

# 2011 Semi-Annual Financial Statements

Period ended June 30, 2011



**VENTURELINK**  
FUNDS

VentureLink Innovation Fund Inc.

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VENTURELINK INNOVATION FUND INC.

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# VENTURELINK INNOVATION FUND INC.

## Financial Statements

### Statement of Investment Portfolio (as at June 30, 2011) (unaudited)

Par Value/ Number of Shares	Description	Maturity date/ Expiration Date	Average Cost (in \$000's)	Fair Value (in \$000's)
<b>Linked Notes (26.5%)</b>				
5,000,000	S&P/TSX 60 Total Return Index Linked Note	January 31, 2014	5,835	6,462
5,000,000	S&P/TSX Canadian Financial Sector Index Linked Note (TD)	January 31, 2012	5,000	8,857
10,000,000	S&P/TSX Capped Financial Index Note (CIBC)	January 31, 2012	10,000	9,907
7,000,000	S&P/TSX Capped Financial Total Return Index Linked Note	January 31, 2013	7,000	8,639
12,000,000	Toronto-Dominion Bank S&P/TSX Capped Financials Total Return Index Linked Note	January 30, 2015	12,000	11,997
<b>Total Linked Notes</b>			<b>39,835</b>	<b>45,862</b>
<b>Marketable Securities (5.2%)</b>				
263,450	Canadian Imperial Bank of Commerce, Strip Bond	December 31, 2013	252	246
51,600	iShares S&P/TSX 60 Index Fund		920	986
8,435,511	Ontario Hydro Residual Strip, debenture	October 17, 2014	7,883	7,794
<b>Total Marketable Securities</b>			<b>9,055</b>	<b>9,026</b>
<b>Venture Investments (65.3%)*</b>				
<b>Publicly traded securities (5.0%)</b>				
1,106,350	Biox Corp., common shares		1,250	548
2,053,000	Clearford Industries Inc., common shares		452	585
948,658	Coventree Inc.		3,462	2,286
508,565	Dragonwave Inc., common shares		3,840	2,950
3,860,000	Futura Loyalty Group Inc.		154	101
1,832	Macquarie Group Ltd.		5	59
2,744	Macquarie Group Ltd.		4	31
389,070	MP Western Properties Inc.		25	21
389,070	MP Western Properties Inc., Class A		-	-
500,000	Sprott Power Corp.		490	445
500,000	Sprott Power Corp., restricted		490	438
500,000	Sprott Power Corp., restricted		490	401
500,000	Sprott Power Corp., restricted		490	363
464,216	Xceed Mortgage Corp.		2,171	348
			<b>13,323</b>	<b>8,576</b>
<b>Financial Services (25.4%)</b>				
40,000	Clubb Finance Corp., common shares		100	
1,500,000	Clubb Finance Corp., debenture	October 15, 2012	1,500	
1,500,000	Clubb Finance Corp., debenture	October 15, 2012	1,500	
359,900	Clubb Finance Corp., debenture	November 2, 2012	360	
4,140,100	Clubb Finance Corp., debenture	November 2, 2012	4,140	
1,050,000	Clubb Finance Corp., debenture	April 18, 2014	1,050	
1,000,000	Clubb Finance Corp., debenture	September 9, 2011	1,000	
383,333	Clubb Finance Corp., warrant		-	
500,000	Clubb Finance Corp., warrant		-	
4,725,579	Covarity Inc., Class B, preferred shares		2,363	
795	Covarity Inc., common shares		-	

\*A portion of the Fund's venture investment portfolio is in the form of debt investments with interest rates ranging from 5% to 14%. Percentages shown in brackets relate investments at fair value to net assets of the Fund. The accompanying notes are an integral part of these financial statements.

