COVINGTON
CAPITAL CORPORATION

2020 | Semi-Annual Report

COVINGTON VENTURE FUND INC.

Series VII
Series VIII
Series VIII-B
Series IX
Series IX-B

For The Period Ended January 31, 2020

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NOTICE PURSUANT TO NATIONAL INSTRUMENT 81-106

The enclosed unaudited semi-annual financial statements were not reviewed by the Auditors of Covington Venture Fund Inc.

FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

As at	January 31, 2020 $	July 31, 2019 $
ASSETS AND LIABILITIES		
Assets		
Cash	**869,235**	1,239,476
Venture investments	**1,975,000**	1,975,000
Accrued interest receivable	**1,798**	1,729
	2,846,033	3,216,205
Liabilities		
Accrued expenses [Note 8]	**104,309**	127,387
Contingent incentive participation amount payable [Note 8]	**77,189**	77,189
	181,498	204,576
Net assets attributable to holders of redeemable shares	**2,664,535**	3,011,629

Net assets attributable to holders of redeemable shares per Series		
Series VII	**$ 968,989**	$ 1,062,430
Series VIII	**$ 266,630**	$ 298,937
Series VIII-B	**$ 218,687**	$ 278,511
Series IX	**$ 677,026**	$ 765,531
Series IX-B	**$ 533,203**	$ 606,220
Redeemable Class A Shares outstanding [Note 4]		
Series VII	**118,011**	124,710
Series VIII	**32,105**	34,257
Series VIII-B	**26,484**	32,102
Series IX	**81,256**	87,443
Series IX-B	**64,251**	69,521
Net assets attributable to holders of redeemable shares per share [Note 3]		
Series VII	**$ 8.21**	$ 8.52
Series VIII	**$ 8.30**	$ 8.73
Series VIII-B	**$ 8.26**	$ 8.68
Series IX	**$ 8.33**	$ 8.75
Series IX-B	**$ 8.30**	$ 8.72

On behalf of the Board of Directors:

Philip Reddon
Director

John R. Mott
Director

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

STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

For the six month periods ended January 31,	2020 $	2019 $
INCOME		
Interest for distribution purposes	**4,325**	5,641
	4,325	5,641
EXPENSES		
Directors' fees [Note 8]	**25,206**	22,206
Audit fees	**22,685**	23,229
Shareholders' communication, marketing, administration and other	**22,434**	23,020
Management fees [Note 8]	**17,878**	22,747
Independent Review Committee [Note 8]	**11,090**	11,090
Harmonized sales tax	**10,050**	11,059
Transfer agent fees [Note 8]	**8,581**	9,918
Dealer service fees [Note 8]	**7,041**	7,805
Custodian fees	**5,546**	5,546
Sponsor's fees [Note 8]	**715**	910
	131,226	137,530
Decrease in net assets attributable to holders of redeemable shares	**(126,901)**	(131,889)
Decrease in net assets attributable to holders of redeemable shares per Series		
Series VII	**$ (37,069)**	$ (40,350)
Series VIII	**$ (14,070)**	$ (14,947)
Series VIII-B	**$ (11,840)**	$ (12,844)
Series IX	**$ (35,499)**	$ (36,801)
Series IX-B	**$ (28,424)**	$ (26,948)
Decrease in net assets attributable to holders of redeemable shares per share (based on weighted average number of shares outstanding)		
Series VII	**$ (0.31)**	$ (0.31)
Series VIII	**$ (0.42)**	$ (0.36)
Series VIII-B	**$ (0.42)**	$ (0.34)
Series IX	**$ (0.42)**	$ (0.34)
Series IX-B	**$ (0.42)**	$ (0.35)
Weighted average number of shares outstanding		
Series VII	**120,887**	130,586
Series VIII	**33,429**	41,267
Series VIII-B	**28,365**	38,228
Series IX	**84,111**	108,694
Series IX-B	**67,571**	76,941

