

2007 Management Report of Fund Performance

December 31, 2007

VentureLink Financial Services Innovation Fund Inc.



This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the investment fund. You can get a copy of the annual financial statements at your request, and at no cost, by calling 1-800-253-1043, by writing to us at VentureLink LP, 1 Richmond Street West, Suite 801, Toronto, ON M5H 3W4 or by visiting our website at www.venturelinkfunds.com or SEDAR at www.sedar.com.

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

VENTURELINK FINANCIAL SERVICES INNOVATION FUND INC.

Management Report of Fund Performance for the year ended December 31, 2007

INVESTMENT OBJECTIVE AND STRATEGIES

The Fund invests in a portfolio of small and medium-sized eligible Canadian based financial service businesses with the objective of generating interest and dividend income as well as long term capital appreciation.

The investment focus is on income-yielding investments in the financial services sector. The Fund concentrates on making debt and debt-related investments, a strategy that is designed to reduce risk and increase the income potential of the Fund compared to traditional equity-based venture capital funds.

In addition to identifying and investing in growing Canadian financial services companies, the Fund invests a portion of the portfolio in linked notes tracking the performance of the S&P/TSX Capped Financials Total Return Index.

RISK

The risks of investing remain as discussed in the prospectus. The Fund is suited to investors that have a high tolerance for risk and a long term investment horizon.

RESULTS OF OPERATIONS (all figures in \$000's except per share amounts and percentages)

The net asset value of the Fund at the end of the 2007 fiscal year was \$114,406. There were 5,519,725 Class A Shares, Series I, 741,828 Class A Shares, Series II, 2,901,848 Class A Shares, Series III and 881,887 Class A Shares, Series IV outstanding.

Revenue

The Fund had revenue of \$7,742 in 2007 compared to \$9,980 in 2006, a decrease of approximately 22%. This decrease can be attributed largely to a decrease in bonus interest and profit sharing payments received and to a decrease in the average yield as certain higher yielding investments were repaid.

Expenses

Operating expenses have decreased to \$7,859 in 2007 from \$9,781 in 2006 partially due to the decrease of \$2,940 of performance fees expense. Operating expenses before the performance fee accrual were \$7,161 in 2007 versus \$6,143 in 2006 or an increase of approximately 17%. This increase is primarily related to the increase in average net assets in 2007 versus 2006.

Class A Shares

Net Class A Shares purchased during period were 8,268

New investments

The Fund made a total of \$ 21,350 new and follow-on venture investments during the year in the following companies:

- Clubb Finance Inc., new investment \$1,640
- Covarity Inc., \$500 follow-on, total investment \$750
- DCR Strategies Inc., \$1,650 follow-on, total investment \$4,000
- Futura Loyalty Group Inc., \$1,007 follow-on, total investment \$1,147
- Lexfund Inc., \$3,557 follow-on, total investment \$3,393
- Kensington Capital Partners Ltd., \$2,000 follow-on, total investment \$3,056
- Mavrix Fund Management Inc., \$6,000 new investment
- N-Brook Lender Services Inc., \$2,889 follow on, current investment \$9,711
- PerformINS Canada Inc., \$1,715 follow on, current investment \$5,700
- Scivest Group of Cos., \$400 follow-on, current investment \$2,300

The fund made a \$10,000 new investment in the following marketable security:

- S&P/TSX Capped Financial Index Note (CIBC)

VENTURELINK FINANCIAL SERVICES INNOVATION FUND INC.

Management Report of Fund Performance for the year ended December 31, 2007

Realizations

The Fund realized proceeds totaling \$28,741 from the sale of securities of the following companies for a net realized gain of \$6,500.