# VENTURELINK INNOVATION FUND INC.

## Financial Statements

### Statement of Investment Portfolio (as at June 30, 2011) (unaudited) (cont'd)

Par Value/ Number of Shares	Description	Maturity date/ Expiration Date	Average Cost (in \$000's)	Fair Value (in \$000's)
<b>Venture Investments (65.3%) (cont'd)*</b>				
<b>Financial Services (25.4%) (cont'd)</b>				
500,000	Covarity Inc., debenture	September 15, 2013	500	
2,333,336	Coventree Inc., debenture	December 31, 2011	2,333	
126,136,364	DCR Strategies Inc., common shares		-	
4,000,000	DCR Strategies Inc., loan	December 31, 2011	4,000	
9,000	Fund 321 Limited Partnership		8,924	
1,025,738	Futura Loyalty Group Inc., debenture	December 31, 2012	1,026	
3,750,000	Futura Loyalty Group Inc., warrant		-	
1,071	Global Leasing Group Inc., common shares		-	
100,000	Global Leasing Group Inc., debenture	September 4, 2013	100	
460	Global Leasing Group Inc., option		-	
2,000,000	Global Leasing Group Inc., promissory note	March 10, 2015	2,000	
2,000	Global Leasing Group Inc., warrant		-	
60	GP 4321 Ltd. (Wellington), Class C		-	
2,000	Intrepid Business Acceleration Fund		1,400	
551	Kensington Capital Partners - 2B Units		9	
1,291,543	Kensington Capital Partners Ltd., debenture	December 15, 2018	1,292	
2,000,000	Kensington Capital Partners Ltd., debenture	April 17, 2012	2,000	
551,392	Kensington Capital Partners Ltd., debenture	July 31, 2014	551	
898,320	Lexfund Inc., promissory note	September 15, 2011	898	
50,000	Lexfund Inc., promissory note	September 15, 2011	50	
50,000	Lexfund Inc., promissory note	September 15, 2011	50	
100,000	Lexfund Inc., promissory note	September 15, 2011	100	
50,000	Lexfund Inc., promissory note	September 15, 2011	50	
657,160	Lexfund Inc., promissory note	September 15, 2011	657	
6,000,000	Mavrix Fund Management, debenture	July 2, 2014	6,000	
185,528	N-Brook Lender Services Inc., debenture	August 31, 2012	186	
1,310,000	N-Brook Lender Services Inc., debenture	August 31, 2012	1,310	
516,779	N-Brook Lender Services Inc., debenture	August 31, 2012	517	
415,401	N-Brook Lender Services Inc., debenture	August 31, 2012	415	
1,063,150	N-Brook Lender Services Inc., debenture	August 31, 2012	1,063	
1,134,472	N-Brook Lender Services Inc., debenture	August 31, 2012	1,134	
5,328	Nexgen Financial, common shares		1	
4,000,000	PerformINS Canada Inc., common shares		-	
2,000,000	PerformINS Canada Inc., debenture	January 1, 2012	2,000	
485,000	PerformINS Canada Inc., debenture	January 1, 2012	485	
300,000	PerformINS Canada Inc., debenture	January 1, 2012	300	
715,000	PerformINS Canada Inc., debenture	January 1, 2012	715	
1,000,000	PerformINS Canada Inc., debenture	January 1, 2012	1,000	
350,000	PerformINS Canada Inc., debenture	January 1, 2012	350	
1,200,000	PerformINS Canada Inc., debenture	January 1, 2012	1,200	
955,451	The Futura Loyalty Group Inc., warrant	July 1, 2011	-	
60	Wellington General Partnership Corp.		-	
1,500	WF Fund III Limited Partnership		1,396	
8,900	WF Fund III Limited Partnership		-	
			<b>56,025</b>	<b>43,882</b>

\*A portion of the Fund's venture investment portfolio is in the form of debt investments with interest rates ranging from 5% to 14%. Percentages shown in brackets relate investments at fair value to net assets of the Fund. The accompanying notes are an integral part of these financial statements.

# VENTURELINK INNOVATION FUND INC.

## Financial Statements

### Statement of Investment Portfolio (as at June 30, 2011) (unaudited) (cont'd)

Par Value/ Number of Shares	Description	Maturity date/ Expiration Date	Average Cost (in \$000's)	Fair Value (in \$000's)
<b>Venture Investments (65.3%) (cont'd)*</b>				
<b>Biotechnology (1.3%)</b>				
2,344,060	Cytochroma Inc, Class B, common shares		2,578	
516,075	Cytochroma Inc, Class C, common shares		707	
800,000	Cytochroma Inc., Class B, preferred shares		880	
3,803,306	Performance Plants Inc., common shares		-	
500,000	Performance Plants Inc., loan	March 31, 2012	500	
			<b>4,665</b>	<b>2,214</b>
<b>Energy &amp; Environmental (8.9%)</b>				
75,000	Adventus Intellectual Property Inc, loan	March 31, 2012	75	
210,907	Adventus Intellectual Property Inc., common shares		-	
1,984,477	Adventus Intellectual Property Inc., preferred shares		992	
446,425	Biox Corp., special warrant		-	
55,633	EcoSynthetix Adhesives Inc, exchangeable shares		1,325	
7,980	EcoSynthetix Adhesives Inc, exchangeable shares USD		165	
55,633	EcoSynthetix Adhesives Inc, special voting shares		-	
277,060	EcoSynthetix Adhesives Inc., exchangeable shares		5,738	
277,060	EcoSynthetix Adhesives Inc., special voting shares		-	
44,550	Ecosynthetix Inc., Series A3, preferred shares		1,061	
5,006	EcoSynthetix Inc., Series A3, preferred shares		93	
500,000	Sprott Power Corp., warrants	June 14, 2012	-	
500,000	Sprott Power Corp., warrants, restricted	June 14, 2012	-	
500,000	Sprott Power Corp., warrants, restricted	June 14, 2012	-	
500,000	Sprott Power Corp., warrants, restricted	June 14, 2012	-	
80,000	Planet Energy Corp., warrant		400	
			<b>9,849</b>	<b>15,542</b>
<b>Information Technology (11.6%)</b>				
1,666,667	Aimetis Corp, common shares		2,500	
1,200,000	Ebuild.ca Inc., Series A, preferred shares		-	
112,946	Panorama Software Inc., common shares		-	
916,668	Peraso Technologies Inc., Class A, preferred shares		917	
891,679	Peraso Technologies Inc., Class B, preferred shares		892	
1,097,000	Peraso Technologies Inc., warrants	October 1, 2014	-	
6,449,311	SCI Ltd., common shares		4,902	
2,333,333	SCI Ltd., debenture	October 12, 2012	2,333	
779,390	SCI Ltd., preferred shares		5,000	
302,105	SCI Ltd., purchase warrants		-	
116,908	SCI Ltd., warrants		-	
2,189,040	Showcare Event Management Inc., Class D		1,400	
600,000	Showcare Event Management Inc., debenture	March 31, 2012	600	
400,000	Showcare Event Management Inc., debenture	June 30, 2013	400	
4,292,024	Sidense Corp., Class B, preferred shares		1,875	
500,000	Sidense Corp., promissory note	September 8, 2011	500	
			<b>21,319</b>	<b>19,977</b>

