL Advisors a 10% performance bonus on proceeds over the original cost of the investment. Before the 10% performance bonus can be paid, the BF Fund Portfolio must have:

- (i) earned sufficient income to generate a rate of return on eligible investments in excess of original cost of the portfolio plus a cumulative annualized threshold return of 6% since July 31, 2006. The income on eligible investments includes realized and unrealized investment gains and losses earned and incurred since July 31, 2006; and
- (ii) fully recouped an amount equal to all principal invested in the eligible investment.

Subject to all of the above, the Performance Bonus will be an amount equal to the lesser of: (i) 10% of all income earned from the eligible investment; and (ii) the portion of the amount in section (i) immediately above that does not reduce returns on the BF Fund Portfolio since July 31, 2006 below original cost, plus a cumulative annualized threshold return of 6%.

Notes to the Financial Statements (audited) (cont'd)

The Effective Date for the Performance Bonus Plan is July 22, 2010.

Instead of paying a Performance Bonus as a fee, the Fund, subject to Board approval, may allocate income equal to the Performance Bonus to the Class P Shares and declare dividends on the Class P Shares held by VL Advisors. The amount of the dividends would be equal to the Performance Bonus that otherwise would have been paid to VL Advisors as a fee.

At December 31, a performance fee for the Fund is included in the Statement of Operations and Net Assets.

Fund (in \$000's)	Expenses / (Recovery)		Accrued Performance fees		Performance fees paid	
	2010	2009	2010	2009	2010	2009
VentureLink Innovation Fund Inc.	66	703	3,706	3,293	73	2,007

The performance fees are calculated and accrued on a daily basis for eligible investments based on cash invested, proceeds realized and the current fair value of each investment. The performance fees are not paid to the Manager and Investment Advisor until an eligible investment, which meets the criteria specified above, is sold.

6. INCOME TAXES AND OTHER TAXES PAYABLE

Under the Act, no income taxes are payable by the Fund on dividends received from Canadian corporations, and income taxes payable on capital gains will be fully refundable on a formula basis when shares of the Fund are redeemed or capital gains dividends are paid or deemed to be paid by the Fund to its shareholders. Taxes payable on investment income earned by the Fund will be partially refundable upon the payment or deemed payment of dividends by the Fund.

The Fund records the refundable portion of its income taxes as an asset, as they intend to recover all of its refundable income taxes through the deemed payment of a dividend by capitalizing the appropriate amount of its income and/or realized capital gains pro rata to the stated capital account for its Class A shares. If and to the extent the Fund increases the stated capital of the Class A shares, the holder of the shares will be deemed to have received a dividend and/or realized capital gain and the adjusted cost base of the shareholder's shares will be increased by the amount of any deemed dividend.

The Act and the Ontario Act set minimum levels of qualifying venture investments for the Fund. If the minimum level of qualifying venture investments is not met under each statute, the Fund will be subject to defined taxes and penalties.

Temporary differences between the carrying value of assets and liabilities for accounting and income tax purposes give rise to future income tax assets and liabilities. When the market value of a security in the Fund exceeds its cost base, a future income tax liability arises. As capital gains taxes payable by the Corporation are refundable under the provisions of the Income Tax Act (Canada), the future tax liability is offset by these future refundable taxes. If the cost base exceeds the market value of the security, a future tax asset is generated. A full valuation allowance is taken to offset this asset given the uncertainty that such future assets will ultimately be realized. Unused capital and non-capital losses, as disclosed in the schedule of Loss Carry Forwards, represent future tax assets to the Corporation for which a full valuation allowance has been established for the reasons noted above.

Non-capital losses incurred related to the 2004 and 2005 taxation periods of the Fund will expire 10 years from the period they are incurred and losses incurred after December 31, 2005 will expire 20 years from the period they are incurred. Net realized capital losses may be carried forward indefinitely to reduce future net realized capital gains.

The tax amounts reflected in these financial statements are based on management's best estimate of the amounts that will ultimately be assessed. This determination is based on numerous factors such as the pace at which the Fund makes qualifying venture investments, the amount of share capital raised and redeemed, and the net income and the undistributed net realized gains (losses) on sales of investments by the Fund. Should actual events not agree with the estimates made by management of the Fund, material adjustments to the tax amounts may be required.

