

# 2007 Annual Financial Statements

Year ended December 31, 2007



**VENTURELINK**  
FUNDS

VentureLink Financial Services Innovation Fund Inc.

VentureLink Diversified Income Fund Inc.

VentureLink Brighter Future Fund Inc.

VentureLink Balanced Fund Inc.

# Table of Contents

## VENTURELINK FINANCIAL SERVICES INNOVATION FUND INC.

---

### Financial Statements

Statement of Investments .....	1
Statements of Net Assets .....	3
Statements of Operations .....	4
Statements of Changes in Net Assets .....	5
Statements of Cash Flows .....	6
Supplementary Schedules .....	7

## VENTURELINK DIVERSIFIED INCOME FUND INC.

---

### Financial Statements

Statement of Investments .....	8
Statements of Net Assets .....	10
Statements of Operations .....	11
Statements of Changes in Net Assets .....	12
Statements of Cash Flows .....	13
Supplementary Schedules .....	14

## VENTURELINK BRIGHTER FUTURE FUND INC.

---

### Financial Statements

Statement of Investments .....	15
Statements of Net Assets .....	17
Statements of Operations .....	18
Statements of Changes in Net Assets .....	19
Statements of Cash Flows .....	20
Supplementary Schedules .....	21

# Table of Contents *(con't)*

## VENTURELINK BALANCED FUND INC.

---

### **Financial Statements**

Statement of Investments .....	22
Statements of Net Assets .....	24
Statements of Operations .....	25
Statements of Changes in Net Assets .....	26
Statements of Cash Flows .....	27
Supplementary Schedules .....	28
Notes to the Financial Statements .....	29
Management and Auditors' Reports .....	37
Corporate Information .....	38

# VENTURELINK FINANCIAL SERVICES INNOVATION FUND INC.

## Financial Statements

### Statement of Investments (as at December 31, 2007)

Par value/ number of shares	Description	Maturity date/ Expiration Date	Average Cost (in \$000's)	Fair Value (in \$000's)
<b>Marketable Securities (41.6%)</b>				
10,000,000	S&P/TSX Capped Financial Index Note (CIBC)	January 31, 2012	10,000	9,456
5,000,000	S&P/TSX Canadian Financials Sector Index Linked Note (TD)	January 31, 2012	5,000	8,242
7,000,000	S&P/TSX Capped Financials Total Return Index Linked Note	January 31, 2013	7,000	8,040
4,750,000	Toronto-Dominion Bank S&P Depository Index Linked Note	January 29, 2010	4,750	9,669
5,500,000	Toronto-Dominion Bank S&P Depository Index Linked Note	January 28, 2011	5,500	12,206
<b>Total Marketable Securities</b>			<b>32,250</b>	<b>47,613</b>
<b>Venture Investments (49.5%)</b>				
<b>Publicly traded securities (1.5%)</b>				
487,163	Coventree Inc., common shares		1,778	375
812	Macquarie Group Ltd., common shares		-	54
464,216	Xceed Mortgage Corp., common shares		2,171	1,253
			<b>3,949</b>	<b>1,682</b>
<b>Private and restricted (48.0%)</b>				
40,000	Clubb Finance Corp., common shares		100	
1,540,100	Clubb Finance Corp., debenture	November 2, 2012	1,540	
500,000	Clubb Finance Corp., warrants		-	
1,500,000	Covarity Inc., Class B, preferred shares		750	
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., loan	July 11, 2011	4,000	
1,147,000	The Futura Loyalty Group Inc., debenture	February 16, 2010	1,147	
955,451	The Futura Loyalty Group Inc., warrants common		-	
57	GP 4321 Ltd. (Wellington), Class C		-	
551	Kensington Capital Partners - 2B Units		9	
2,000,000	Kensington Capital Partners Ltd., debenture	April 17, 2012	2,000	
1,047,200	Kensington Capital Partners Ltd., debenture	July 31, 2014	1,047	
848,320	Lexfund Inc., promissory note	September 15, 2011	848	
2,544,960	Lexfund Inc., promissory note	September 15, 2011	2,545	
3,246	Macquarie Group Ltd., restricted shares		-	
6,000,000	Mavrix Fund Management Inc., debenture	July 2, 2011	6,000	
600,000	Mavrix Fund Management Inc., warrants		-	
405,752	N-Brook Lender Services Inc., debenture	May 30, 2011	406	
881,401	N-Brook Lender Services Inc., debenture	July 31, 2011	881	
453,039	N-Brook Lender Services Inc., debenture	August 31, 2011	453	
1,343,192	N-Brook Lender Services Inc., debenture	October 31, 2011	1,343	
127,950	N-Brook Lender Services Inc., debenture	December 14, 2011	128	
1,310,000	N-Brook Lender Services Inc., debenture	March 27, 2012	1,310	
516,779	N-Brook Lender Services Inc., debenture	May 3, 2012	517	
1,063,150	N-Brook Lender Services Inc., debenture	June 20, 2012	1,063	
1,134,472	N-Brook Lender Services Inc., debenture	December 14, 2011	1,134	

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

# VENTURELINK FINANCIAL SERVICES INNOVATION FUND INC.

## Financial Statements

### Statement of Investments (as at December 31, 2007) *cont'd*

Par value/ number of shares	Description	Maturity date/ Expiration Date	Average Cost (in \$000's)	Fair Value (in \$000's)
<b>Private and restricted (48.0%) (cont'd)</b>				
399,621	N-Brook Lender Services Inc., debenture	October 21, 2010	400	
876,367	N-Brook Lender Services Inc., debenture	November 15, 2010	877	
409,872	N-Brook Lender Services Inc., debenture	December 16, 2010	410	
788,667	N-Brook Lender Services Inc., debenture	December 31, 2011	789	
47,638	Nexgen Financial Limited Partnership, common shares		1	
3,000,000	Nexgen Financial Limited Partnership, debenture	January 1, 2016	3,000	
4,432,836	Orion Corp., debenture	March 31, 2009	4,433	
1,507,164	Orion Corp., debenture	March 31, 2009	1,507	
4,000,000	PerformINS Canada Inc., common shares		-	
5,700,000	PerformINS Canada Inc., debenture	November 17, 2009	5,700	
841,922	Perimeter Financial Corp., common shares		-	
841,922	Perimeter Financial Corp., preferred shares		842	
1,600,000	SciVest Canadian Holdings Inc., debenture	August 31, 2008	1,600	
300,000	SciVest Canadian Holdings Inc., debenture	December 31, 2010	300	
400,000	SciVest Group of Cos., preferred shares		400	
7,900	Fund 321 Ltd. Partnership		7,900	
57	Wellington General Partnership Corp.		-	
			<b>57,713</b>	<b>54,902</b>
<b>Total Venture Investments*</b>			<b>61,662</b>	<b>56,584</b>
<b>Commissions and other portfolio transaction costs</b>			-	
<b>Total Investments (91.1%)</b>			<b>93,912</b>	<b>104,197</b>
<b>Other net assets (8.9%)</b>				10,209
<b>Total net assets (100.0%)</b>				<b>114,406</b>

\*A portion of the Fund's venture investment portfolio is in the form of debt investments with interest rates ranging from 5% to 15%.  
The accompanying notes are an integral part of these financial statements.  
Percentages shown in brackets relate investments at market value to total net assets

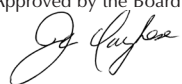
# VENTURELINK FINANCIAL SERVICES INNOVATION FUND INC.

## Financial Statements

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

	As at December 31, 2007	As at December 31, 2006
<b>ASSETS</b>		
Investments at fair value*	104,197	106,475
Cash	12,213	7,192
Accrued interest	2,574	3,044
Subscriptions receivable	56	85
Income taxes recoverable	–	42
<b>Total assets</b>	<b>119,040</b>	<b>116,838</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	775	601
Performance fees payable	3,814	5,018
Redemptions payable	45	66
<b>Total liabilities</b>	<b>4,634</b>	<b>5,685</b>
<b>Net assets</b>	<b>114,406</b>	<b>111,153</b>
<b>*Investments at cost</b>	<b>93,912</b>	<b>84,805</b>
<b>Net assets by class (see Schedule of Net Assets Reconciliation)</b>		
Class A, Series I shares	63,453	66,436
Class A, Series II shares	8,575	9,008
Class A, Series III shares	32,490	27,714
Class A, Series IV shares	9,888	7,995
<b>Net assets per share (Note 3) (see Schedule of Net Assets Reconciliation)</b>		
Net assets per Class A, Series I share	11.49	11.92
Net assets per Class A, Series II share	11.56	12.05
Net assets per Class A, Series III share	11.20	11.80
Net assets per Class A, Series IV share	11.21	11.81
<b>Number of shares outstanding (see Schedule of Fund Share Transactions)</b>		
Class A, Series I shares outstanding	5,519,725	5,574,415
Class A, Series II shares outstanding	741,828	747,536
Class A, Series III shares outstanding	2,901,848	2,349,542
Class A, Series IV shares outstanding	881,887	676,711

Approved by the Board of Directors:



John Varghese  
Director



James Whitaker  
Director

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

2007 Annual Financial Statements as at December 31, 2007

# VENTURELINK FINANCIAL SERVICES INNOVATION FUND INC.

## Financial Statements

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

	Year Ended December 31	
	2007	2006
<b>INVESTMENT INCOME</b>		
Dividends	169	322
Interest	5,470	6,406
Placement and Participation fees	2,077	3,187
Miscellaneous	26	65
	<u>7,742</u>	<u>9,980</u>
<b>EXPENSES</b>		
Management fees (Note 5)	1,513	1,314
Performance fees (Note 5)	698	3,638
Shareholder administration	1,705	1,288
Sponsor's fees (Note 5)	303	263
Audit fees	153	121
Capital tax	37	–
Distribution service fees	655	488
Goods and services tax	374	543
Investment advisory fees (Note 5)	2,421	2,103
Legal fees	–	23
	<u>7,859</u>	<u>9,781</u>
<b>Net income (loss) for the year</b>	(117)	199
<b>Realized and unrealized gain (loss) on investments and commissions and other portfolio transaction costs</b>		
Realized gain (loss) on investments	6,500	5,149
Commissions and other portfolio transaction costs	(11)	–
Change in unrealized appreciation (depreciation) of marketable securities	(842)	5,789
Change in unrealized appreciation (depreciation) of venture investments	(10,403)	1,943
	<u>(4,756)</u>	<u>12,881</u>
<b>Net gain (loss) on investments</b>	(4,756)	12,881
<b>Increase (decrease) in net assets from operations for the year</b>	<u>(4,873)</u>	<u>13,080</u>
<b>Increase (decrease) in net assets from operations per class:</b>		
Class A, Series I shares	(2,221)	8,508
Class A, Series II shares	(351)	1,093
Class A, Series III shares	(1,758)	2,712
Class A, Series IV shares	(543)	767
<b>Increase (decrease) in net assets from operations per share:</b>		
Class A, Series I shares	(0.42)	1.51
Class A, Series II shares	(0.49)	1.43
Class A, Series III shares	(0.60)	1.25
Class A, Series IV shares	(0.61)	1.25