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

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES (UNAUDITED)

For the six month periods ended January 31,	2020 $	2019 $
Net assets attributable to holders of redeemable shares, beginning of period		
Series VII	**1,062,430**	1,201,697
Series VIII	**298,937**	406,629
Series VIII-B	**278,511**	374,389
Series IX	**765,531**	1,074,943
Series IX-B	**606,220**	759,560
Decrease in net assets attributable to holders of redeemable shares		
Series VII	**(37,069)**	(40,350)
Series VIII	**(14,070)**	(14,947)
Series VIII-B	**(11,840)**	(12,844)
Series IX	**(35,499)**	(36,801)
Series IX-B	**(28,424)**	(26,948)
REDEEMABLE SHARE TRANSACTIONS		
Class A Shares, Series VII		
Amounts paid for Class A Shares, Series VII redeemed	**(56,372)**	(27,356)
Class A Shares, Series VIII		
Amounts paid for Class A Shares, Series VIII redeemed	**(18,237)**	(32,002)
Class A Shares, Series VIII-B		
Net proceeds from issuance of Class A Shares, Series VIII-B	**(47,984)**	(29,576)
Amounts paid for Class A Shares, Series VIII-B redeemed		
Class A Shares, Series IX		
Amounts paid for Class A Shares, Series IX redeemed	**(53,006)**	(90,323)
Class A Shares, Series IX-B		
Net proceeds from issuance of Class A Shares, Series IX-B	**(44,594)**	(49,760)
Amounts paid for Class A Shares, Series IX-B redeemed		
Net assets attributable to holders of redeemable shares, end of period	**2,664,535**	3,456,311

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

STATEMENTS OF CASH FLOWS (UNAUDITED)

For the six month periods ended January 31,	2020 $	2019 $
Operating activities		
Decrease in net assets attributable to holders of redeemable shares	**(126,901)**	(131,889)
Net change in non-cash working capital:		
Change in other assets and liabilities	**(23,147)**	(22,758)
	(150,048)	(154,647)
Financing activities		
Amounts paid for Class A Shares, Series VII, VIII, IX redeemed	**(220,193)**	(229,018)
Increase/(decrease) in cash during the period	**(370,241)**	(383,665)
Cash, beginning of period	**1,239,476**	2,062,304
Cash, end of period	**869,235**	1,678,639
Supplementary information*		
Interest received	**4,325**	5,641

** included in operating activities*

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

SCHEDULE OF INVESTMENT PORTFOLIO (UNAUDITED)

As at January 31, 2020

Venture investments

Investee companies	Number of shares (or par value $)	Debt at cost $	Equity at cost $	Total $
Mist Mobility Integrated Systems Technology Inc., Demand Promissory Note, 12%	$1,975,000	1,975,000	-	1,975,000
Total venture investments, at cost		1,975,000	-	**1,975,000**
Unrealized depreciation of venture investments				-
Venture investments				**1,975,000**
Total investments				**1,975,000**
Other assets, net of liabilities				689,935
Net assets attributable to holders of redeemable shares				**2,664,935**

As at January 31, 2020	Number of companies	Cost of investments $	% Total venture investments at cost %	Fair value of investments $	% Total venture investments at fair value %
Stage of Development					
Expansion	1	1,975,000	100.0	1,975,000	100.0
	1	**1,975,000**	**100.0**	**1,975,000**	**100.0**
Industry Class					
Manufacturing	1	1,975,000	100.0	1,975,000	100.0
	1	**1,975,000**	**100.0**	**1,975,000**	**100.0**
As at January 31, 2019					
Stage of Development					
Start-up / Early	1	815,241	29.2	-	-
Expansion	1	1,975,000	70.8	1,975,000	100.0
	2	**2,790,241**	**100.0**	**1,975,000**	**100.0**
Industry Class					
Manufacturing	1	1,975,000	70.8	1,975,000	100.0
Technology	1	815,241	29.2	-	-
	2	**2,790,241**	**100.0**	**1,975,000**	**100.0**