7. BROKERAGE AND OTHER COMMISSIONS

Brokerage commissions paid for security transactions during the year ended December 31 were as follows:

(in 000's)	2010	2009
VentureLink Innovation Fund Inc.	2	-

The Manager may have received research services for commissions paid to certain dealers, otherwise known as soft dollars. For the year ended December 31, 2010, there were no soft dollar commissions paid by the Fund.

8. FINANCIAL INSTRUMENTS

The Fund's financial instruments consist primarily of short term notes, index link notes, marketable securities and venture investments. Venture investments in private companies consist of debt, limited partnership interests, equity or equity equivalents. These investments in private companies are typically illiquid. The Fund seeks to reduce the risks typically associated with such investments by diversifying the Fund's investment portfolio by using a disciplined investment decision process and by working with investee companies through, among other things, providing business advice and other services, and helping in the process of raising additional capital.

The categorization of financial instruments is as follows: investments are classified as held for trading and are stated at fair value; accrued interest and subscriptions receivable are recorded at amortized cost; accounts payable and accrued liabilities, performance fees payable and redemptions payable are reported at amortized cost.

All income, dividends, net realized and unrealized gains (losses) are attributable to investments and derivatives which are deemed held for trading.

9. LABOUR SPONSORED INVESTMENT FUND LEGISLATIVE CHANGES

On September 30, 2005, the Ontario Ministry of Finance ("MOF") confirmed its plans to end its involvement with the LSIF tax credit program and harmonize certain requirements to help LSIFs move to the federal government's Labour Sponsored Venture Capital corporation ("LSVCC") program. On March 23, 2006 a number of measures relating to the transition of the Labour Sponsored fund program were announced in the 2006 Ontario budget. These measures received Royal Assent on May 18, 2006 and are now law. On December 17, 2007 the Province proposed to extend the phase out of the tax credit by one period and to increase the maximum annual contribution eligible for the provincial tax credit from \$5,000 to \$7,500. These measures received Royal Assent and in May of 2008. The Ontario tax credit will be eliminated for 2012 and subsequent years.

10. RELATED PARTY TRANSACTIONS

CI Investments Inc., the Administrator of the Fund, is related to the Manager of the Fund. Pursuant to the terms of the Fund Administrator Agreement, the Administrator earned fees of approximately \$1,376,822 (December 31, 2009 - \$1,094,091) from the Fund during the period.

11. INTERNATIONAL FINANCIAL REPORTING STANDARDS

On February 13, 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that the use of International Financial Reporting Standards ("IFRS") will be required for all publicly accountable profit-oriented enterprises for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. On January 12, 2011, the AcSB confirmed further deferral of the IFRS changeover date by for investment funds. Based on the AcSB decision the IFRS will become effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2013 instead of January 1, 2011.

Based on the Manager's current evaluation of the differences between IFRS and Canadian GAAP, the Manager currently does not expect any impact to net asset value or net asset value per share, at this time, as a result of the transition to IFRS, and expects that the main impact will be on the financial statements, where additional disclosures or changes in presentation will be required. Further updates on the progress in the implementation of the IFRS transition plan and any changes to reporting will be provided during the implementation period leading up to the transition date.

12. FINANCIAL INSTRUMENTS RISKS

Risk Management

The Fund is exposed to a variety of financial instruments risks: credit risk, liquidity risk and market risk (including interest rate risk, currency risk and market price risk). The level of risk to which the Fund is exposed depends on the investment objective and the type of investments the Fund holds. The value of the investments within the portfolio can fluctuate daily as a result of changes in prevailing interest rates, economic and market conditions and company specific news related to investments held by Fund. The Manager of the Fund may minimize potential adverse effects of these risks on the Fund's performance by, but not limited to, regular monitoring of the Fund's positions and market events, diversification of the investment portfolio by asset type, sector, term to maturity within the constraints of the stated objectives, and through the usage of derivatives to hedge certain risk exposures.

The Fund invests in units of underlying funds and is indirectly exposed to the financial instruments risks mentioned above. To minimize the potential adverse effects of those risks the Manager on regular basis, but not limited to, reviews the underlying funds' investment mandate, returns, assets, investment management process, risk levels and overall fit of the underlying funds within Fund's stated objectives. Based on the results of the review the Manager may mitigate some of the risks by adjusting the weightings of the underlying funds, or by removal or addition of other underlying funds.

Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk). The value of each investment is influenced by the outlook of the issuer and by general economic and political conditions, as well as industry and market trends. All securities present a risk of loss of capital.

Other assets and liabilities are monetary items that are short-term in nature and therefore are not subject to market price risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value of interest-bearing investments will fluctuate due to changes in prevailing levels of market interest rates. As a result, the value of cash balances and debt securities will be affected by changes in applicable interest rates. If interest rates fall, the fair value of existing debt securities may increase due to the increase in yield. Alternatively, if interest rates rise, the yield of existing debt securities decrease which may then lead to a decrease in their fair value. The magnitude of the change will generally be greater for long-term debt securities than for short-term debt securities.

Interest rate risk also applies to convertible securities. The fair value of these securities varies inversely with interest rates, similar to other debt securities. However, since they may be converted into common shares, convertible securities are generally less affected by interest rate fluctuations than other debt securities.

Currency Risk

Currency risk arises from financial instruments that are denominated in a currency other than Canadian dollars the functional currency of the Fund. As a result the Fund may be exposed to the risk that the value of securities denominated in other currencies will fluctuate due to changes in exchange rates. Equities traded in foreign markets are also exposed to currency risk as the prices denominated in foreign currencies are converted to the Fund's functional currency to determine their fair value.

Credit Risk

Credit risk is the risk that a security issuer or counterparty to a financial instrument will fail to meet its financial obligations. The fair value of a debt instrument includes consideration of the credit worthiness of the debt issuer. The carrying amount of debt instruments as presented on the Statement of Investment Portfolio represents the maximum credit risk exposure of the Fund.

The significant cash balance as disclosed in the Statement of Net Assets is maintained by the custodian, RBC Dexia. The Fund Administrator monitors the credit worthiness of the custodian on a regular basis.

Liquidity Risk

Liquidity risk is the risk that the Fund may not be able to settle or meet its obligations, on time or at a reasonable price. The Fund is exposed to daily cash redemptions subject to an annual maximum of 20% of the net asset value of the Fund. The Fund manages liquidity risk by holding a portion of its portfolio in liquid reserves and cash. In addition, the Fund matches the expected duration of its investments with the expected redemption horizon of shareholders.

Fair Value Hierarchy

The Fund is required to classify financial instruments measured at fair value using a fair value hierarchy. Investments whose values are based on quoted market prices in active markets are classified as Level 1. This level may include publicly traded equities, exchange traded and retail mutual funds, exchange traded warrants, futures contracts, traded options, American depository receipts ("ADRs") and Global depository receipts ("GDRs").

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified as Level 2. These may include fixed income securities, mortgage backed securities ("MBS"), short-term instruments, non-traded warrants, over-the-counter options, structured notes of indexed securities, foreign currency forward contracts and swap instruments.

Investments classified as Level 3 have significant unobservable inputs. Level 3 instruments may include private equities, private term loans, private equity funds and certain derivatives. As observable prices are not available for these securities, the Fund may use a variety of valuation techniques to derive the fair value.

Details of the Fund's exposure to financial instruments risks including fair value hierarchy classifications are provided in the schedules to the financial statements.

13. CAPITAL MANAGEMENT

The Fund considers its capital to be its net assets. The Fund does not pay monthly dividends and is managed for total return objectives only.

VENTURELINK INNOVATION FUND INC.

Corporate Information

Manager and Investment Advisor

VL Advisors Inc.

1 Richmond Street West, Suite 801
Toronto, Ontario
M5H 3W4
Phone: (416) 681-6676
Fax: (416) 681-6661
Toll Free: (1-800) 253-1043
www.venturelinkfunds.com
info@venturelinkfunds.com

Custodian

RBC Dexia Investor Services Trust

155 Wellington Street West
5th Floor
Toronto, Ontario
M5V 3L3

Auditor

PricewaterhouseCoopers LLP

Royal Trust Tower
TD Centre
Suite 3000, Box 82
Toronto, Ontario
M5K 1G8

Registrar, Transfer Agent & Administrator

CI Investments Inc.

2 Queen Street East, Twentieth Floor
Toronto, Ontario
M5C 3G7