- Blumont Capital Corp., cost \$1,300
- Coventree Inc., cost \$3,889
- Curomax Corp., cost \$4,750
- Lexfund Inc., cost \$2,981
- Mavrix Fund Management Inc., cost \$2,000
- N-Brook Lender Services Inc., cost \$1,834
- Orion Financial Inc., cost \$89
- Rockwater Capital Corp., cost \$874
- Scivest Canadian Holdings Inc., cost \$400
- Stone & Co Ltd., cost \$3,900
- Xceed Mortgage Corp., cost \$234

The portfolio holdings continue to reflect the Fund's objective of investing in a diversified portfolio of financial service companies.

Fund performance

Fund performance reflected a decrease in net asset value per share of approximately 4-5% during the year. This decrease was primarily the result of unrealized depreciation in the venture portfolio.

Class A, Series I returned -4.4%, Class A, Series II returned -4.6%, Class A, Series III returned -5.1%, and Class A, Series IV returned -5.1% versus the DEX Mid_Term Bond Index of 3.3% and the Globe Labour Sponsored Peer Index of -1.1%.

RECENT DEVELOPMENTS

Turmoil characterized global equity markets during January 2008. Trading ranges of several hundred points were the order of the day on several occasions for the major equity indices. The continued unwinding of the U.S. sub-prime mortgage debacle saw additional writedowns at several major financial institutions. A potential trading fraud of record proportions at a top European bank made headlines and added to volatility as its positions were unwound. Against this backdrop, increased uncertainty over the health of the U.S. economy added to the fears of market participants, leading to declines on virtually all stock markets worldwide during the month.

Events prompted the U.S. Federal Reserve to cut interest rates by an aggressive three-quarters of a percentage point, and to follow up soon after with a further cut of half a percentage point. By contrast, the Bank of Canada's modest quarter point rate reduction served to provide greater interest rate differentiation and additional support for the Canadian dollar emerged. Not surprisingly, the fixed-income market reflected the volatility of the equity markets. Yields on 10-year Government of Canada bonds fell by close to a quarter of a percentage point over the course of the month, only to close out virtually unchanged at month's end. The story was different for short-term securities as two-year yields fell about half a percentage point, but closed the month down about a third of a percentage point.

VENTURELINK FINANCIAL SERVICES INNOVATION FUND INC.

Management Report of Fund Performance for the year ended December 31, 2007

Ontario Tax Benefits

On September 30, 2005, the Ontario government announced that it is planning to remove the provincial tax credit for investors by the end of the 2011 RSP season. 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. In December of 2007, the Ontario Government announced that it intended to extend the tax credit by one year to the end of the 2012 RSP season and that it would increase the annual contribution eligible for provincial credit from \$5,000 to \$7,500. These measures have not received Royal Assent and are not yet law.

RELATED PARTY TRANSACTIONS

Manager

The Manager, Advisor and Sponsor are deemed to be related parties and earned \$4,237 from the Fund. This amount represents fees for management, investment advisor and sponsor services. In addition, the Fund accrued \$698 of performance fees and paid performance fees of \$1,902 during the year resulting in an ending accrual of \$3,814. Accrued performance fees will be payable to the Manager in future periods if certain criteria are achieved.

Management Fees

In consideration of the management fees received for the period, 100% of the fees were used to pay for administration.

Registrar and Transfer Agent

United Financial Corporation is the registrar and transfer agent for the Fund.

VENTURELINK FINANCIAL SERVICES INNOVATION FUND INC.

Management Report of Fund Performance for the year ended December 31, 2007

FINANCIAL HIGHLIGHTS

The Fund's Net Assets per Share table shows selected key financial information about the Fund and is intended to help you understand the Fund's financial performance for each of the five years ended December 31, as applicable. This information is derived from the Fund's audited annual financial statements.

The Ratios & Supplemental Data shown below are based on net asset values.