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

# VENTURELINK FINANCIAL SERVICES 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	
	2007	2006	2007	2006	2007	2006
<b>Net assets, beginning of year</b>	111,153	91,700	66,436	58,564	9,008	7,994
Section 3855 transitional adjustment (Note 2)	(142)		(85)		(12)	
<b>Adjusted Net assets, beginning of year</b>	111,011		66,351		8,996	
<b>CAPITAL TRANSACTIONS</b>						
Proceeds from shares issued	9,189	7,240	–	–	–	–
Amounts paid for shares redeemed	(921)	(867)	(677)	(636)	(70)	(79)
Write off of deferred charges	–	–	–	–	–	–
	8,268	6,373	(677)	(636)	(70)	(79)
<b>DIVIDENDS TO INVESTORS</b>						
Dividends from realized gains	–	–	–	–	–	–
Dividends from net income	–	–	–	–	–	–
Return of capital	–	–	–	–	–	–
	–	–	–	–	–	–
<b>Increase (decrease) in net assets from operations</b>	(4,873)	13,080	(2,221)	8,508	(351)	1,093
<b>Net assets, end of year</b>	114,406	111,153	63,453	66,436	8,575	9,008

For the years ended December 31	Class A, Series III		Class A, Series IV	
	2007	2006	2007	2006
<b>Net assets, beginning of year</b>	27,714	19,677	7,995	5,465
Section 3855 transitional adjustment (Note 2)	(35)		(10)	
<b>Adjusted Net assets, beginning of year</b>	27,679		7,985	
<b>CAPITAL TRANSACTIONS</b>				
Proceeds from shares issued	6,694	5,461	2,495	1,779
Amounts paid for shares redeemed	(125)	(136)	(49)	(16)
Write off of deferred charges	–	–	–	–
	6,569	5,325	2,446	1,763
<b>DIVIDENDS TO INVESTORS</b>				
Dividends from realized gains	–	–	–	–
Dividends from net income	–	–	–	–
Return of capital	–	–	–	–
	–	–	–	–
<b>Increase (decrease) in net assets from operations</b>	(1,758)	2,712	(543)	767
<b>Net assets, end of year</b>	32,490	27,714	9,888	7,995

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

# VENTURELINK FINANCIAL SERVICES INNOVATION FUND INC.

## Financial Statements

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

	Year Ended December 31	
	2007	2006
<b>CASH PROVIDED BY (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>		
Net income (loss)	(117)	199
Proceeds of disposition of investments	28,741	16,338
Purchase of investments	(31,361)	(23,303)
Net change in non-cash balances related to operations	(518)	567
	(3,255)	(6,199)
<b>FINANCING ACTIVITIES</b>		
Proceeds from shares issued	9,218	7,247
Cost of shares redeemed	(942)	(866)
	8,276	6,381
<b>Increase (decrease) in cash and cash equivalents during the year</b>	<b>5,021</b>	<b>182</b>
<b>Cash, beginning of year</b>	<b>7,192</b>	<b>7,010</b>
<b>Cash, end of year</b>	<b>12,213</b>	<b>7,192</b>

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

2007 Annual Financial Statements as at December 31, 2007

# VENTURELINK FINANCIAL SERVICES INNOVATION FUND INC.

## Financial Statements

### Supplementary Schedules

#### Schedule of Fund Share Transactions For the years ended December 31

	Class A, Series I		Class A, Series II		Class A, Series III		Class A, Series IV	
	2007	2006	2007	2006	2007	2006	2007	2006
Balance, beginning of year	5,574,415	5,629,178	747,536	754,387	2,349,542	1,867,429	676,711	517,622
Issued during the year	-	-	-	-	562,950	494,273	209,317	160,462
Redeemed during the year	(54,690)	(54,763)	(5,708)	(6,851)	(10,644)	(12,160)	(4,141)	(1,373)
Balance, end of year	5,519,725	5,574,415	741,828	747,536	2,901,848	2,349,542	881,887	676,711

#### Schedule of Loss Carry Forwards (in \$000's) as at December 31, 2007

	2007							
Net capital loss carried forward	-							
Year of expiry	2008	2009	2010	2014	2015	2026	2027	
Non-capital loss carried forward	-	-	2521	815	2,122	-	-	

Income taxes payable by the fund for the year ended December 31, 2007 have been reduced by a capital gains dividend deemed to have been paid on February 19, 2008.

#### Schedule of Net Assets Reconciliation (in \$000's except for per share amounts) (Note 3)

##### For the year ended December 31, 2007

	NAV	NAVPS	NAV	NAVPS	NAV	NAVPS	NAV	NAVPS	NAV
	Class A	Class A	Class A	Class A	Class A	Class A	Class A	Class A	Total
	Series I	Series I	Series II	Series II	Series III	Series III	Series IV	Series IV	
Net Assets	63,453	11.49	8,575	11.56	32,490	11.20	9,888	11.21	114,406
Unamortized Sales									
Commissions	1,983	0.36	155	0.21	-	-	-	-	2,138
Section 3855 adjustment (Note 2)	11	-	1	-	5	-	2	-	19
Net Asset Value	65,447	11.85	8,731	11.77	32,495	11.20	9,890	11.21	116,563

##### For the year ended December 31, 2006

	NAV	NAVPS	NAV	NAVPS	NAV	NAVPS	NAV	NAVPS	NAV
	Class A	Class A	Class A	Class A	Class A	Class A	Class A	Class A	Total
	Series I	Series I	Series II	Series II	Series III	Series III	Series IV	Series IV	
Net Assets	66,436	11.92	9,008	12.05	27,714	11.80	7,995	11.81	111,153
Unamortized Sales									
Commissions	2,752	0.49	213	0.29	-	-	-	-	2,965
Net Asset Value	69,188	12.41	9,221	12.34	27,714	11.80	7,995	11.81	114,118

NAVPS – Net Asset Value per Share; NAV – Net Asset Value

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

2007 Annual Financial Statements as at December 31, 2007

# VENTURELINK DIVERSIFIED INCOME FUND INC.

## Financial Statements

### Statement of Investments (as at December 31, 2007)

Par value/ number of shares	Description	Maturity date/ Expiration Date	Average Cost (in \$000's)	Fair Value (in \$000's)
<b>Marketable Securities (22.4%)</b>				
12,900	iUnits S&P/TSX 60 Index Fund		1,011	1,045
5,000,000	S&P/TSX 60 Total Return Index Linked Note	January 31, 2014	5,000	6,217
3,170,000	S&P/TSX Capped Income Trust Index Linked Note	January 31, 2011	3,170	4,746
<b>Total Marketable Securities</b>			<b>9,181</b>	<b>12,008</b>
<b>Venture Investments (70.3%)</b>				
<b>Publicly traded securities (2.4%)</b>				
374,595	Coventree Inc., common shares		1,276	288
104	Macquarie Group Ltd., common shares		-	7
			<b>1,276</b>	<b>295</b>
<b>Private and restricted (67.9%)</b>				
<b>Energy &amp; Environmental (4.7%)</b>				
62,500	Biox Corp., common shares		500	
2,000,000	Biox Corp., debenture	November 9, 2008	2,000	
			<b>2,500</b>	<b>2,500</b>
<b>Financials (16.2%)</b>				
3	GP 4321 Ltd. (Wellington) Partnership Class C		-	
2,000	Intrepid Business Acceleration Fund		2,000	
414	Macquarie Group Ltd., restricted shares		-	
182,588	N-Brook Lender Services Inc., debenture	May 30, 2011	182	
396,630	N-Brook Lender Services Inc., debenture	July 31, 2011	397	
203,867	N-Brook Lender Services Inc., debenture	August 31, 2011	204	
604,436	N-Brook Lender Services Inc., debenture	October 31, 2011	604	
354,900	N-Brook Lender Services Inc., debenture	December 31, 2011	355	
57,578	N-Brook Lender Services Inc., debenture	December 14, 2011	58	
1,200,000	N-Brook Lender Services Inc., debenture	December 16, 2010	1,200	
567,164	Orion Corp., debenture	March 31, 2009	567	
192,836	Orion Corp., debenture	March 31, 2009	193	
1,100	Fund 321 Ltd. Partnership		1,100	
3	Wellington General Partnership Corp.		-	
1,500	GP WF Fund III LP		1,500	
			<b>8,360</b>	<b>8,371</b>
<b>Information Technology (34.1%)</b>				
250,000	AR Systems International Inc., debenture	March 31, 2010	250	
760,000	AR Systems International Inc., debenture	March 31, 2010	760	
300,000	AR Systems International Inc., promissory note	December 10, 2010	300	
2,195,973	AR Systems International Inc., common shares		425	
250,000	AR Systems International Inc., warrants		-	
20,850	Destinator Technologies Inc., common shares		-	
150,000	Destinator Technologies Inc., debenture	October 30, 2008	148	
5,000,000	Destinator Technologies Inc., Canada promissory note	October 30, 2008	5,003	

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

Percentages shown in brackets relate investments at fair market value to total net assets of the Fund.