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

JANUARY 31, 2020

1. CORPORATE STATUS AND ACTIVITIES

Covington Venture Fund Inc. ("CVF" or the "Fund") is registered as both a labour-sponsored investment fund corporation ("LSIF") under the *Community Small Business Investment Funds Act* (Ontario) (the "Ontario Act") and a Labour Sponsored Venture Capital Corporation ("LSVCC") under the *Income Tax Act* (Canada) (the "Tax Act"). The Manager of the Fund is Covington Capital Corporation (the "Manager"). The administrator of the Fund is CI Investments Inc. The Fund is sponsored by the Canadian Federal Pilots Association (the "Sponsor"). The address of the Fund's registered office is 36 Distillery Lane, Suite 440, Toronto, Ontario M5A 3C4. These financial statements were authorized for issue by the Fund's Board of Directors on March 12, 2020.

On January 6, 2006 Capital First Venture Fund Inc. ("CFVF") amalgamated with several other LSIF's to become CVF Series VII. On November 13, 2007 Class A shares, Series VIII and Class A shares, Series IX were first offered as part of the Fund. The investment objective for Series VIII and IX is to realize long-term capitalization on all or part of its investment portfolio; and to preserve and return an investor's initial subscription price paid for such Series VIII and Series IX shares on or about their capital repayment date. On February 18, 2009 Series VII, VIII and IX were combined into one pool of assets.

The Fund has met the Series VII, VIII and IX objectives of returning the investor's original subscription price on or about each of the individual capital repayment dates. Prior to each capital repayment opportunity, communications were sent to shareholders confirming that the most efficient manner in which to affect this objective is through the Fund's normal redemption process. The objectives were met by way of fee waivers and capital injection by the Manager and occurred chronologically within specified time windows as follows: CVF Series VII – June 2016 to August 2016 at $10 per share; CVF Series VIII and IX – February 2, 2018 to May 4, 2018 at $9.57 per share* and CVF Series VIII-B and IX-B – March 2, 2017 to June 3, 2017 at $10 per share. After the expiry of the time windows, the net asset value of the each series continued to float freely without any additional capital support from the Manager.

The Fund holds one final venture investment which is currently in a sales process. After this exit is completed, the Fund will be wound up as soon as practicable and final cash distributed to all shareholders.

*CVF Series VIII-B and IX-B Class A Shares were issued prior to May 1, 2008 whereas CVF Series VIII and IX Class A shares were issued subsequent to October 16, 2008. No shares were issued in the intervening period.

2. BASIS OF PRESENTATION

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements including IAS 34, *Interim Financial Reporting* as published by the International Accounting Standards Board ("IASB").

The financial statements have been prepared on a going concern basis using the historical-cost convention. However, the Fund is an investment entity and primarily all financial assets and financial liabilities are measured at fair value in accordance with IFRS. Accordingly, the Fund's accounting policies for measuring the fair value of investments and derivatives are consistent with those used in measuring the Net Asset Value for transactions with unitholders. In applying IFRS, these financial statements include estimates and assumptions made by management that affect the reported amounts of assets, liabilities, income, and expenses during the reporting periods. However, existing circumstances and assumptions may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur.

These financial statements are presented in Canadian dollars, which is the Fund's functional currency.

3. SIGNIFICANT ACCOUNTING POLICIES

Adoption of IFRS 9 Financial Instruments

Effective August 1, 2018, the Fund retrospectively adopted IFRS 9 Financial Instruments ("IFRS 9") (without restatement). The new standard requires financial assets to be either carried at amortized cost or at fair value with changes in fair value recognized in profit and loss ("FVTPL") or in other comprehensive income ("FVOCI") based on the Fund's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. The Fund manages its investments in financial assets with the objective of realizing cash flows through both the sale of the assets and income generated from those assets. The Manager makes decisions based on the assets' fair values and manages the assets to realize those fair values.