THE FUND'S NET ASSETS PER SHARE (\$) ⁽¹⁾⁽²⁾

CLASS A, SERIES I SHARES	Dec. 31 2007	Dec. 31 2006	Dec. 31 2005	Dec. 31 2004	Dec. 31 2003
Net assets, beginning of year ⁽³⁾⁽⁹⁾	11.91	10.40	9.79	10.49	10.38
Increase (decrease) from operations:					
Total revenue	0.80	1.10	0.67	0.47	0.50
Total expenses	(0.73)	(1.01)	(0.78)	(0.54)	(0.85)
Realized gain (loss) for the year	0.67	0.57	0.02	0.12	–
Unrealized gain (loss) for the year	(1.16)	0.85	0.72	0.26	0.58
Total increase (decrease) from operations ⁽³⁾	(0.42)	1.51	0.63	0.31	0.23
Dividends					
From income (excluding dividends)	–	–	–	–	–
From dividends	–	–	–	0.15	–
From capital gains	–	–	–	–	–
Return of capital	–	–	–	–	–
Total dividends ⁽³⁾⁽⁴⁾	–	–	–	0.15	–
Net assets at end of year shown ⁽³⁾⁽⁹⁾	11.49	11.92	10.40	9.79	10.49
RATIOS AND SUPPLEMENTAL DATA					
Total net asset value (\$000's)	65,447	66,436	58,564	55,658	60,079
Number of shares outstanding (000's)	5,520	5,574	5,629	5,682	5,729
Management Fee (%) ⁽⁵⁾	1.25	1.25	1.25	1.25	1.25
Investment advisor fee (%) ⁽⁵⁾	2.00	2.00	2.00	2.00	2.00
Management expense ratio (%) ⁽⁶⁾	5.90	8.74	7.40	5.13	7.78
Portfolio turnover rate (%) ⁽⁷⁾	27.83	17.63	4.43	12.37	41.00
Trading expense ratio (%) ⁽⁸⁾	0.01	–	–	N/A	N/A
Net Asset Value at end of year ⁽⁹⁾	11.85	12.41	11.03	9.79	10.49

VENTURELINK FINANCIAL SERVICES INNOVATION FUND INC.

Management Report of Fund Performance for the year ended December 31, 2007

THE FUND'S NET ASSETS PER SHARE (\$) ⁽¹⁾⁽²⁾ cont'd

CLASS A, SERIES II SHARES	Dec. 31 2007	Dec. 31 2006	Dec. 31 2005	Dec. 31 2004	Dec. 31 2003
Net assets, beginning of year ⁽³⁾⁽⁹⁾	12.03	10.60	10.05	10.44	10.34
Increase (decrease) from operations:					
Total revenue	0.79	1.09	0.67	0.47	0.50
Total expenses	(0.79)	(1.07)	(0.84)	(0.59)	(0.85)
Realized gain (loss) for the year	0.66	0.56	0.02	0.12	-
Unrealized gain (loss) for the year	(1.15)	0.85	0.72	0.26	0.57
Total increase (decrease) from operations ⁽³⁾	(0.49)	1.43	0.57	0.26	0.22
Dividends					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	0.15	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
Total dividends ⁽³⁾⁽⁴⁾	-	-	-	0.15	-
Net assets at end of year shown ⁽³⁾⁽⁹⁾	11.56	12.05	10.60	10.05	10.44
RATIOS AND SUPPLEMENTAL DATA					
Total net asset value (\$000's)	8,731	9,008	7,994	7,679	8,073
Number of shares outstanding (000's)	742	748	754	764	773
Management Fee (%) ⁽⁵⁾	1.25	1.25	1.25	1.25	1.25
Investment advisor fee (%) ⁽⁵⁾	2.00	2.00	2.00	2.00	2.00
Management expense ratio (%) ⁽⁶⁾	6.43	9.26	7.94	5.67	7.80
Portfolio turnover rate (%) ⁽⁷⁾	27.83	17.63	4.43	12.37	41.00
Trading expense ratio (%) ⁽⁸⁾	0.01	-	-	-	-
Net Asset Value at end of year ⁽⁹⁾	11.77	12.34	10.97	10.05	10.44