# VENTURELINK DIVERSIFIED INCOME FUND INC.

## Financial Statements

### Statement of Investments (as at December 31, 2007) *cont'd*

Par value/ number of shares	Description	Maturity date/ Expiration Date	Average Cost (in \$000's)	Fair Value (in \$000's)
<b>Information Technology (34.1%) (cont'd)</b>				
1,121,626	Destinator Technologies Inc., warrants		-	
3,000,000	Strategic Connections Inc., debenture	October 3, 2009	3,000	
1,944,444	Strategic Connections Inc., debenture	March 24, 2011	1,944	
3,453	Strategic Connections Inc., preferred shares		556	
2,518	Strategic Connections Inc., purchase warrants		-	
1,066	Strategic Connections Inc., common shares		201	
1	Strategic Connections Inc., warrants		-	
400,102	Streamlogics Inc., common shares		175	
2,500,000	Streamlogics Inc., debenture	January 31, 2010	2,500	
1,181,845	Streamlogics Inc., warrants		-	
350,000	Telephoto Technologies Inc., debenture	April 30, 2008	350	
2,000,000	Telephoto Technologies Inc., debenture	April 13, 2010	2,000	
179	Telephoto Technologies Inc., common shares		-	
990	Telephoto Technologies Inc., common shares		-	
			<b>17,612</b>	<b>18,232</b>
<b>Consumer and Retail (2.3%)</b>				
900,000	GMSP Corp Finance, promissory note	August 31, 2008	900	
920,140	Groove Media Inc., common shares		-	
2,200,000	UWG Inc., debenture	April 21, 2009	2,200	
800,000	UWG Inc., debenture	April 21, 2009	800	
600,000	UWG Inc., debenture	April 30, 2009	600	
300,000	UWG Inc., promissory note	April 30, 2008	300	
3,272	UWG Inc., common shares		-	
2,727	UWG Inc., warrants		-	
			<b>4,800</b>	<b>1,159</b>
<b>Services (13.0%)</b>				
450	Koprash Inc., common shares		-	
5,000,000	Tofino Koprash Acquisition Inc., debenture	July 31, 2012	5,000	
450	Investigative Research Group Inc., common shares		-	
2,000,000	Tofino IRG Acquisition Inc., debenture	July 31, 2012	2,000	
			<b>7,000</b>	<b>7,000</b>
<b>Total Venture Investments*</b>			<b>41,548</b>	<b>37,557</b>
<b>Commissions and other portfolio transaction costs</b>			-	
<b>Total Investments (92.7%)</b>			<b>50,729</b>	<b>49,566</b>
<b>Other net assets (7.3%)</b>				3,967
<b>Total net assets (100.0%)</b>				<b>53,533</b>

\*A portion of the Fund's venture investment portfolio is in the form of debt investments with interest rates ranging from 6% to 20%. The accompanying notes are an integral part of these financial statements. Percentages shown in brackets relate investments at fair market value to total net assets of the Fund.

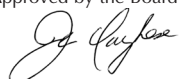
# VENTURELINK DIVERSIFIED INCOME FUND INC.

## Financial Statements

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

	As at December 31, 2007	As at December 31, 2006
<b>ASSETS</b>		
Investments at fair value*	49,566	36,103
Cash	3,619	2,480
Accrued interest	651	416
Subscriptions receivable	85	148
Income taxes recoverable	-	7
<b>Total assets</b>	<b>53,921</b>	<b>39,154</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	292	199
Performance fees payable	-	1,341
Payable for securities purchased	77	-
Redemptions payable	19	6
<b>Total liabilities</b>	<b>388</b>	<b>1,546</b>
<b>Net assets</b>	<b>53,533</b>	<b>37,608</b>
<b>*Investments at cost</b>	<b>50,729</b>	<b>30,177</b>
<b>Net assets by class (see Schedule of Net Assets Reconciliation)</b>		
Class A, Series I shares	7,492	8,354
Class A, Series II shares	1,120	1,256
Class A, Series III shares	30,516	19,963
Class A, Series IV shares	14,344	8,035
Class A, Series VI shares	61	-
<b>Net assets per share (Note 3) (see Schedule of Net Assets Reconciliation)</b>		
Class A, Series I shares	10.40	11.48
Class A, Series II shares	10.49	11.62
Class A, Series III shares	10.62	11.87
Class A, Series IV shares	10.61	11.87
Class A, Series VI shares	10.61	-
<b>Number of shares outstanding (see Schedule of Fund Share Transactions)</b>		
Class A, Series I shares	720,028	727,195
Class A, Series II shares	106,801	108,072
Class A, Series III shares	2,874,755	1,681,489
Class A, Series IV shares	1,352,327	677,087
Class A, Series VI shares	5,787	-

Approved by the Board of Directors:



John Varghese  
Director



James Whitaker  
Director

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

2007 Annual Financial Statements as at December 31, 2007

# VENTURELINK DIVERSIFIED INCOME FUND INC.

## Financial Statements

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

	Year Ended December 31	
	2007	2006
<b>INVESTMENT INCOME</b>		
Dividends	20	27
Interest	2,344	1,715
Placement and Participation fees	458	886
Miscellaneous	5	4
	<u>2,827</u>	<u>2,632</u>
<b>EXPENSES</b>		
Management fees (Note 5)	680	411
Performance fees (Note 5)	(964)	970
Shareholder administration	775	413
Sponsor's fees (Note 5)	136	82
Audit fees	63	31
Capital tax	8	3
Distribution service fees	667	354
Goods and services tax	94	161
Investment advisory fees (Note 5)	1,088	658
Legal fees	–	8
	<u>2,547</u>	<u>3,091</u>
<b>Net income (loss) for the year</b>	280	(459)
<b>Realized and unrealized gain (loss) on investments and commissions and other portfolio transaction costs</b>		
Realized gain (loss) on investments	1,069	(90)
Foreign exchange gain (loss)	(2)	–
Capital Gain distribution from investments	2	–
Commissions and other portfolio transaction costs	(3)	–
Change in unrealized appreciation (depreciation) of marketable securities	952	435
Change in unrealized appreciation (depreciation) of venture investments	(8,001)	2,776
	<u>(5,983)</u>	<u>3,121</u>
<b>Net gain (loss) on investments</b>	(5,983)	3,121
<b>Increase (decrease) in net assets from operations for the year</b>	<u>(5,703)</u>	<u>2,662</u>
<b>Increase (decrease) in net assets from operations per class:</b>		
Class A, Series I shares	(770)	771
Class A, Series II shares	(120)	107
Class A, Series III shares	(3,291)	1,287
Class A, Series IV shares	(1,516)	497
Class A, Series VI shares	(6)	–
<b>Increase (decrease) in net assets from operations per share:</b>		
Class A, Series I shares	(1.07)	1.08
Class A, Series II shares	(1.13)	1.01
Class A, Series III shares	(1.23)	0.86
Class A, Series IV shares	(1.25)	0.85
Class A, Series VI shares	(1.16)	–

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

2007 Annual Financial Statements as at December 31, 2007

# VENTURELINK DIVERSIFIED INCOME 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	
	2007*	2006	2007*	2006	2007*	2006
<b>Net assets, beginning of year</b>	37,608	22,457	8,354	7,660	1,256	1,153
Section 3855 transitional adjustment (Note 2)	(40)		(9)		(1)	
<b>Adjusted Net assets, beginning of year</b>	37,568		8,345		1,255	
<b>CAPITAL TRANSACTIONS</b>						
Proceeds from shares issued	21,951	12,700	–	–	–	–
Amounts paid for shares redeemed	(283)	(211)	(83)	(77)	(15)	(4)
Write off of deferred charges	–	–	–	–	–	–
	21,668	12,489	(83)	(77)	(15)	(4)
<b>DIVIDENDS TO INVESTORS</b>						
Dividends from realized gains	–	–	–	–	–	–
Dividends from net income	–	–	–	–	–	–
Return of capital	–	–	–	–	–	–
	–	–	–	–	–	–
<b>Increase (decrease) in net assets from operations</b>	(5,703)	2,662	(770)	771	(120)	107
<b>Net assets, end of year</b>	53,533	37,608	7,492	8,354	1,120	1,256

For the years ended December 31	Class A, Series III		Class A, Series IV		Class A, Series VI	
	2007*	2006	2007*	2006	2007*	2006
<b>Net assets, beginning of year</b>	19,963	10,188	8,035	3,456	–	–
Section 3855 transitional adjustment (Note 2)	(21)		(9)		–	
<b>Adjusted Net assets, beginning of year</b>	19,942		8,026		–	
<b>CAPITAL TRANSACTIONS</b>						
Proceeds from shares issued	13,949	8,583	7,935	4,117	67	–
Reinvestment of dividends	–	–	–	–	–	–
Amounts paid for shares redeemed	(84)	(95)	(101)	(35)	–	–
Write off of deferred charges	–	–	–	–	–	–
	13,865	8,488	7,834	4,082	67	–
<b>DIVIDENDS TO INVESTORS</b>						
Dividends from realized gains	–	–	–	–	–	–
Dividends from net income	–	–	–	–	–	–
Return of capital	–	–	–	–	–	–
	–	–	–	–	–	–
<b>Increase (decrease) in net assets from operations</b>	(3,291)	1,287	(1,516)	497	(6)	–
<b>Net assets, end of year</b>	30,516	19,963	14,344	8,035	61	–

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

2007 Annual Financial Statements as at December 31, 2007

# VENTURELINK DIVERSIFIED INCOME FUND INC.

## Financial Statements

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

	Year Ended December 31	
	2007	2006
<b>CASH PROVIDED BY (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>		
Net income (loss)	280	(459)
Proceeds of disposition of investments	5,855	6,188
Purchase of investments	(25,267)	(21,102)
Net change in non-cash balances related to operations	(1,476)	630
	(20,608)	(14,743)
<b>FINANCING ACTIVITIES</b>		
Proceeds from shares issued	22,017	12,613
Cost of shares redeemed	(270)	(221)
	21,747	12,392
<b>Increase (decrease) in cash and cash equivalents during the year</b>	<b>1,139</b>	<b>(2,351)</b>
<b>Cash, beginning of year</b>	<b>2,480</b>	<b>4,831</b>
<b>Cash, end of year</b>	<b>3,619</b>	<b>2,480</b>

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

2007 Annual Financial Statements as at December 31, 2007

# VENTURELINK DIVERSIFIED INCOME FUND INC.

## Financial Statements

### Supplementary Schedules

#### Schedule of Fund Share Transactions For the years ended December 31

	Class A, Series I		Class A, Series II		Class A, Series III		Class A, Series IV		Class A, Series VI	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Balance, beginning of year	727,195	733,969	108,072	108,397	1,681,489	925,054	677,087	313,845	–	–
Issued during the year	–	–	–	–	1,200,615	764,814	684,168	366,333	5,787	–
Redeemed during the year	(7,167)	(6,774)	(1,271)	(325)	(7,349)	(8,379)	(8,928)	(3,091)	–	–
Balance, end of year	720,028	727,195	106,801	108,072	2,874,755	1,681,489	1,352,327	677,087	5,787	–