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# VENTURELINK INNOVATION FUND INC.

## Financial Statements

### Statement of Investment Portfolio (as at June 30, 2011) (unaudited) (cont'd)

Par Value/ Number of Shares	Description	Maturity date/ Expiration Date	Average Cost (in \$000's)	Fair Value (in \$000's)
<b>Venture Investments (65.3%) (cont'd)*</b>				
<b>Services and Others (2.6%)</b>				
450	Investigative Research Group Inc., common shares		-	
2,000,000	Investigative Research Group Inc., debenture	July 31, 2012	2,000	
531,170	Groove Media Inc., common shares		-	
920,140	Groove Media Inc., common shares		-	
5,000,000	Koprash Inc., debenture	July 31, 2012	1,000	
450	Koprash Inc., common shares		-	
250,000	Koprash Inc., promissory note	July 31, 2012	250	
100,000	ONTrack Media and Entertainment Inc., common shares		-	
2,750,000	ONTrack Media and Entertainment Inc., debenture	September 30, 2013	2,171	
109,539	ONTrack Media and Entertainment Inc., participating notes	September 30, 2013	101	
			<b>5,522</b>	<b>4,507</b>
<b>Underlying Funds (10.5%)</b>				
365,000	Brighter Future CSBIF(I) Fund Inc. (see Schedule A)		7,453	
365,000	Brighter Future CSBIF(II) Fund Inc. (see Schedule B)		7,293	
430,000	Diversified Balanced CSBIF(I) Fund Inc. (see Schedule C)		1,471	
430,000	Diversified Balanced CSBIF(II) Fund Inc. (see Schedule D)		1,475	
			<b>17,692</b>	<b>18,126</b>
<b>Total Venture Investments</b>			<b>128,395</b>	<b>112,824</b>
<b>Short Term Notes (2.9%)</b>			<b>4,996</b>	<b>4,999</b>
<b>Total Investments (99.9%)</b>			<b>182,281</b>	<b>172,711</b>
<b>Other net assets (0.1%)</b>				<b>127</b>
<b>Total net assets (100.0%)</b>				<b>172,838</b>

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# VENTURELINK INNOVATION FUND INC.

## Statement of Investment Portfolio (as at June 30, 2011) (unaudited)

Par Value/ Number of Shares	Description	Maturity date/ Expiration Date	Average Cost (in \$000's)	Fair Value (in \$000's)
<b>Schedule A</b>				
<b>Brighter Future CSBIF(I) Funds Inc.</b>				
<b>Marketable Securities (89.1%)</b>				
6,960,662	Ontario Hydro Residual Strip, debenture	Friday, October 17, 2014	6,557	6,432
<b>Total Marketable Securities</b>			<b>6,557</b>	<b>6,432</b>
<b>Venture Investments (5.9%)</b>				
<b>Publicly traded securities (3.5%)</b>				
509,663	Biox Corp., common shares		1,105	252
<b>Energy &amp; Environmental (2.4%)</b>				
37,198	Adventus Intellectual Property Inc., common shares		-	
350,000	Adventus Intellectual Property Inc., preferred shares		350	
			<b>350</b>	<b>175</b>
<b>Total Venture Investments</b>			<b>1,455</b>	<b>427</b>
<b>Total Investments (95.0%)</b>			<b>8,012</b>	<b>6,859</b>
<b>Other net assets (5.0%)</b>				<b>364</b>
<b>Total net assets (100.0%)</b>				<b>7,223</b>