Upon transition to IFRS 9, the Fund's financial assets and financial liabilities previously designated as FVTPL or classified as held for trading under IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39") continue to be classified as FVTPL under IFRS 9. There were no changes in the measurement attributes for any of the Fund's financial assets and financial liabilities upon transition to IFRS 9. The Fund classifies and measures its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The Fund's financial assets are managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The contractual cash flows of the Fund's only debt security is solely principal and interest, however, the security is neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, the investment is measured at FVTPL. The Fund's obligations for net assets attributable to holders of redeemable shares are presented at the redemption amount. All other financial assets and liabilities are measured at amortized cost, which approximates their fair value. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract's effective interest rate.

Financial instruments

The Fund recognizes financial instruments at fair value upon initial recognition, inclusive of transaction costs in the case of financial instruments measured at amortized cost. Purchases and sales of financial assets are recognized at their trade date. The Fund's investments and liabilities are measured at fair value through profit or loss ("FVTPL"). The Fund's obligations for net assets attributable to holders of redeemable shares are presented at the redemption amount. All other financial assets and liabilities, such as accounts receivable, receivables for venture investments sold, income receivables, accounts payable, accrued expenses, incentive participation amounts payable and redemptions payable, are measured at amortized cost, which approximates fair value. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract's stated rates of interest.

Valuation of investments

At the financial reporting date, all investments having quoted market values and which are publicly traded on a recognized stock exchange, and are not otherwise restricted, are valued based on the last traded market price for financial assets and financial liabilities where the last traded price falls within the day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the existing market conditions. The changes in fair value are recorded as unrealized appreciation (depreciation) of marketable securities.

Non-private fixed income securities, debentures or other debt instruments including short-term investments are valued at the quotation price from recognized investment dealers.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Venture investments in securities not having quoted market values or in restricted securities are recorded at estimated fair value. The fair values of the venture investments are determined by the Manager using an 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; comparable company trading and transaction multiples, where applicable, and other pertinent considerations.

The process of valuing venture investments for which no published market exists is subject to inherent uncertainties and the resulting values may differ from values that would have been used had a ready market existed for the investments.

Subsidiaries, associates, joint ventures and structured entities

Subsidiaries are entities, including investments in other investment entities, over which a Fund has control. A Fund controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to affect those returns through its power over the entity. Associates and joint ventures are investments over which a Fund has significant influence or joint control. A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factors in deciding who controls the entity, or when voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

IFRS 10, *Consolidated Financial Statements*, establishes principles for consolidation when one entity controls another but allows an exemption for the consolidation of subsidiaries of investment entities and requires such entities to recognize all subsidiaries at FVTPL. IAS 28, *Investment in Associates*, also allows investments in associates that are held by investment entities to be recognized and measured at FVTPL and to be accounted for in accordance with IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39") and IFRS 13, *Fair Value Measurement*, with changes in fair value recognized in the Statements of Comprehensive Income in the period of change. As such, investments that are held as part of the Fund's investment portfolio are carried on the Statements of Financial Position at fair value even though the Fund may have control or significant influence over those companies. Investments in unconsolidated structured entities, if any, have been designated at FVTPL.

Income recognition and security holder transactions

Interest and income for distribution purposes and other income are recorded on an accrual basis. Dividend income is recognized on the ex-dividend date. Investment transactions are accounted for on a trade date basis and gains and losses from such transactions are calculated based on average cost excluding transaction costs. Net realized and unrealized gains (losses) on investments include the related foreign exchange gains and losses in the Statements of Comprehensive Income.

Commissions and other portfolio transaction costs

Transaction costs, such as brokerage commissions, if any, incurred in the purchase and sale of securities are included in "Commissions and other portfolio transaction costs" in the Statements of Comprehensive Income.