#### Schedule of Loss Carry Forwards (in \$000's) as at December 31, 2007

	2007							
	Net capital loss carried forward	–	–	–	–	–	–	–
Year of expiry		2008	2009	2010	2014	2015	2026	2027
Non-capital loss carried forward	–	–	–	–	–	358	611	–

#### Schedule of Net Assets Reconciliation (in \$000's except for per share amounts) (Note 3)

##### For the year ended December 31, 2007

	NAV	NAVPS	NAV	NAVPS	NAV	NAVPS	NAV	NAVPS	NAV	NAVPS	NAV
	Class A Series I	Class A Series I	Class A Series II	Class A Series II	Class A Series III	Class A Series III	Class A Series IV	Class A Series IV	Class A Series VI	Class A Series VI	Total
Net Assets	7,492	10.40	1,120	10.49	30,516	10.62	14,344	10.61	61	10.61	53,533
Unamortized Sales											
Commissions	277	0.39	26	0.24	–	–	–	–	–	–	303
Section 3855 adjustment (Note 2)	1	–	–	–	5	–	2	–	–	–	8
Net Asset Value	7,770	10.79	1,146	10.73	30,521	10.62	14,346	10.61	61	10.61	53,844

##### For the year ended December 31, 2006

	NAV	NAVPS	NAV	NAVPS	NAV	NAVPS	NAV	NAVPS	NAV	NAVPS	NAV
	Class A Series I	Class A Series I	Class A Series II	Class A Series II	Class A Series III	Class A Series III	Class A Series IV	Class A Series IV	Class A Series VI	Class A Series VI	Total
Net Assets	8,354	11.48	1,256	11.62	19,963	11.87	8,035	11.87	–	–	37,608
Unamortized Sales											
Commissions	368	0.51	35	0.32	–	–	–	–	–	–	403
Net Asset Value	8,722	11.99	1,291	11.94	19,963	11.87	8,035	11.87	–	–	38,011

NAVPS – Net Asset Value per Share; NAV – Net Asset Value

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

2007 Annual Financial Statements as at December 31, 2007

# VENTURELINK BRIGHTER FUTURE FUND INC.

## Financial Statements

### Statement of Investments (as at December 31, 2007)

Par value/ number of shares	Description	Maturity date/ Expiration Date	Average Cost (in \$000's)	Fair Value (in \$000's)
<b>Marketable Securities (1.4%)</b>				
500,000	Toronto-Dominion Bank S&P/TSE Index Linked Note	January 28, 2011	603	627
<b>Total Marketable Securities</b>			<b>603</b>	<b>627</b>
<b>Venture Investments (81.5%)</b>				
<b>Publicly traded securities (8.1%)</b>				
2,269,000	Clearford Industries Inc., common shares		647	340
698,655	Dragonwave Inc., common shares		2,691	3,319
			<b>3,338</b>	<b>3,659</b>
<b>Biotechnology (20.4%)</b>				
1,028,871	Cytochroma Inc., debenture	October 14, 2008	1,029	
800,000	Cytochroma Inc., Series B, preferred shares		2,000	
3,803,306	Performance Plants Inc., common shares		6,657	
			<b>9,686</b>	<b>9,255</b>
<b>Energy &amp; Environmental (22.2%)</b>				
1,984,477	Adventus Intellectual Property Inc., preferred shares		1,984	
210,907	Adventus Intellectual Property Inc., common shares		-	
500,000	Biox Corp., debenture	November 9, 2008	500	
543,850	Biox Corp., common shares		4,017	
240,000	Clearford Industries Inc., warrants		-	
150,000	Ecosynthetix Inc., debenture	January 31, 2008	160	
1	Ecosynthetix Inc, warrants		-	
163,250	Ecosynthetix Adhesives Inc., promissory note	September 1, 2008	168	
165,751	Ecosynthetix Adhesives Inc., promissory note	June 1, 2008	172	
277,060	Ecosynthetix Adhesives Inc., exchangeable shares		1,054	
277,060	Ecosynthetix Technologies Inc., special voting shares		-	
200,000	Encelium Technologies Inc, promissory note	March 31, 2008	200	
896,264	Encelium Technologies Inc., preferred A		474	
223,416	Encelium Technologies Inc., warrants		-	
608,143	Enerworks Inc., common shares		576	
389,070	Fuel Cell Technologies Ltd.		-	
1,200,000	Rtica Corp., debenture	January 31, 2008	-	
122,725	Rtica Corp., new bonus shares		-	
2	Rtica Corp., rights		-	
3,698,552	Rtica Inc., preferred shares		-	
			<b>9,305</b>	<b>10,120</b>
<b>Financials (3.7%)</b>				
1,682,143	Perimeter Financial Corp., common shares		-	
1,682,143	Perimeter Financial Corp., preferred shares		1,682	
			<b>1,682</b>	<b>1,682</b>

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

Percentages shown in brackets relate investments at fair market value to total net assets of the Fund.

# VENTURELINK BRIGHTER FUTURE FUND INC.

## Financial Statements

### Statement of Investments (as at December 31, 2007) *cont'd*

<b>Information Technology (25.5%)</b>			
300,000	AR Systems International Inc., promissory note	December 10, 2010	300
990,000	AR Systems International Inc., debenture	March 31, 2010	990
2,951,332	AR Systems International Inc., common shares		535
1,666,667	Company DNA Inc., Series C, preferred shares		1,563
500,000	Covarity Inc., Series B, preferred shares		250
1,200,000	Ebuild.ca Inc., Series A, preferred shares		600
2,746,607	Platespin Ltd., Series A, preferred shares		1,350
388,889	Strategic Connections Inc., debenture	March 24, 2011	389
691	Strategic Connections Inc., preferred shares		111
504	Strategic Connections Inc., warrants		-
			<b>6,088</b>
			<b>11,588</b>
<b>Publishing (1.5%)</b>			
531,170	Groove Media Inc., common shares		<b>670</b>
<b>Telecommunication (0.1%)</b>			
15,484	Dragonwave Inc., warrants		-
4,000,000	Meriton Networks Canada Inc., Class A		3,150
4,705,884	Meriton Networks Canada Inc., Class B		626
1,112,342	Spotwave Wireless Inc, special voting shares (USD)		-
2,471,871	Spotwave Wireless Inc., A-2, common shares		594
4,482,635	Spotwave Wireless Inc., A-1, common shares		2,769
4,482,635	Spotwave Wireless Inc., special voting shares		-
35,500	Meriton Networks Canada Inc., special voting shares		-
1,988	Tropic Networks Inc., common shares		-
3,642,157	Tropic Networks Inc., common shares		2,000
728,431	Tropic Networks Inc., warrants		-
			<b>9,139</b>
			<b>29</b>
<b>Total Venture Investments*</b>			<b>39,238</b>
<b>Commissions and other portfolio transaction costs</b>			<b>-</b>
<b>Total Investments (82.9%)</b>			<b>39,841</b>
<b>Other net assets (17.1%)</b>			<b>7,770</b>
<b>Total net assets (100.0%)</b>			<b>45,400</b>

\*A portion of the Fund's venture investment portfolio is in the form of debt investments with interest rates ranging from 9% to 13%. The accompanying notes are an integral part of these financial statements.  
Percentages shown in brackets relate investments at fair market value to total net assets of the Fund.

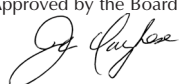
# VENTURELINK BRIGHTER FUTURE FUND INC.

## Financial Statements

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

	As at December 31, 2007	As at December 31, 2006
<b>ASSETS</b>		
Investments at fair value*	37,630	34,722
Cash	7,809	1,725
Accrued interest	549	494
Subscriptions receivable	162	2
<b>Total assets</b>	<b>46,150</b>	<b>36,943</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	271	106
Performance fees payable	453	–
Redemptions payable	26	11
<b>Total liabilities</b>	<b>750</b>	<b>117</b>
<b>Net assets</b>	<b>45,400</b>	<b>36,826</b>
<b>*Investments at cost</b>	<b>39,841</b>	<b>42,321</b>
<b>Net assets by class (see Schedule of Net Assets Reconciliation)</b>		
Class A, Series I shares	36,383	31,969
Class A, Series II shares	2,242	1,993
Class A, Series III shares	3,078	1,336
Class A, Series IV shares	1,714	330
Class A, Series V shares	1,345	1,198
Class A, Series VI shares	638	–
<b>Net assets per share (Note 3) (see Schedule of Net Assets Reconciliation)</b>		
Class A, Series I shares	10.47	9.11
Class A, Series II shares	10.58	9.27
Class A, Series III shares	10.97	9.77
Class A, Series IV shares	10.97	9.77
Class A, Series V shares	10.83	9.58
Class A, Series VI shares	11.28	–
<b>Number of shares outstanding (see Schedule of Fund Share Transactions)</b>		
Class A, Series I shares	3,475,561	3,511,270
Class A, Series II shares	211,977	215,097
Class A, Series III shares	280,564	136,711
Class A, Series IV shares	156,322	33,826
Class A, Series V shares	124,141	125,121
Class A, Series VI shares	56,550	–

Approved by the Board of Directors:



John Varghese  
Director



James Whitaker  
Director

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

2007 Annual Financial Statements as at December 31, 2007

# VENTURELINK BRIGHTER FUTURE FUND INC.

## Financial Statements

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

	Year Ended December 31	
	2007	2006
<b>INVESTMENT INCOME</b>		
Dividends	–	2
Interest	290	363
Placement and Participation fees	637	57
Miscellaneous	24	21
	951	443
<b>EXPENSES</b>		
Management fees (Note 5)	519	527
Performance fees (Note 5)	495	–
Shareholder administration	502	351
Sponsor's fees (Note 5)	104	81
Administrator's fees (Note 5)	–	199
Audit fees	57	47
Capital tax	27	–
Distribution service fees	33	13
Goods and services tax	143	95
Investment advisory fees (Note 5)	831	333
Legal fees	87	7
Commissions*	–	1,053
	2,798	2,706
<b>Net income (loss) for the year</b>	<b>(1,847)</b>	<b>(2,263)</b>
<b>Realized and unrealized gain (loss) on investments and commissions and other portfolio transaction costs</b>		
Realized gain (loss) on investments	2,129	(5,204)
Commissions and other portfolio transaction costs	(92)	–
Foreign exchange gain (loss)	(1)	–
Change in unrealized appreciation (depreciation) of marketable securities	(68)	92
Change in unrealized appreciation (depreciation) of venture investments	5,455	5,316
<b>Net gain (loss) on investments</b>	<b>7,423</b>	<b>204</b>
<b>Increase (decrease) in net assets from operations for the year</b>	<b>5,576</b>	<b>(2,059)</b>
<b>Increase (decrease) in net assets from operations per class:</b>		
Class A, Series I shares	4,774	(1,807)
Class A, Series II shares	281	(158)
Class A, Series III shares	225	(35)
Class A, Series IV shares	107	(9)
Class A, Series V shares	157	(50)
Class A, Series VI shares	32	–
<b>Increase (decrease) in net assets from operations per share:</b>		
Class A, Series I shares	1.39	(0.48)
Class A, Series II shares	1.35	(0.73)
Class A, Series III shares	1.23	(0.43)
Class A, Series IV shares	1.21	(0.43)
Class A, Series V shares	1.30	(0.30)
Class A, Series VI shares	1.28	–

\* Amortization of deferred sales commission arising as a result of amalgamation.  
The accompanying notes are an integral part of these financial statements.