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

# VENTURELINK INNOVATION FUND INC.

## Financial Statements

### Statement of Investment Portfolio (as at June 30, 2011) (unaudited)

Par Value/ Number of Shares	Description	Maturity date/ Expiration Date	Average Cost (in \$000's)	Fair Value (in \$000's)
<b>Schedule B</b>				
<b>Brighter Future CSBIF(II) Funds Inc.</b>				
<b>Marketable Securities (91.4%)</b>				
4,236,550	Canadian Imperial Bank of Commerce, Strip Bond	Friday, December 13, 2013	3,939	3,955
2,818,368	Ontario Hydro Residual Strip, debenture	Friday, October 17, 2014	2,611	2,604
<b>Total Marketable Securities</b>			<b>6,550</b>	<b>6,559</b>
<b>Venture Investments (3.2%)</b>				
<b>Publicly traded securities (0.8%)</b>				
109,663	Biox Corp., common shares		763	54
<b>Energy &amp; Environmental (2.4%)</b>				
37,198	Adventus Intellectual Property Inc., common shares		-	
350,000	Adventus Intellectual Property Inc., preferred shares		350	
			<b>350</b>	<b>175</b>
<b>Total Venture Investments</b>			<b>1,113</b>	<b>229</b>
<b>Total Investments (94.6%)</b>			<b>7,663</b>	<b>6,788</b>
<b>Other net assets (5.4%)</b>				<b>395</b>
<b>Total net assets (100.0%)</b>				<b>7,183</b>

Percentages shown in brackets relate investments at fair value to net assets of the Underlying Fund.  
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## Financial Statements

### Statement of Investment Portfolio (as at June 30, 2011) (unaudited)

Par Value/ Number of Shares	Description	Maturity date/ Expiration Date	Average Cost (in \$000's)	Fair Value (in \$000's)
<b>Schedule C</b>				
<b>Diversified Balanced CSBIF(I) Fund Inc.</b>				
<b>Marketable Securities (48.6%)</b>				
976,675	Ontario Hydro Residual Strip, debenture	October 17, 2014	834	903
<b>Total Marketable Securities</b>			<b>834</b>	<b>903</b>
<b>Venture Investments (37.4%)</b>				
<b>Publicly traded securities (0.1%)</b>				
90,000	Futura Loyalty Group Inc.		75	2
<b>Financial Services (0.0%)</b>				
618,612	Covarity Inc., common shares		850	-
<b>Information Technology (37.3%)</b>				
792,393	SCI Ltd., common shares		850	
59,095	SCI Ltd., debenture	October 12, 2012	59	
7,651	SCI Ltd., purchase warrants		-	
<b>Total Venture Investments</b>			<b>1,834</b>	<b>695</b>
<b>Total Investments (86.0%)</b>			<b>2,668</b>	<b>1,598</b>
<b>Other net assets (14.0%)</b>				<b>260</b>
<b>Total net assets (100.0%)</b>				<b>1,858</b>

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

# VENTURELINK INNOVATION FUND INC.

## Financial Statements

### Statement of Investment Portfolio (as at June 30, 2011) (unaudited)

Par Value/ Number of Shares	Description	Maturity date/ Expiration Date	Average Cost (in \$000's)	Fair Value (in \$000's)
<b>Schedule D</b>				
<b>Diversified Balanced CSBIF(II) Fund Inc.</b>				
<b>Marketable Securities (48.6%)</b>				
978,784	Ontario Hydro Residual Strip, Debenture	October 17, 2014	836	905
<b>Total Marketable Securities</b>			<b>836</b>	<b>905</b>
<b>Venture Investments (37.3%)</b>				
<b>Publicly traded securities (0.1%)</b>				
90,000	Futura Loyalty Group Inc.		75	2
<b>Financial Services (0.0%)</b>				
618,612	Covarity Inc., common shares		850	-
<b>Information Technology (37.2%)</b>				
792,393	SCI Ltd., common shares		850	
59,095	SCI Ltd., debenture	October 12, 2012	59	
7,651	SCI Ltd., purchase warrants		-	
			<b>909</b>	<b>693</b>
<b>Total Venture Investments</b>			<b>1,834</b>	<b>695</b>
<b>Total Investments (85.9%)</b>			<b>2,670</b>	<b>1,600</b>
<b>Other net assets (14.1%)</b>				<b>262</b>
<b>Total net assets (100.0%)</b>				<b>1,862</b>