Increase (decrease) in net assets attributable to holders of redeemable shares

Increase (decrease) in net assets attributable to holders of redeemable shares per series of Class A shares in the Statements of Comprehensive Income is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable shares per series by the weighted average number of shares outstanding for the relevant series of Class A Shares during the period.

JANUARY 31, 2020

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the Manager to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and the differences could be material. The most significant accounting judgements and estimates that the Fund has made preparing the financial statements relate to: determining the fair value of venture investments in securities not having quoted market values.

The Fund holds a single investment that is not quoted on a recognized stock exchange. Such unlisted securities may be valued based on price quotations from recognized investment dealers, or if not available, determined by the Manager using valuation methodologies and considerations as described in Note 3. The process of valuing venture investments for which no published market exists is subject to inherent uncertainties and the resulting values may differ from values that would have been used had a ready market existed for the investments.

5. UNCONSOLIDATED SUBSIDIARIES, ASSOCIATES AND STRUCTURED ENTITIES

The Fund meets the definition of an investment entity. Therefore, it does not consolidate its subsidiaries but rather, recognizes them as investments at FVTPL. The Fund does not hold any interest in unconsolidated subsidiaries, associates or structured entities.

6. REDEEMABLE SHARES

Class A Shares issued and outstanding represent the capital of each Series. Each Series is authorized to issue an unlimited number of Class A Shares in an unlimited number of Series. Generally, each Series has specific capital requirements and restrictions as outlined in either the Fund's annual information form or in Series VII, VIII and IX's initial prospectus.

The Fund is registered as both an LSIF under the Ontario Act and an LSVCC under the Tax Act. Under these Acts, the Fund is required to invest a portion of capital raised in eligible small and medium sized Canadian businesses. Companies of this size tend to be privately owned and are characterized as having less than $50 million in assets and fewer than 500 employees. The investment restrictions, if not adhered to, could have negative impacts as the Fund could be levied with penalty taxes and ultimately, the Fund could have its LSIF status revoked. As at December 31, 2019, the compliance filing deadline under the Acts, the Fund was in compliance with all of these restrictions under both the Ontario and Tax Acts.

The Statements of Changes in Net Assets Attributable to Holders of Redeemable Shares, identifies changes in each Series' capital during the period. The Manager manages the capital of the Series in accordance with each Series' investment objectives, including managing their liquidity in order to meet redemptions.

The following is a description of the authorized and issued shares:

Authorized

Unlimited Class A Shares, issuable from treasury, discretionary dividend entitlement, voting, restrictions on transfer and redemption and entitled to elect one director.

Unlimited Class B Shares, issuable to the Sponsor, no dividend entitlement, voting, entitled to elect all but one director.

Class A Share subscriptions

The Class A Shares of the Fund are no longer offered for subscription to the investors. The Fund may recommence offering these shares at any time the Fund deems appropriate.

6. REDEEMABLE SHARES *(Cont'd)*

Class A Share redemptions

A shareholder may redeem all or part of the Class A Shares held at the Net Asset Value per Redeemable Class A Share ("NAVPS"), subject to certain restrictions. One of these restrictions is that the Fund is not required to redeem Class A Shares, in any financial year having an aggregate redemption price exceeding 20% of the Net Assets Attributable to Holders of Redeemable Shares as at the last day of the preceding fiscal year.

Redeemable shares are classified as liabilities unless they meet certain criteria for classification as equity, including identical features for the most subordinate class of shares. As the Fund's Class A Shares do not meet the exception criteria in IAS 32, *Financial Instruments: Presentation*, for classification of redeemable shares as equity, the Fund's Class A Shares are classified as financial liabilities.

The Fund cannot guarantee that it will be able to honour all redemption requests on the day in which they are made. Some of the Fund's investments are held in non-liquid securities. As such, if all shareholders were to redeem their shares at the same time, the Fund may need to liquidate these investments at lower values than currently ascribed and shareholders may not receive the NAVPS ascribed. The redemption of Class A Shares may be suspended in certain circumstances as permitted by applicable securities law.