# VENTURELINK BRIGHTER FUTURE 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		Class A, Series III	
	2007*	2006*	2007*	2006*	2007*	2006*	2007*	2006*
<b>Net assets, beginning of year</b>	36,826	25,755	31,969	24,334	1,993	–	1,336	128
Section 3855 transitional adjustment	–	–	–	–	–	–	–	–
<b>Adjusted Net assets, beginning of year</b>	36,826	–	31,969	–	1,993	–	1,336	–
<b>CAPITAL TRANSACTIONS</b>								
Proceeds from shares issued	3,489	–	–	–	–	–	1,529	–
Amounts paid for shares redeemed	(491)	(340)	(360)	(311)	(32)	(5)	(12)	(15)
Write off of deferred charges	–	–	–	–	–	–	–	–
Fund merger	–	13,470	–	9,753	–	2,156	–	1,258
	2,998	13,130	(360)	9,442	(32)	2,151	1,517	1,243
<b>DIVIDENDS TO INVESTORS</b>								
Dividends from realized gains	–	–	–	–	–	–	–	–
Dividends from net income	–	–	–	–	–	–	–	–
Return of capital	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–
<b>Increase (decrease) in net assets from operations</b>	5,576	(2,059)	4,774	(1,807)	281	(158)	225	(35)
<b>Net assets, end of year</b>	45,400	36,826	36,383	31,969	2,242	1,993	3,078	1,336

For the years ended December 31	Class A, Series IV		Class A, Series V		Class A, Series VI	
	2007*	2006*	2007*	2006*	2007*	2006*
<b>Net assets, beginning of year</b>	330	36	1,198	1,257	–	–
Section 3855 transitional adjustment	–	–	–	–	–	–
<b>Adjusted Net assets, beginning of year</b>	330	–	1,198	–	–	–
<b>CAPITAL TRANSACTIONS</b>						
Proceeds from shares issued	1,284	–	–	–	676	–
Amounts paid for shares redeemed	(7)	–	(10)	(9)	(70)	–
Write off of deferred charges	–	–	–	–	–	–
Fund merger	–	303	–	–	–	–
	1,277	303	(10)	(9)	606	–
<b>DIVIDENDS TO INVESTORS</b>						
Dividends from realized gains	–	–	–	–	–	–
Dividends from net income	–	–	–	–	–	–
Return of capital	–	–	–	–	–	–
	–	–	–	–	–	–
<b>Increase (decrease) in net assets from operations</b>	107	(9)	157	(50)	32	–
<b>Net assets, end of year</b>	1,714	330	1,345	1,198	638	–

\*Figures provided are those of VentureLink Fund Inc. (see Note 1).  
The accompanying notes are an integral part of these financial statements.

# VENTURELINK BRIGHTER FUTURE FUND INC.

## Financial Statements

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

	Year Ended December 31	
	2007	2006
<b>CASH PROVIDED BY (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>		
Net income (loss)	(1,847)	(2,263)
Amortization of deferred sales commissions	–	1,053
Proceeds of disposition of investments	5,692	4,838
Purchase of investments	(1,177)	(6,299)
Net change in non-cash balances related to operations	563	41
	3,231	(2,630)
<b>FINANCING ACTIVITIES</b>		
Proceeds from shares issued	3,329	4
Cost of shares redeemed	(476)	(340)
	2,853	(336)
<b>Increase (decrease) in cash and short term investments during the year</b>	6,084	(2,966)
<b>Cash, beginning of year</b>	1,725	4,691
<b>Cash, end of year</b>	7,809	1,725

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

2007 Annual Financial Statements as at December 31, 2007

# VENTURELINK BRIGHTER FUTURE FUND INC.

## Financial Statements

### Supplementary Schedules

#### Schedule of Fund Share Transactions For the years ended December 31

	Class A, Series I		Class A, Series II		Class A, Series III	
	2007	2006 <sup>†</sup>	2007	2006 <sup>†</sup>	2007	2006 <sup>†</sup>
Balance, beginning of year	3,511,270	4,682,823	215,097	–	136,711	13,459
Units issued for cash	–	–	–	–	144,986	–
Issued during the year	–	–	–	–	–	–
Units issued (redeemed)	–	–	–	–	–	–
on fund merger	–	(1,128,711)	–	215,641	–	124,843
Redeemed during the year	(35,709)	(42,842)	(3,120)	(544)	(1,133)	(1,591)
Balance, end of year	3,475,561	3,511,270	211,977	215,097	280,564	136,711

	Class A, Series IV		Class A, Series V		Class A, Series VI	
	2007	2006 <sup>†</sup>	2007	2006 <sup>†</sup>	2007	2006 <sup>†</sup>
Balance, beginning of year	33,826	3,802	125,121	233,320	–	–
Units issued for cash	123,200	–	–	–	63,472	–
Issued during the year	–	–	–	–	–	–
Units issued (redeemed)	–	–	–	–	–	–
on fund merger	–	30,024	–	(107,044)	–	–
Redeemed during the year	(704)	–	(980)	(1,155)	(6,922)	–
Balance, end of year	156,322	33,826	124,141	125,121	56,550	–

#### Schedule of Loss Carry Forwards (in \$000's) as at December 31, 2007

	2007						
	Net capital loss carried forward	7,335					
Year of expiry	2008	2009	2013	2014	2015	2026	2027
Non-capital loss carried forward	2,958	4,163	2,527	1,144	1,216	1,810	1,341

#### Schedule of Net Assets Reconciliation (in \$000's except for per share amounts) (Note 3)

##### For the year ended December 31, 2007

	NAV	NAVPS	NAV	NAVPS	NAV	NAVPS	NAV	NAVPS	NAV	NAVPS	NAV	NAVPS	NAV
	Class A Series I	Class A Series I	Class A Series II	Class A Series II	Class A Series III	Class A Series III	Class A Series IV	Class A Series IV	Class A Series V	Class A Series V	Class A Series VI	Class A Series VI	Total
Net Assets	36,383	10.47	2,242	10.58	3,078	10.97	1,714	10.97	1,345	10.83	638	11.28	45,400
Unamortized Sales													
Commissions	1,348	0.38	75	0.35	–	–	–	–	14	0.11	–	–	1,437
Section 3855 adjustment on net assets (Note 2)	(9)	–	(1)	–	(1)	–	–	–	–	–	–	–	(11)
Net Asset Value	37,722	10.85	2,316	10.93	3,077	10.97	1,714	10.97	1,359	10.94	638	11.28	46,826

##### For the year ended December 31, 2006<sup>†</sup>

	NAV	NAVPS	NAV	NAVPS	NAV	NAVPS	NAV	NAVPS	NAV	NAVPS	NAV	NAVPS	NAV
	Class A Series I	Class A Series I	Class A Series II	Class A Series II	Class A Series III	Class A Series III	Class A Series IV	Class A Series IV	Class A Series V	Class A Series V	Class A Series VI	Class A Series VI	Total
Net Assets	31,969	9.11	1,993	9.27	1,336	9.77	330	9.77	1,198	9.58	–	–	36,826
Unamortized Sales													
Commissions	2,215	0.63	106	0.49	–	–	–	–	24	0.19	–	–	2,345
Net Asset Value	34,184	9.74	2,099	9.76	1,336	9.77	330	9.77	1,222	9.77	–	–	39,171

<sup>†</sup>Figures provided are those of VentureLink Fund Inc. (see Note 1).  
The accompanying notes are an integral part of these financial statements.

# VENTURELINK BALANCED FUND INC.

## Financial Statements

### Statement of Investments (as at December 31, 2007)

Par value/ number of shares	Description	Maturity date/ Expiration Date	Average Cost (in \$000's)	Fair Value (in \$000's)
<b>Marketable Securities (36.2%)</b>				
1,080,000	Canadian Imperial Bank of Commerce Strip Bond	December 13, 2013	803	818
18,240,000	Ontario Hydro Residual Strip, debenture	October 17, 2014	13,470	13,628
<b>Total Marketable Securities</b>			<b>14,273</b>	<b>14,446</b>
<b>Venture Investments (59.2%)</b>				
<b>Information Technology (0.8%)</b>				
225,579	Covarity Inc., Class B, preferred shares		113	
795	Covarity Inc., common shares		–	
534	Strategic Connections Inc, common shares		101	
			<b>214</b>	<b>310</b>
<b>Energy &amp; Environmental (0.4%)</b>				
116,295	Enerworks Inc., common shares		151	
			<b>151</b>	<b>151</b>
<b>Investment of Brighter Future CSBIF(I) Funds Inc. (19.2%)</b>				
<b>Marketable Securities (15.6%)</b>				
8,210,000	Canadian Imperial Bank of Commerce Strip Bond	December 13, 2013	6,180	6,221
<b>Total Marketable Securities</b>			<b>6,180</b>	<b>6,221</b>
<b>Venture Investments (3.7%)</b>				
<b>Energy &amp; Environmental (3.7%)</b>				
109,663	Biox Corp., common shares		763	
184,372	Enerworks Inc., common shares		720	
350,000	Envirometal Technologies Inc.	June 10, 2008	350	
			<b>1,833</b>	<b>1,467</b>
<b>Investment of Brighter Future CSBIF(II) Funds Inc. (19.2%)</b>				
<b>Marketable Securities (15.6%)</b>				
8,210,000	Canadian Imperial Bank of Commerce Strip Bond	December 13, 2013	6,180	6,221
<b>Total Marketable Securities</b>			<b>6,180</b>	<b>6,221</b>
<b>Venture Investments (3.7%)</b>				
<b>Energy &amp; Environmental (3.7%)</b>				
109,663	Biox Corp., common shares		763	
184,372	Enerworks Inc., common shares		720	
350,000	Envirometal Technologies Inc.	June 10, 2008	350	
			<b>1,833</b>	<b>1,467</b>

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

Percentages shown in brackets relate investments at fair market value to total net assets of the Fund.