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

## Financial Statements

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

	As at June 30, 2011	As at December 31, 2010
<b>ASSETS</b>		
Investments at fair value *	167,712	179,172
Cash	2,411	2,623
Short term notes	4,999	34,980
Accrued interest	2,371	2,333
Subscriptions receivable	16	154
<b>Total assets</b>	<b>177,509</b>	<b>219,262</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	735	840
Performance fees payable	3,695	3,706
Redemptions payable	241	242
Class P shares	-	-
<b>Total liabilities</b>	<b>4,671</b>	<b>4,788</b>
<b>Net assets</b>	<b>172,838</b>	<b>214,474</b>
<b>*Investments at cost</b>	<b>177,285</b>	<b>176,124</b>
<b>Net assets by class</b>		
Class A, Series I shares	32,607	57,760
Class A, Series II shares	16,883	29,027
Class A, Series III shares	85,055	87,813
Class A, Series IV shares	36,948	38,550
Class A, Series VI shares	1,345	1,324
<b>Net assets per share (Note 3)</b> <b>(see Schedule of Net Assets per Share and Net Asset Value per Share)</b>		
Net assets per Class A, Series I share	9.58	9.91
Net assets per Class A, Series II share	9.53	9.90
Net assets per Class A, Series III share	9.44	9.91
Net assets per Class A, Series IV share	9.43	9.92
Net assets per Class A, Series VI share	9.45	9.92
<b>Number of shares outstanding</b> <b>(see Schedule of Fund Share Transactions)</b>		
Class A, Series I shares outstanding	3,404,075	5,830,593
Class A, Series II shares outstanding	1,772,504	2,931,872
Class A, Series III shares outstanding	9,013,956	8,863,643
Class A, Series IV shares outstanding	3,918,299	3,885,819
Class A, Series VI shares outstanding	142,211	133,500

Approved by the Board of Directors:



Geoff Horton  
CEO



James Whitaker  
CFO

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

## Financial Statements

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

	Period Ended June 30	
	2011	2010
<b>INVESTMENT INCOME</b>		
Dividends	18	–
Interest	1,624	1,225
Placement and participation fees	313	155
Miscellaneous	7	8
	<u>1,962</u>	<u>1,388</u>
<b>EXPENSES</b>		
Management fees (Note 5)	1,195	707
Performance fees (Note 5)	104	241
Shareholder administration	1,272	773
Sponsor's fees (Note 5)	239	141
Audit fees	111	96
Capital tax	–	31
Legal fees	129	24
Distribution service fees	935	458
Investment advisory fees (Note 5)	1,911	1,130
Goods and services tax/Harmonized sales tax	581	142
	<u>6,477</u>	<u>3,743</u>
<b>Net investment income (loss) for the period</b>	<b>(4,515)</b>	<b>(2,355)</b>
<b>Realized and unrealized gain (loss) on investments and commissions and other portfolio transaction costs</b>		
Realized gain (loss) on investments	9,147	5,155
Capital gain distribution from investments	–	–
Commissions and other portfolio transaction costs (Note 7)	(1)	(1)
Change in unrealized appreciation (depreciation) of marketable securities and short term notes	(6,383)	(6,228)
Change in unrealized appreciation (depreciation) of venture investments	(6,248)	(289)
<b>Net gain (loss) on investments</b>	<b>(3,485)</b>	<b>(1,363)</b>
<b>Increase (decrease) in net assets from operations</b>	<b>(8,000)</b>	<b>(3,718)</b>
<b>Increase (decrease) in net assets from operations per class:</b>		
Class A, Series I shares	(1,078)	(1,247)
Class A, Series II shares	(684)	(187)
Class A, Series III shares	(4,249)	(1,702)
Class A, Series IV shares	(1,924)	(577)
Class A, Series VI shares	(65)	(5)
<b>Increase (decrease) in net assets from operations per share:</b>		
Class A, Series I shares	(0.24)	(0.27)
Class A, Series II shares	(0.30)	(0.29)
Class A, Series III shares	(0.47)	(0.36)
Class A, Series IV shares	(0.48)	(0.36)
Class A, Series VI shares	(0.47)	(0.33)

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# VENTURELINK INNOVATION FUND INC.

## Financial Statements

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

For the periods ended June 30	Fund		Class A, Series I		Class A, Series II	
	2011	2010	2011	2010	2011	2010
<b>Net assets, beginning of period</b>	214,474	117,763	57,760	54,712	29,027	7,300
<b>CAPITAL TRANSACTIONS</b>						
Proceeds from shares issued	2,846	7,457	–	–	–	–
Amounts paid for shares redeemed	(36,482)	(15,135)	(24,075)	(13,244)	(11,460)	(1,537)
	(33,636)	(7,678)	(24,075)	(13,244)	(11,460)	(1,537)
<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>	(8,000)	(3,718)	(1,078)	(1,247)	(684)	(187)
<b>Net assets, end of period</b>	172,838	106,367	32,607	40,221	16,883	5,576