CLASS A, SERIES III SHARES	Dec. 31 2007	Dec. 31 2006	Dec. 31 2005	Dec. 31 2004
Net assets, beginning of year ⁽³⁾⁽⁹⁾	11.78	10.54	10.14	10.00
Increase (decrease) from operations:				
Total revenue	0.75	1.05	0.64	0.44
Total expenses	(0.89)	(1.15)	(0.93)	(0.68)
Realized gain (loss) for the year	0.63	0.54	0.02	0.11
Unrealized gain (loss) for the year	(1.09)	0.81	0.69	0.25
Total increase (decrease) from operations ⁽³⁾	(0.60)	1.25	0.42	0.12
Dividends				
From income (excluding dividends)	-	-	-	-
From dividends	-	-	-	-
From capital gains	-	-	-	-
Return of capital	-	-	-	-
Total dividends ⁽³⁾⁽⁴⁾	-	-	-	-
Net assets at end of year shown ⁽³⁾⁽⁹⁾	11.20	11.80	10.54	10.14
RATIOS AND SUPPLEMENTAL DATA				
Total net asset value (\$000's)	32,495	27,714	19,677	13,412
Number of shares outstanding (000's)	2,902	2,350	1,867	1,323
Management Fee (%) ⁽⁵⁾	1.25	1.25	1.25	1.25
Investment advisor fee (%) ⁽⁵⁾	2.00	2.00	2.00	2.00
Management expense ratio (%) ⁽⁶⁾	7.55	10.37	9.16	6.87
Portfolio turnover rate (%) ⁽⁷⁾	27.83	17.63	4.43	12.37
Trading expense ratio (%) ⁽⁸⁾	0.01	-	-	-
Net Asset Value at end of year ⁽⁹⁾	11.20	11.80	10.54	10.14

VENTURELINK FINANCIAL SERVICES INNOVATION FUND INC.

Management Report of Fund Performance for the year ended December 31, 2007

THE FUND'S NET ASSETS PER SHARE (\$) ⁽¹⁾⁽²⁾ cont'd

	Dec. 31 2007	Dec. 31 2006	Dec. 31 2005	Dec.31 2004
CLASS A, SERIES IV SHARES				
Net assets, beginning of year ⁽³⁾⁽⁹⁾	11.80	10.56	10.16	10.00
Increase (decrease) from operations:				
Total revenue	0.75	1.05	0.64	0.43
Total expenses	(0.89)	(1.15)	(0.93)	(0.68)
Realized gain (loss) for the year	0.63	0.54	0.02	0.11
Unrealized gain (loss) for the year	(1.10)	0.81	0.69	0.25
Total increase (decrease) from operations ⁽³⁾	(0.61)	1.25	0.42	0.11
Dividends				
From income (excluding dividends)	-	-	-	-
From dividends	-	-	-	-
From capital gains	-	-	-	-
Return of capital	-	-	-	-
Total dividends ⁽³⁾⁽⁴⁾	-	-	-	-
Net assets at end of year shown ⁽³⁾⁽⁹⁾	11.21	11.81	10.56	10.16
RATIOS AND SUPPLEMENTAL DATA				
Total net asset value (\$000's)	9,890	7,995	5,465	3,408
Number of shares outstanding (000's)	882	677	518	335
Management Fee (%) ⁽⁵⁾	1.25	1.25	1.25	1.25
Investment advisor fee (%) ⁽⁵⁾	2.00	2.00	2.00	2.00
Management expense ratio (%) ⁽⁶⁾	7.58	10.40	9.16	6.88
Portfolio turnover rate (%) ⁽⁷⁾	27.83	17.63	4.43	12.37
Trading expense ratio (%) ⁽⁸⁾	0.01	-	-	-
Net Asset Value at end of year ⁽⁹⁾	11.21	11.81	10.56	10.16

(1) The amounts in the Fund's Net Assets per Share (\$) table have been adjusted to conform to the requirements of National Instrument 81-106, which came into effect in 2005. It is not intended that this table act as a continuity of beginning and ending Net Assets per share. Any prior year audited information has not been restated and is stated as previously published.