# VENTURELINK BALANCED FUND INC.

## Financial Statements

### Statement of Investments (as at December 31, 2007) *cont'd*

Par value/ number of shares	Description	Maturity date/ Expiration Date	Average Cost (in \$000's)	Fair Value (in \$000's)
<b>Investment of Diversified Balanced CSBIF (I) Fund Inc. (9.8%)</b>				
<b>Marketable Securities (2.3%)</b>				
1,215,000	Ontario Hydro Residual Strip, debenture	October 17, 2014	847	908
<b>Total Marketable Securities</b>			<b>847</b>	<b>908</b>
<b>Venture Investments (7.6%)</b>				
<b>Information Technology (7.5%)</b>				
618,612	Covarity Inc., common shares		850	
1,500,000	Ember Inc., Class B, preferred shares		750	
59,095	Strategic Connections Inc., 11% debenture	March 24, 2011	59	
7,924	Strategic Connections Inc., preferred shares		850	
77	Strategic Connections Inc., warrants		-	
			<b>2,509</b>	<b>2,993</b>
<b>Financials (0.1%)</b>				
1,020,000	The Futura Loyalty Group Inc., common shares		850	
			<b>850</b>	<b>23</b>
<b>Investment of Diversified Balanced CSBIF (II) Fund Inc. (9.8%)</b>				
<b>Marketable Securities (2.3%)</b>				
1,215,000	Ontario Hydro Residual Strip, debenture	October 17, 2014	847	908
<b>Total Marketable Securities</b>			<b>847</b>	<b>908</b>
<b>Venture Investments (7.6%)</b>				
<b>Information Technology (7.5%)</b>				
618,612	Covarity Inc., common shares		850	
1,500,000	Ember Inc., Class B, preferred shares		750	
59,095	Strategic Connections Inc., 11% debenture	March 24, 2011	59	
7,924	Strategic Connections Inc., preferred shares		850	
77	Strategic Connections Inc., warrants		-	
			<b>2,509</b>	<b>2,993</b>
<b>Financials (0.1%)</b>				
1,020,000	The Futura Loyalty Group Inc., common shares		850	
			<b>850</b>	<b>23</b>
<b>Commissions and other portfolio transaction costs</b>			-	
<b>Total Investments (95.4%)</b>			<b>39,075</b>	<b>38,130</b>
<b>Other net assets (4.6%)</b>				1,843
<b>Total net assets (100.0%)</b>				<b>39,974</b>

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

Percentages shown in brackets relate investments at fair market value to total net assets of the Fund.

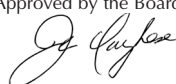
# VENTURELINK BALANCED FUND INC.

## Financial Statements

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

	As at December 31, 2007 (Note 2)	As at December 31, 2006 (Note 2)
<b>ASSETS</b>		
Investments at fair value*	38,130	42,668
Cash	2,011	26
Subscriptions receivable	17	12
Income taxes recoverable	19	32
<b>Total assets</b>	<b>40,177</b>	<b>42,738</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	186	4,187
Advances (Note 9)	–	480
Performance fees payable (Note 5)	–	1,505
Redemptions payable	17	16
<b>Total liabilities</b>	<b>203</b>	<b>6,188</b>
<b>Net assets</b>	<b>39,974</b>	<b>36,550</b>
<b>*Investments at cost</b>	<b>39,075</b>	<b>37,990</b>
<b>Net assets by class (see Schedule of Net Asset Value Reconciliation)</b>	<b>39,974</b>	<b>36,550</b>
<b>Net assets per share (Note 3) (see Schedule of Net Assets Reconciliation)</b>	<b>11.15</b>	<b>10.06</b>
<b>Number of shares outstanding (see Schedule of Fund Share Transactions)</b>	<b>3,586,133</b>	<b>3,632,434</b>

Approved by the Board of Directors:



John Varghese  
Director



James Whitaker  
Director

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

2007 Annual Financial Statements as at December 31, 2007

# VENTURELINK BALANCED FUND INC.

## Financial Statements

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

	Year Ended December 31	
	2007	2006
<b>INVESTMENT INCOME</b>		
Dividends	12	–
Interest	1,612	1,000
Miscellaneous	14	1
	<u>1,638</u>	<u>1,001</u>
<b>EXPENSES</b>		
Management fees (Note 5)	482	333
Performance fees (Note 5)	407	315
Shareholder administration	644	412
Sponsor's fees (Note 5)	96	67
Audit fees	63	21
Capital tax	8	–
Commissions*	–	722
Goods and services tax	140	104
Investment advisory fees (Note 5)	771	534
Legal fees	65	4
	<u>2,676</u>	<u>2,512</u>
<b>Net income (loss) for the year</b>	<b>(1,038)</b>	<b>(1,511)</b>
<b>Realized and unrealized gain (loss) on investments and commissions and other portfolio transaction costs</b>		
Realized gain (loss) on investments	10,572	–
Commissions and other portfolio transaction costs		
Change in unrealized appreciation (depreciation) of marketable securities	(1,389)	317
Change in unrealized appreciation (depreciation) of venture investments	(4,232)	2,105
	<u>4,951</u>	<u>2,422</u>
<b>Net gain (loss) on investments</b>	<b>4,951</b>	<b>2,422</b>
<b>Increase (decrease) in net assets from operations for the year</b>	<b>3,913</b>	<b>911</b>
<b>Increase (decrease) in net assets from operations per share</b>	<b>1.08</b>	<b>0.31</b>

\* Amortization of deferred sales commission arising as a result of amalgamation.  
The accompanying notes are an integral part of these financial statements.

# VENTURELINK BALANCED FUND INC.

## Financial Statements

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

For the years ended December 31	Class A, Series I	
	2007	2006
<b>Net assets, beginning of year</b>	36,550	18,829
Section 3855 transitional adjustment (Note 2)	–	–
<b>Adjusted Net assets, beginning of year</b>	36,550	–
<b>CAPITAL TRANSACTIONS</b>		
Proceeds from shares issued	–	–
Amounts paid for shares redeemed	(489)	(184)
Fund merger	–	16,994
	(489)	16,810
<b>DIVIDENDS TO INVESTORS</b>		
Dividends from realized gains	–	–
Dividends from net income	–	–
Return of capital	–	–
	–	–
<b>Increase (decrease) in net assets from operations</b>	3,913	911
<b>Net assets, end of year</b>	39,974	36,550

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

2007 Annual Financial Statements as at December 31, 2007

# VENTURELINK BALANCED FUND INC.

## Financial Statements

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

	Year Ended December 31	
	2007	2006
<b>CASH PROVIDED BY (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>		
Net investment income (loss) for the year	(1,038)	(1,511)
Amortization of deferred sales commissions	–	722
Proceeds of disposition of investments	23,708	–
Purchase of investments	(14,220)	(2,342)
Net change in non-cash balances related to operations	(5,493)	3,106
	2,957	(25)
<b>FINANCING ACTIVITIES</b>		
Advances	(480)	320
Proceeds from shares issued	(4)	(6)
Cost of shares redeemed	(488)	(176)
	(972)	138
<b>Increase (decrease) in cash and short term investments during the year</b>	1,985	113
<b>Cash (Bank overdraft), beginning of year</b>	26	(87)
<b>Cash (Bank overdraft), end of year</b>	2,011	26

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

2007 Annual Financial Statements as at December 31, 2007

# VENTURELINK BALANCED FUND INC.

## Financial Statements

### Supplementary Schedules

#### Schedule of Fund Share Transactions For the years ended December 31

	Class A, Series I	
	2007	2006
Balance, beginning of year	3,632,434	1,729,900
Issued during the year	-	-
Units issued (redeemed)	-	-
on fund merger	-	1,919,602
Redeemed during the year	(46,301)	(17,068)
Balance, end of year	3,586,133	3,632,434

#### Schedule of Loss Carry Forwards (in \$000's) as at December 31, 2007

	2007						
	2008	2009	2013	2014	2015	2026	2027
Net capital loss carried forward	-	-	-	-	-	-	-
Year of expiry	2008	2009	2013	2014	2015	2026	2027
Non-capital loss carried forward	530	1,093	686	1,741	470	1,503	1,501

The Fund is deemed to have received capital gains dividends of \$9.6 million on February 19, 2008. The taxable portion of these deemed capital gains dividends will be included in the 2008 taxable income of the fund. It is anticipated that a portion of the loss carryforward balances above will be applied in 2008 in order to eliminate 2008 taxable income.

#### Schedule of Net Assets Reconciliation (in \$000's except for per share amounts) (Note 3)

##### For the year ended December 31, 2007

	NAV	NAVPS
	Class A Series I	Class A Series I
Net Assets	39,974	11.15
Unamortized Sales		
Commissions	795	0.22
Section 3855 adjustment (Note 2)	-	-
Net Asset Value	40,769	11.37

##### For the year ended December 31, 2006

	NAV	NAVPS
	Class A Series I	Class A Series I
Net Assets	36,550	10.06
Unamortized Sales		
Commissions	1,108	0.31
Net Asset Value	37,658	10.37

NAVPS – Net Asset Value per Share; NAV – Net Asset Value

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

2007 Annual Financial Statements as at December 31, 2007

## 1. CORPORATE STATUS AND ACTIVITIES

VentureLink Brighter Future Fund Inc., VentureLink Balanced Fund Inc., VentureLink Financial Services Innovation Fund Inc. and VentureLink Diversified Income Fund Inc. (sometimes referred to herein individually as "Fund" and collectively as "Funds") are registered as labour sponsored investment fund corporations under the Community Small Business Investment Funds Act (Ontario) (the "Ontario Act") and as prescribed labour-sponsored venture capital corporations under the Income Tax Act (Canada) (the "Act").