For the periods ended June 30	Class A, Series III		Class A, Series IV		Class A, Series VI	
	2011	2010	2011	2010	2011	2010
<b>Net assets, beginning of period</b>	87,813	41,948	38,550	13,695	1,324	108
<b>CAPITAL TRANSACTIONS</b>						
Proceeds from shares issued	2,136	5,023	624	2,372	86	62
Amounts paid for shares redeemed	(645)	(277)	(302)	(77)	–	–
	1,491	4,746	322	2,295	86	62
<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>	(4,249)	(1,702)	(1,924)	(577)	(65)	(5)
<b>Net assets, end of period</b>	85,055	44,992	36,948	15,413	1,345	165

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

# VENTURELINK INNOVATION FUND INC.

## Financial Statements

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

	Period Ended June 30	
	2011	2010
<b>CASH PROVIDED BY (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>		
Net investment income (loss)	(4,515)	(2,355)
Proceeds of disposition of investments	53,340	19,593
Purchase of investments	(15,384)	(2,375)
Commissions and other portfolio transaction costs	(1)	1
Net change in non-cash balances related to operations	(153)	(639)
	33,287	14,225
<b>FINANCING ACTIVITIES</b>		
Dividends paid	–	–
Proceeds from shares issued	2,984	7,503
Cost of shares redeemed	(36,483)	(15,061)
	(33,499)	(7,558)
<b>Increase (decrease) in cash and cash equivalents during the period</b>	(212)	6,667
<b>Cash, beginning of period</b>	2,623	15,416
<b>Cash, end of period</b>	2,411	22,083

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

Semi-Annual Financial Statements as at June 30, 2011

# VENTURELINK INNOVATION FUND INC.

## Financial Statements

### Supplementary Schedules (unaudited)

#### Schedule of Fund Share Transactions

For the periods ended June 30	Class A, Series I		Class A, Series II		Class A, Series III	
	2011	2010	2011	2010	2011	2010
Balance, beginning of period	5,830,593	5,369,337	2,931,872	719,581	8,863,643	4,354,265
Issued during the period	–	239,593	–	24,253	216,475	761,539
Redeemed during the period	(2,426,518)	(1,535,124)	(1,159,368)	(175,517)	(66,162)	(264,032)
Balance, end of period	3,404,075	4,073,806	1,772,504	568,317	9,013,956	4,851,772

For the periods ended June 30	Class A, Series IV		Class A, Series VI	
	2011	2010	2011	2010
Balance, beginning of period	3,885,819	1,420,914	133,500	12,183
Issued during the period	63,231	295,725	8,735	7,080
Redeemed during the period	(30,751)	(55,098)	(24)	–
Balance, end of period	3,918,299	1,661,541	142,211	19,263

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

##### As at June 30, 2011

	Class A Series I	Class A Series II	Class A Series III	Class A Series IV	Class A Series VI
Net Assets per share	9.58	9.53	9.44	9.43	9.45
Net Asset Value per share	9.57	9.52	9.43	9.42	9.45

##### As at December 31, 2010

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

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

# VENTURELINK INNOVATION FUND INC.

## Financial Statements

### Fund Specific Financial Instruments Risks (Note 12) (unaudited)

#### Portfolio Breakdown as at June 30, 2011

Industry Sector	Number of companies	Cost (in \$000's)	Fair Value (in \$000's)	% of Cost	% of FV
<b>Sector</b>					
Financial Services	14	58,958	45,618	53.3	48.2
Energy and environmental	7	13,537	18,342	12.2	19.4
Biotechnology	2	4,666	2,214	4.2	2.3
Information Technology and Communications	7	28,020	24,017	25.3	25.3
Other services	3	5,522	4,507	5.0	4.8
	33	110,703	94,698	100.0	100.0

#### Portfolio Breakdown as at December 31, 2010

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

The Fund generally maintains a portfolio of venture investments and eligible reserves in the form of index linked notes, short-term notes and cash. At June 30, 2011 and December 31, 2010, the assets of the Fund consisted of the following:

	Fair value (in \$000's)	Total assets held for trading (%)
<b>as at June 30, 2011</b>		
Cash	2,411	1.3
Short-term notes	4,999	2.9
Linked notes	45,862	26.2
Marketable securities	9,026	5.2
Publicly traded equity securities	8,576	4.9
Private debt investments	40,822	23.3
Private equity investments	45,300	25.9
Underlying funds	18,126	10.3
<b>Financial assets held for trading</b>	<b>175,122</b>	<b>100.0</b>

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

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

# VENTURELINK INNOVATION FUND INC.

## Financial Statements

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

#### Other Price Risk

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

As at June 30, 2011, had the relevant index to the Fund increased or decreased by 10%, with all other variables held constant, index linked and publicly traded equity securities and private equity investments would have increased or decreased, respectively, by approximately \$9,974,000 (December 31, 2010 - \$11,255,000). In practice, the actual results may differ materially.