(2) The following classes of shares of the Fund commenced operations:

Class A, Series I shares	January 1, 2002
Class A, Series II shares	January 1, 2002
Class A, Series III shares	January 1, 2004
Class A, Series IV shares	January 1, 2004

(3) Net assets per share and dividends per share are based on the actual number of shares outstanding for the relevant class on the relevant date. The increase (decrease) in net assets from operations per share is based on the weighted average number of shares outstanding for the relevant class over the fiscal period.

(4) Dividends are automatically reinvested in additional shares of the Fund, unless the shareholder withdraws from the automatic reinvestment plan by providing written notice to the Manager, or unless the Fund elects to pay them.

(5) The Fund has entered into various agreements including management, investment advisory and administration agreements. The annualized fees are as shown.

(6) Management expense ratio is calculated based on expenses charged directly to the Fund plus, if applicable, expenses of the underlying funds, calculated on a weighted average basis based on the percentage weighting of each underlying fund and is expressed as an annualized percentage of average daily net asset value for the period.

(7) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the fiscal period. The higher a Fund's portfolio turnover rate in a period, the greater the trading costs payable by the Fund in the period, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a higher turnover rate and the performance of a Fund. Portfolio turnover rate is calculated by dividing the lesser of the cost of purchases and the proceeds of sales of portfolio securities for the period, excluding cash and short-term investments maturing in less than one year and the value of any securities acquired as a result of merger, by the average of the monthly market value of investments during the period.

VENTURELINK FINANCIAL SERVICES INNOVATION FUND INC.

Management Report of Fund Performance for the year ended December 31, 2007

FINANCIAL HIGHLIGHTS cont'd

- (8) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value of the Fund during the period. The trading expense ratio is provided from 2005 onwards.
- (9) The Canadian Securities Administrators issued a notice and request for comments to the proposed amendments to NI 81-106, form 81-106F1 and 81-106CP on June 1, 2007. The proposed amendments permit investment funds to have two different net asset values: one for financial statements prepared in accordance with Canadian GAAP (referred to as "Net Assets" in the proposal) and one for the purchase and redemption price of an investment fund (referred to as "Net Asset Value" in the proposal). Net Assets requires bid price (for long securities) or ask price (for securities held short) to be used in the fair valuation of investments whereas Net Asset Value uses closing sale prices. The provisions of Section 3855 have been applied retroactively without restatement of prior periods. Accordingly, the net assets at the beginning of the current period has been adjusted as follows:

	Class A, Series I shares	Class A, Series II shares	Class A, Series III shares	Class A, Series IV shares
Net Assets per unit, beginning of period - Adjustment	0.01	0.02	0.02	0.01

VENTURELINK FINANCIAL SERVICES INNOVATION FUND INC.

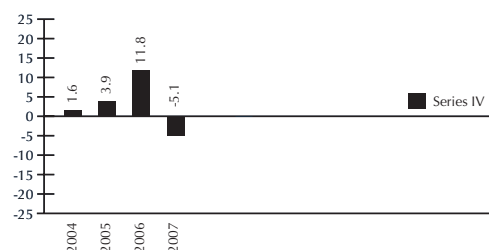
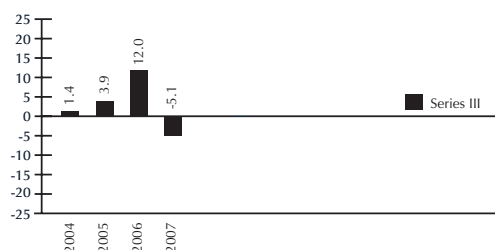
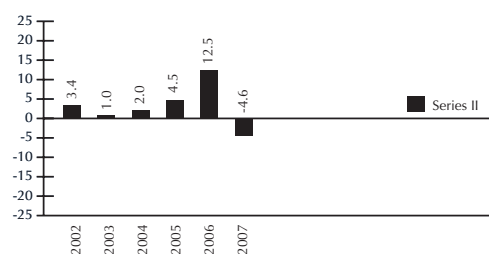
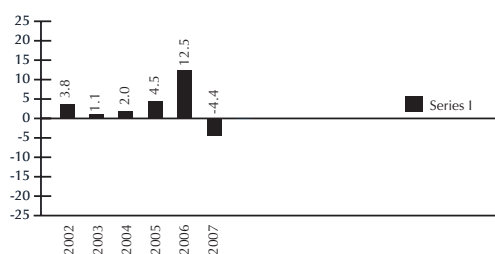
Management Report of Fund Performance for the year ended December 31, 2007