<b>Fund Names</b>	<b>Inception date of Series I</b>	<b>Inception date of Series II</b>	<b>Inception date of Series III</b>	<b>Inception date of Series IV</b>	<b>Inception date of Series V</b>	<b>Inception date of Series VI</b>
VentureLink Financial Services Innovation Fund Inc.	Jan 1, 2002	Jan 1, 2002	Jan 1, 2004	Jan 1, 2004	N/A	Oct 5, 2007
VentureLink Brighter Future Fund Inc.	Mar 1, 2001	Mar 1, 2001	Jan 1, 2004	Jan 1, 2004	July 31, 2006	Nov 22, 2006
VentureLink Balanced Fund Inc. VentureLink Diversified Income Fund Inc.	Jan 1, 2002	N/A	N/A	N/A	N/A	N/A
	Jan 1, 2003	Jan 1, 2003	Jan 1, 2004	Jan 1, 2004	Dec 15, 2006	Dec 15, 2006

Effective October 15, 2002, the Canadian Federal Pilots Association [the "Sponsor"] replaced TCU National Local 1976 as the sponsor of the Funds, and continues to be the sponsor for VentureLink Diversified Balanced Fund Inc. and VentureLink Diversified Income Fund Inc.

On December 22, 2005 VentureLink LP, a limited partnership controlled by Messrs. Geoff Horton, John Varghese and Jim Whitaker, the portfolio advisors of the Funds, purchased the management contracts for the Funds from Skylon Advisors Inc. CI Investments Inc. continues to provide administrative and other services to the Funds.

### Fund Amalgamations

The purchase method of accounting was adopted for the Fund Amalgamations described below whereby the Continuing Fund is the acquiring fund and the Terminated Fund is the acquired fund. The identification was based on aspects of the Continuing Fund such as investment objectives and portfolio composition. On the Effective Date, the Continuing Fund acquired all of the net assets of the corresponding Terminating Fund in exchange for units in the Continuing Fund. The financial statements of the Continuing Fund do not include the operating results of the Terminating Fund prior to the merger date. The comparative figures are those of the acquiring funds only.

### VentureLink Brighter Future Fund Inc.

On July 31, 2006 (the "Effective Date"), VentureLink Brighter Future (Equity) Fund Inc. (BFE) the Terminating Fund and Venturelink Fund Inc. (VL), the Continuing Fund (collectively referred to as the "Original Equity Funds") amalgamated pursuant to section 181 of the Canada Business Corporation Act (CBCA) to form VentureLink Brighter Future Fund Inc. (BFF) as a registered Labour Sponsored Venture Capital Corporation (LSVCC) pursuant to the Income Tax Act (Canada) and as a Labour Sponsored Investment Fund (LSIF) pursuant to the Community Small Business Investment Funds Act (Ontario). After the amalgamation, shares of each of the Original Equity Funds were exchanged for shares of BFF as follows:

- VL Class A Shares, Series I, Class A Shares, Series III and Class A Shares, Series IV were entitled to receive, in exchange for those shares, Class A Shares of the same series in the capital of BFF equal to the number of VL Class A Shares of the series so held multiplied by the net asset value per Class A Share of the series held of VL divided by the net asset value per Class A Share of the same series of BFF all as determined on the Effective Date;
- BFE Class A Shares Series I, Class A Shares, Series II, Class A Shares, Series III and Class A Shares, Series IV were entitled to receive, in exchange for those shares, Class A Shares of the same series in the capital of BFF equal to the number of BFE Class A Shares of the series so held multiplied by the net asset value per Class A Share of the series held of BFE divided by the net asset value per Class A Share of the same series of BFF all as determined on the Effective Date;
- VL Class A Shares Series II were entitled to receive, in exchange for those shares, Class A Shares, Series V in the capital of BFF equal to the number of VL Class A Shares of the series so held multiplied by the net asset value per Class A Share of the series held of VL divided by the net asset value per Class A Share of the same series of BFF all as determined on the Effective Date; and

- VL and BFE Class B Shares were entitled to receive, in exchange for those shares, 200 Class B Shares in BFF.

#### **VentureLink Balanced Fund Inc.**

On July 31, 2006 (the "Effective Date"), VentureLink Brighter Future (Balanced) Fund Inc. (BFB), the Continuing Fund and Venturelink Diversified Balanced Fund Inc. (DB), the Terminating Fund (collectively referred to as the "Original Balanced Funds") amalgamated pursuant to the Ontario Business Corporation Act to form VentureLink Balanced Fund Inc. ("the Balanced Fund") as a registered Labour Sponsored Venture Capital Corporation (LSVCC) pursuant to the Income Tax Act (Canada) and as a Labour Sponsored Investment Fund (LSIF) pursuant to the Community Small Business Investment Funds Act (Ontario). After the amalgamation, shares of each of the Original Balanced Funds were exchanged for shares of the Balanced Fund as follows:

- BFB Class A Shares, Series I were entitled to receive, in exchange for those shares, Class A Shares of the same series in the capital of the Balanced Fund equal to the number of BFB Class A Shares of the series so held multiplied by the net asset value per Class A Share of the series held of BFB divided by the net asset value per Class A Share of the same series of the Balanced Fund all as determined on the Effective Date;
- DB Class A Shares Series I, were entitled to receive, in exchange for those shares, Class A Shares of the same series in the capital of the Balanced Fund equal to the number of DB Class A Shares of the series so held multiplied by the net asset value per Class A Share of the series held of DB divided by the net asset value per Class A Share of the same series of the Balanced Fund all as determined on the Effective Date;
- BFB and DB Class B Shares were entitled to receive, in exchange for those shares, 200 Class B Shares in the Balanced Fund.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The significant accounting policies are as follows:

A net asset value is calculated on every valuation date for each series of Class A shares. The net asset value of a particular series of shares is computed by calculating the value of the series' proportionate share of the assets and liabilities of the Fund common to all series less the liabilities of the Fund attributable only to that series.

Expenses directly attributable to a series are charged to that series. Other expenses are allocated proportionally to each series based upon the relative net assets of each series.

### **(a) Adoption of New Accounting Standards**

The Canadian Institute of Chartered Accountants ("CICA") issued Section 3855, "Financial Instruments: Recognition and Measurement", effective for financial statements relating to fiscal years beginning on or after October 1, 2006. This section establishes standards for the fair valuation of investments and the way transaction costs are recorded for financial reporting purposes.

The Canadian Securities Administrators ("CSA") issued National Instrument 81-106, ("NI 81-106") section 14.2 in 2005 which requires that the net asset value of an investment fund be calculated in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The adoption of Section 3855 results in a different valuation method for calculating Net Asset Value. As a result the CSA has granted relief to investments funds, for the purposes of calculating and reporting net asset value other than for financial reporting purposes, from complying with Section 3855 until September 30, 2008, or until proposed amendments to NI 81-106 are effective.

In accordance with this decision made by the CSA, a reconciliation between the net asset value calculated in accordance with GAAP (referred to as "Net Assets") and the price used for subscriptions and redemptions (referred to as "Net Asset Value") is required to be disclosed in the financial statements. This information is provided in the Supplementary schedules to the financial statements.

On January 1, 2007, the Funds adopted Section 3855 on a retrospective basis without restatement of prior year periods. Accordingly, the opening net assets in the Statements of Changes in Net Assets for the period ended December 31, 2007 have been adjusted.

#### **Valuation of Investments**

Listed securities are valued based on the bid price for long securities and the ask price for securities sold short on the valuation date. Securities with no available bid prices are valued at the last traded price for the day. Unlisted securities are valued based on price quotations from recognized investment dealers, or failing that, management's best estimate of fair value. Short-term fixed income securities are valued at bid quotations from recognized investment dealers.

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 as a portfolio.

#### **Investment Transactions and Income Recognition**

Investment transactions relating to marketable securities are accounted for on the trade date for financial statement purposes and any realized gains and losses from such transactions are calculated on an average cost basis. Investment transactions relating to 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. Dividend income is recognized on the ex-dividend date and interest income on the accrual basis.

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

#### **Use of Estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates and the differences could be material.

#### **Increase (decrease) in Net Assets From Operations per Share**

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

#### **Transaction Costs**

In accordance with Section 3855, transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities, are charged to net income and are included in "Commissions and other portfolio transaction costs" in the Statements of Operations. Prior to this new standard, these costs were added to the cost of securities purchased or deducted from the proceeds of sale. There is no impact to the net asset value of the Funds in using either of these methods.

**Underlying funds**

VentureLink Balanced Fund Inc. has 100% ownership in the following underlying funds as at December 31, 2007:

Brighter Future Balanced CSBIF (I) Fund Inc.  
Brighter Future Balanced CSBIF (II) Fund Inc.  
Diversified Balanced CSBIF (I) Fund Inc.  
Diversified Balanced CSBIF (II) Fund Inc.

The investments held by these funds are reflected in the Statement of Investments.

In accordance with their investment policy, certain funds may invest in units of another investment fund.

**3. NET ASSETS RECONCILIATION**

Historically, sales commissions and fees related to the sale of Class A, Series I, II and V shares were capitalized as deferred charges. Redemptions prior to eight years from the date of issue were charged an early redemption fee. The early redemption fee was applied against the unamortized deferred charges related to such share subscriptions.

As a result of changes in GAAP, financial statements of a labour-sponsored investment fund for any financial year beginning on or after October 1, 2003 may not use the deferral and amortization method in respect of the recording of sales commissions. Rather, sales commissions paid by labour-sponsored investment funds to registered dealers are recorded as an immediate charge against the net asset value of the labour-sponsored investment fund. The securities regulatory authorities in Ontario require that labour-sponsored investment funds follow GAAP requirements for purposes of their financial statements. For transitional purposes, those securities regulatory authorities have issued a notice stating that, in determining the price at which shares of labour-sponsored funds are purchased and redeemed, a labour-sponsored investment fund may, on certain conditions, calculate the net asset value of its shares (the "trading net asset value") by continuing to defer and amortize the sales commissions paid prior to January 1, 2004, and treating sales commissions paid on or after January 1, 2004 as an immediate reduction in the trading net asset value.

The adoption of the transition rules afforded by the securities regulatory authorities results in differences between the trading net asset value of the Class A, Series I, II and V Shares and the net asset value of the Class A, Series I, II and V Shares for the purpose of the Fund's financial statements (the "GAAP net asset value").

Sales commissions and fees related to the sale of Class A, Series III and IV shares are paid by a third party in consideration for distribution service fees.

The reconciliation of the net asset value for trading purposes and the GAAP net asset value at December 31, 2007 and 2006 is disclosed in the Net Assets Reconciliation schedule.