#### Interest Rate Risk

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

as at June 30, 2011	Less than 1 Year (in \$000's)	1 - 3 Years (in \$000's)	3 - 5 Years (in \$000's)	Greater than 5 Years (in \$000's)	Total (in \$000's)
<b>Interest Rate Exposure</b>	23,004	25,507	6,450	1,162	56,123

  

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

As at June 30, 2011, had the prevailing interest rates increased or decreased by 1.00% (December 31, 2010 - 1.00%), assuming a parallel shift in the yield curve, with all other variables held constant, net assets of the Fund would have decreased or increased, respectively, by approximately \$1,355,000 (December 31, 2010 - \$1,412,000). In practice, the actual results may differ from this analysis and the difference may be material.

In addition, the Fund is indirectly exposed to interest rate risk on the debt investments of the underlying funds totalling approximately \$14,799,000 (December 31, 2010 - \$15,230,000).

#### Liquidity Risk

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

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

#### Currency Risk

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

##### as at June 30, 2011

CURRENCY	Total (in \$000's)	Net Assets (%)
US Dollar	13,554	7.8
Total	13,554	7.8

##### as at December 31, 2010

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

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

# VENTURELINK INNOVATION FUND INC.

## Financial Statements

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

#### Currency Risk (cont'd)

As at June 30, 2011, had the Canadian dollar strengthened or weakened by 10% in relation to the U.S Dollar, with all other variables held constant, net asset of the Fund would have decreased or increased by approximately \$1,355,000 (December 31, 2010 - \$1,189,000). In practice, the actual results may differ from this analysis and the difference may be material.

#### Credit Risk

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

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

##### as at June 30, 2011

CREDIT RATING*	Net Assets (%)
R-1 (high)	2.9
AA/Aa/A+	4.6
Not Rated	23.3
Total	30.8

##### as at December 31, 2010

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

\*Credit ratings are obtained from Dominion Bond Rating Services.

In addition, the Fund is indirectly exposed to credit risk on the debt investments held by the underlying funds. The debt investments of the underlying funds total approximately \$14,796,000 (December 31, 2010 - \$15,230,000) and are AA/Aa/A+ rated.

#### Fair Value Hierarchy

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

##### Long Positions at fair value as at June 30, 2011

	Level 1 (in \$000's)	Level 2 (in \$000's)	Level 3 (in \$000's)	Total (in \$000's)
Short-term notes	4,999	-	-	4,999
Equities investments	8,577	1,406	43,893	53,876
Debt investments	-	-	40,822	40,822
Index linked notes - public index	-	45,862	-	45,862
Marketable securities	9,026	-	-	9,026
Underlying funds	-	-	18,126	18,126
<b>Total</b>	<b>22,602</b>	<b>47,268</b>	<b>102,841</b>	<b>172,711</b>

##### Long Positions at fair value as at December 31, 2010

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

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

# VENTURELINK INNOVATION FUND INC.

## Financial Statements

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

#### Fair value measurements using level 3 inputs

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

#### For the period ended June 30, 2011

	Balance at Dec 31, 2010 (in \$000's)	Net purchases (in \$000's)	Net sales (in \$000's)	Net transfers in (out) (in \$000's)	Realized gain (loss) (in \$000's)	Unrealized gain (loss)* (in \$000's)	Balance at June 30, 2011 (in \$000's)
<b>Long Positions/Assets</b>							
Equities investments	50,548	–	(2,550)	(1,960)	949	(3,094)	43,893
Debt investments	40,172	2,950	(1,604)	–	–	(696)	40,822
Underlying funds	18,335	–	–	–	–	(209)	18,126
<b>Total</b>	<b>109,055</b>	<b>2,950</b>	<b>(4,154)</b>	<b>(1,960)</b>	<b>949</b>	<b>(3,999)</b>	<b>102,841</b>

\*Change in unrealized gain (loss) related to investments held at June 30, 2011 was \$(2,587,967).

#### For the year ended December 31, 2010

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

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

The fair value of each level 3 investment is generally related to the underlying value and/or creditworthiness of a small to medium sized privately held business. Management reviews a number of applicable valuation techniques for each investment depending on a number of factors including: stage of business; the period since the last third party financing; the ability to compare the businesses to similar publicly held companies; the reliability of future cash flow projections; and disclosed information related to transactions involving similar businesses. In addition to the range of valuation techniques employed, a significant number of the key assumptions used in the valuation of individual investments are company specific. Due to the nature of this detailed, investment by investment approach to fair value determination and the number of different key assumptions, there are no alternative assumptions that are broadly applicable across the investment portfolio of the Fund, however, changes in key assumptions may cause material changes in the value of the investments held by the Fund. If the value of the Level 3 investments were to increase or decrease by 10%, the value of the Fund would increase or decrease by approximately \$10,284,000 (December 31, 2010 – \$10,905,000).