PAST PERFORMANCE

This section describes how the Fund has performed in the past. Remember, past returns do not indicate how the Fund will perform in the future. Returns shown are based on Net Asset Value per share, which differs from the GAAP net asset values per share (Note 3 of the Financial Statements). The information shown assumes that dividends paid by the Fund in the periods shown were reinvested in additional shares of the relevant classes of the Fund. In addition, the information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance.

Year-by-Year Returns

The following charts show the Fund's annual performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. In percentage terms, the chart shows how much an investment made on the first day of each financial period would have grown or decreased by the last day of each financial period.



Annual Compound Returns

The following table shows the Fund's annual compound returns, compared to the DEX Mid Term Bond Index and Globe Labour-Sponsored Peer Index.

DEX Mid Term Bond Index is comprised of Canadian, provincial and municipal government bond issues and corporate bond issues with maturities from five to ten years. The index is a component of the DEX Universe Bond Index.

The Globe Labour-Sponsored Peer Index is an equally weighted average of mutual funds within the Labour-Sponsored Investment Fund asset class.

A discussion of the performance of the Fund as compared to the DEX Mid Term Bond Index and Globe Labour-Sponsored Peer Index is found in the Results of Operations section of this report.

	One Year	Three Years	Five Years	Since Inception
Class A, Series I (%)	-4.4	4.0	3.0	3.1
DEX Mid Term Bond 100%	3.3	4.3	5.5	6.4
Globe Labour Sponsored Peer Index 100%	-1.1	-0.9	-2.0	-3.3
Class A, Series II (%)	-4.6	3.9	2.9	3.0
DEX Mid Term Bond 100%	3.3	4.3	5.5	6.4
Globe Labour Sponsored Peer Index 100%	-1.1	-0.9	-2.0	-3.3
Class A, Series III (%)	-5.1	3.4	N/A	2.9
DEX Mid Term Bond 100%	3.3	4.3	N/A	4.9
Globe Labour Sponsored Peer Index 100%	-1.1	-0.9	N/A	-1.9
Class A, Series IV (%)	-5.1	3.3	N/A	2.9
DEX Mid Term Bond 100%	3.3	4.3	N/A	6.4
Globe Labour Sponsored Peer Index 100%	-1.1	-0.9	N/A	-1.9

VENTURELINK FINANCIAL SERVICES INNOVATION FUND INC.

Management Report of Fund Performance for the year ended December 31, 2007

SUMMARY OF INVESTMENT PORTFOLIO (as at December 31, 2007)

Industry Sector	Number of companies	Cost (in \$000's)	Fair Market Value (in \$000's)	% of cost	% of FMV
Sector					
Financials	17	61,662	56,584	100.0%	100.0%

Stage of Development	Number of companies	Cost (in \$000's)	Fair Market Value (in \$000's)	% of cost	% of FMV
Investment Stage					
Public	5	13,429	10,397	21.8	18.4
Private	12	48,233	46,187	78.2	81.6
	17	61,662	56,584	100.0	100.0

The summary of investment portfolio may change due to ongoing portfolio transactions of the Fund and updates will be available on a semi-annual basis.

A NOTE ON FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective," and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual

events or results to differ materially from those expressed or implied in any forward-looking statement made by the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchanges rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.