**4. SHARE CAPITAL**

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

**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.

**Redemption of Class A shares**

A shareholder may redeem all or part of the Class A shares held at the net asset value per Class A share, subject to certain restrictions. In any fiscal year, the Funds are not required to redeem Class A shares of any series having an aggregate redemption price exceeding 20% of the net asset value of the Class A Shares of that series calculated as at the last day of the preceding fiscal year. If a Fund does not redeem Class A shares in the fiscal year requested, it will redeem those shares in the following fiscal year before it redeems any other Class A shares that it has been requested to redeem.

For VentureLink Brighter Future Fund Inc., VentureLink Financial Services Innovation Fund Inc. and VentureLink Diversified Income Fund Inc., a redemption fee is charged for the Class A shares, Series I and Class A shares, Series III 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 years or part years remaining until the eighth anniversary date of issue.

For VentureLink Financial Services Innovation Fund Inc., VentureLink Brighter Future Fund Inc. and VentureLink Diversified Income Fund Inc., a redemption fee is charged for the Class A shares, Series II and Class A shares, Series IV 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 years or part years remaining until the eighth anniversary date of issue. For VentureLink Brighter Future Fund Inc. a redemption fee is charged for the Class A shares, Series V in the amount of up to 3% of the original issue price calculated as 0.375% of the original issue price times the number of years or part years remaining until the eighth anniversary date of issue.

For VentureLink Balanced Fund Inc., a redemption fee is charged for the Class A shares 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 years or part years remaining until the eighth anniversary date of issue.

**5. FEES AND EXPENSES**

The Funds have contracted with the following parties for services as follows:

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

**Manager** - Under the terms of the Management Agreement, VentureLink LP, the Manager of the Funds is entitled to receive from the Funds an annual fee of 1.25% of the net asset value of the Funds 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, V and VI.

**Investment Advisor** - Under the terms of the Investment Advisory Agreements, VL Advisors Inc., the Investment Advisor is entitled to receive from the Funds an annual fee of 2.00% of the net asset value of the Funds. The Investment Advisor is controlled by the limited partners of the Manager.

**Administrator** - United Financial Corporation acts as registrar, transfer agent and administrator of the Funds. Under the terms of the Fund Administrator Agreement, the Administrator is entitled to receive from the Funds an annual fee of 1.00% of the net asset value of the Funds.

In addition to the services provided under the Fund Administrator Agreement, the Funds are responsible for their own administrative expenses including audit and legal fees, and all other costs and fees imposed by statute or regulation and expenses incurred by providing services in relation to reporting and making distributions to shareholders.

Prior to July 31, 2006, VentureLink Brighter Future Fund Inc., contracted for services as follows:

Management fees	2.00 %
Investment Advisory fees	—
Administration fees	1.25 % plus all service fee payments

**Performance Bonus - VentureLink Balanced Fund Inc., VentureLink Financial Services Innovation Fund Inc. and VentureLink Diversified Income Fund Inc.**

The Investment Advisor will be entitled to a performance bonus (the "Performance Bonus") based on realized gains and cumulative performance of the Class A Share Investment Portfolios of VentureLink Financial Services Innovation Fund Inc., VentureLink Diversified Income Fund Inc., VentureLink Balanced Fund Inc. and the underlying funds of VentureLink Balanced Fund Inc. Before any Performance Bonus is paid by the Fund on the realization of an eligible investment, the Class A Share Investment 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%. The income on eligible investments includes investment gains and losses (realized and unrealized) earned and incurred since the inception of the Fund;
- (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 20% of all income earned from the eligible investment, or such lesser amount such that the Performance Bonus does not reduce returns to shareholders on the Class A Share Investment Portfolio below the threshold outlined in (i) above.

**Performance Bonus - VentureLink Brighter Future Fund Inc.**

The Manager will be entitled to a Performance Bonus based on the realized gains and cumulative performance of the Venture Portfolio of the VentureLink Brighter Future Fund Inc. The Performance Bonus will consist of two parts as follows:

- (i) The first part pays the Manager a 5% performance bonus on proceeds in excess of the market value of an eligible investment as at July 31, 2006 plus the threshold rate of return. Before the 5% performance is paid by the Fund on the realization of an eligible investment, the venture portfolio must have:
  - 1) 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 the amalgamation date;
  - 2) 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
  - 3) 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 carrying value on July 31, 2006 plus 6% per annum and original cost and (ii) the portion of that amount in section (i) immediately above that does not reduce returns to shareholders on the venture portfolio since July 31, 2006 below a cumulative annualized threshold return of 6%.

- (ii) The second part pays the Manager a 10% performance bonus on proceeds over original cost of an eligible investment. Before the 10% performance bonus can be paid the venture portfolio must have:
  - 1) 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
  - 2) fully recouped an amount equal to all principal invested in the eligible investment.

Subject to all of the above, the Performance Bonus will be 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 to shareholders on the venture portfolio since July 31, 2006 below original cost plus a cumulative annualized threshold return of 6%.

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

At December 31, performance fees for the following funds were included in the Statements of Operations and Net Assets, respectively:

Fund (\$000's)	Expenses		Accrued performance fees		Performance fees paid	
	2007	2006	2007	2006	2007	2006
VentureLink Financial Services Innovation Fund Inc.	698	3,638	3,814	5,018	1,902	1,392
VentureLink Diversified Income Fund Inc.	(964)	970	–	1,341	377	168
VentureLink Balanced Fund Inc.	407	315	–	1,505	1,912	–
VentureLink Brighter Future Fund Inc.	495	–	453	–	42	–

The performance fees are calculated and accrued on a daily basis for eligible investments based on management's best estimate as to the likelihood of realization. Factors considered include liquidity, time to maturity and payment history. The performance fees are not paid to the Manager 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 Funds 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 Funds are redeemed or capital gains dividends are paid or deemed to be paid by the Funds to their shareholders. Taxes payable on investment income earned by the Funds will be partially refundable upon the payment or deemed payment of dividends by the Funds.

The Funds record the refundable portion of their income taxes as an asset, as they intend to recover all of their 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 Funds increase 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 Funds. If the minimum level of qualifying venture investments is not met under each statute, the Funds 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 Corporation 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. Deferred sales commissions are amortized for tax purposes, but are charged directly to the net asset value of the fund in the period incurred for accounting purposes.

Non-capital losses incurred up to December 31, 2003 will expire within 7 years from the year they are incurred, Non-capital losses incurred related to the 2004 and 2005 taxation years of the Fund will expire 10 years from the year they are incurred and losses incurred after December 31, 2005 will expire 20 years from the year they are incurred. Net realized capital losses may be carried forward indefinitely to reduce future net realized capital gains.

Future income tax assets and liabilities arise from differences in the timing of recognition of certain items of income and expenses for financial statement and tax purpose. Future income tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. There is no future tax asset recorded on the financial statements. It is the Manager's belief that it is more likely that the benefit of the future tax asset will not be realized.

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 Funds make 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 Funds. Should actual events not agree with the estimates made by management of the Funds, material adjustments to the tax amounts may be required.

## 7. BROKERAGE AND OTHER COMMISSIONS

Brokerage Commissions paid for security transactions during the years were as follows:

(000's)	2007	2006
VentureLink Financial Services Innovation Fund Inc.	10	–
VentureLink Diversified Income Fund Inc.	3	–
VentureLink Balanced Fund Inc.	–	–
VentureLink Brighter Future Fund Inc.	91	–

The manager may have received research services for commissions paid to certain dealers, otherwise known as soft dollars. For the years ended December 31, 2007 and 2006, there were no soft dollar commissions paid in any of the Funds.

## 8. FINANCIAL INSTRUMENTS

The Funds' Financial instruments consist primarily of cash, marketable securities and venture investments. Venture investments in private companies consist of convertible debt, equity or equity equivalents. These investments in private companies are typically illiquid. The Funds seek to reduce the risks typically associated with such investments by diversifying the funds' 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.

## 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. The Province proposes to phase out the tax credit over a six year period ending with the 2011 RSP season. If the phase out is enacted as proposed, the level of annual fundraising by LSIFs is expected to reduce significantly. 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 year and to increase the maximum annual contribution eligible for the provincial tax credit from \$5,000 to \$7,500. These measures have not received Royal Assent and are not yet law.

## 10. RELATED PARTY TRANSACTIONS

The Manager provided non-interest bearing advances to the VentureLink Balanced Fund Inc. during the period in order to fund certain operating expenses. The balance outstanding as at December 31, 2007 was nil (2006:\$480,000).

## 11. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's financial statement presentation.

## 12. FUTURE ACCOUNTING STANDARDS

On January 1, 2007, the Fund adopted Section 1506 of the CICA Handbook "Accounting Changes", which prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. This standard did not affect the Fund's net assets.

Recent Canadian accounting pronouncements issued and not yet adopted include:

CICA Handbook Sections 3862 and 3863

The new Sections 3862 and 3863 replace Handbook Section 3861 "Financial Instruments - Disclosure and Presentation", revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the Fund manages those risks. The new standards apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007, specifically January 1, 2008 for the Funds.

This standard will impact the Funds' disclosures provided but will not affect the Funds' net assets.

## MANAGEMENT'S RESPONSIBILITY

The accompanying financial statements have been prepared by VentureLink LP, the Manager of the Funds, and approved by the Board of Directors of the Funds. The Manager is responsible for the information and representations contained in these financial statements and other sections of this report. VentureLink LP 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 Funds are described in Note 2 to the financial statements.

PricewaterhouseCoopers LLP are the external auditors of the Funds. 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 below.



John S. Varghese  
Director  
VentureLink LP



W. James Whitaker  
Director  
VentureLink LP

## AUDITORS' REPORT

To the shareholders of VentureLink Financial Services Innovation Fund Inc., VentureLink Diversified Income Fund Inc., VentureLink Brighter Future Fund Inc., and VentureLink Balanced Fund Inc. (the "Funds").

We have audited the Statement of Investment Portfolio of each of the Funds as of December 31, 2007, the Statements of Net Assets as at December 31, 2007 and 2006 and the Statements of Operations, Changes in Net Assets and Cash Flows for the years then ended. These financial statements are the responsibility of the Funds' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of each of the Funds as at December 31, 2007 and 2006 and the results of each of their operations, the changes in each of their net assets and each of their cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



PricewaterhouseCoopers LLP  
Chartered Accountants, Licensed Public Accountants  
Toronto, Canada  
March 6, 2008

**Manager**

VentureLink LP

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

77 King Street West,  
10th Floor  
Toronto, Ontario  
M5W 1P9

**Auditors**

PricewaterhouseCoopers LLP

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

**Registrar, Transfer Agent & Administrator**

United Financial Corporation.

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

**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