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

Semi-Annual Financial Statements as at June 30, 2011

## 1. CORPORATE STATUS AND ACTIVITIES

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

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

As at June 30, 2011, Series III, Series IV and Series VI of the Fund were available for purchase.

### Fund Amalgamations

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

- As VL Financial was deemed the acquirer for accounting purposes, its assets and liabilities are included in the financial statements at their historical values and the financial statements present the continuation of VL Financial. The results of the VentureLink Balanced Fund Inc., VentureLink Brighter Future Fund Inc. and VentureLink Diversified Income Fund Inc. were included only from the effective date of the merger.
- The comparative figures reported in the Statement of Operations, Changes in Net Assets and Cash Flows are those of VL Financial.

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

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

### (a) Valuation of Investments

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

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

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

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

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

### (b) Commissions and Other Portfolio Transaction Costs

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

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

### (c) Cost of Investments

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

### (d) Investment Transactions and Income Recognition

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

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

### (e) Placement and Participation Fees

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

### (f) Income and Expense Allocation

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

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

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

### (h) Underlying Funds

VentureLink Innovation Fund Inc. acquired ownership interests in the following underlying funds as a result of the amalgamation September 10, 2010. The Fund and the Underlying Funds are managed by VL Advisors.

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

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

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

The comparison of the Net Asset Value per Share and Net Assets per Share at June 30, 2011 and December 31, 2010 is disclosed in the Net Assets per Share and Net Asset Value per Share schedule.

## 4. SHARE CAPITAL

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

**Authorized**

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

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

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

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

**Redemption of Class A shares**

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

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

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

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

**5. FEES AND EXPENSES**

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

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

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

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

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

**Performance Bonus**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The following table discloses the expenses for the period, performance fee paid during the period and the accruals outstanding at period end.

Fund (in \$000's)	Expenses / (Recovery)		Accrued Performance fees		Performance fees paid	
	2011	2010	2011	2010	2011	2010
VentureLink Innovation Fund Inc.	104	241	3,695	3,706	115	72

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

### 6. INCOME TAXES AND OTHER TAXES PAYABLE

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

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

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

Temporary differences between the carrying value of assets and liabilities for accounting and income tax purposes give rise to future income tax assets and liabilities. When the market value of a security in the Fund exceeds its cost base, a future income tax liability arises. As capital gains taxes payable by the Corporation are refundable under the provisions of the Income Tax Act (Canada), the future tax liability is offset by these future refundable taxes. If the cost base exceeds the market value of the security, a future tax asset is generated. A full valuation allowance is taken to offset this asset given the uncertainty that such future assets will ultimately be realized.

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

### 7. BROKERAGE AND OTHER COMMISSIONS

Brokerage commissions paid for security transactions during the periods ended June 30 were as follows:

(in 000's)	2011	2010
VentureLink Innovation Fund Inc.	(1)	(1)

### 8. FINANCIAL INSTRUMENTS

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

The categorization of financial instruments is as follows: investments are classified as held for trading and are stated at fair value; accrued interest and subscriptions receivable are classified as loans and receivables and are recorded at amortized cost; accounts payable and accrued liabilities, performance fees payable and redemptions payable are classified as financial liabilities and are reported at amortized cost. All income, dividends, net realized and unrealized gains (losses) are attributable to investments and derivatives which are deemed held for trading.

## 9. LABOUR SPONSORED INVESTMENT FUND LEGISLATIVE CHANGES

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

## 10. RELATED PARTY TRANSACTIONS

CI Investments Inc., the Administrator of the Fund, is related to the Manager of the Fund. Pursuant to the terms of the Fund Administrator Agreement, the Administrator earned fees of approximately \$860,000 (June 30, 2010 - \$550,000) from the Fund during the period.

## 11. INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

## 12. FINANCIAL INSTRUMENTS RISKS

### Risk Management

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

The Fund invests in units of underlying funds and is indirectly exposed to the financial instruments risks mentioned above. To minimize the potential adverse effects of those risks the Manager on a regular basis, reviews the underlying funds' investment mandate, returns, assets, investment management process, risk levels and overall fit of the underlying funds within the Fund's stated objectives.

### Other Price Risk

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

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

### Interest Rate Risk

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

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

### Currency Risk

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

**Credit Risk**

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

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

**Liquidity Risk**

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

**Fair Value Hierarchy**

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

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

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

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

**13. CAPITAL MANAGEMENT**

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

# VENTURELINK INNOVATION FUND INC.

## *Corporate Information*

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