For CVF Class A Shares, Series VII, VIII and VIII-B, a redemption fee in the amount of up to 6% of the original issue price calculated as 0.75% of the original issue price times the number of years remaining until the eighth anniversary of the date of issue is charged by the Fund.

For CVF Class A Shares, Series IX and IX-B, a redemption fee is charged by the Fund in the amount of up to 10% of the original issue price calculated as 1.25% of the original issue price times the number of years remaining until the eighth anniversary of the date of issue.

The following shares were issued and redeemed during the six month periods ended:

January 31, 2020

Number of shares	Series VII	Series VIII	Series VIII-B	Series IX	Series IX-B
Class A Shares					
Balance, beginning of period	124,710	34,257	32,102	87,443	69,521
Redeemed during the period	(6,699)	(2,152)	(5,618)	(6,187)	(5,270)
Balance, end of period	118,011	32,105	26,484	81,256	64,251

January 31, 2019

Number of shares	Series VII	Series VIII	Series VIII-B	Series IX	Series IX-B
Class A Shares					
Balance, beginning of period	132,538	43,075	39,892	113,733	80,642
Redeemed during the period	(3,133)	(3,496)	(3,151)	(9,638)	(5,388)
Balance, end of period	129,405	39,579	36,741	104,095	75,254

Class B Shares

There are 600 Class B Shares issued and outstanding to the Sponsor. No such shares have been issued or redeemed in the periods ended January 31, 2020 or 2019.

7. ALLOCATION OF INCOME AND EXPENSES

The Fund allocates income, expenses, realized gains (losses) and unrealized gains (losses) on the following basis:

Income and realized and unrealized gains (losses) are apportioned on a weekly basis based on the net asset value of the respective Series to the total net asset value of the Fund as at the most recent valuation date. Expenses are categorized and tracked as to expenses directly attributable to a specific Series ("direct expenses") and those that are common expenses of the Fund. Direct expenses of a particular Series are recorded as a direct expense to that Series. Common expenses are allocated to each Series in a consistent manner as the income allocation described above.

8. MANAGEMENT FEES, INCENTIVE PARTICIPATION AMOUNT AND OPERATING EXPENSES

The Fund has entered into various agreements for the provision of management, investment advisor, sponsor, transfer agent, dealer and custodian services. Under the terms of the investment agreements, the Manager, transfer agent, dealer and Sponsor are entitled to receive from the Fund a monthly fee calculated based on the Net Asset Value of the Fund at the end of the month. The annual fee rates are common across all series as follows:

Management fees 1.25%, Sponsor fees 0.05% ,Transfer agent fees 0.60% and Dealer service fees 0.50%*

* *Dealer Service fees for Series IX and Series IX-B were charged beginning in 2018.*

The Manager is entitled to an incentive participation amount (the "IPA") based on the performance of CVF Class A Shares Series VII as disclosed in the Fund's annual information form and is based on performance of the Series dating to the inception of CFVF prior to the amalgamation forming CVF. The Fund's annual information form details the IPA on the performance of CVF Class A Shares Series VIII and IX which were launched in December 2007. If certain performance criteria as outlined in the Fund's offering documents have been met, the Fund records Conditional IPA. Conditional IPA represents a provisional estimate of what would be payable to the manager if the entire venture portfolio of the Series were disposed of at fair value as at the reporting date whereas IPA payable is based on actual realized transactions. Conditional IPA was formerly referred to as "Contingent IPA" prior to the adoption of IFRS by the Fund. As at January 31, 2020, the Fund had IPA payable of 77,189 (2019-$77,189). No IPA was paid or expensed in the periods ending January 31, 2020 and 2019.

During the course of the Fund's investment activities, the Fund may pay commissions and other transaction costs to dealers in connection with purchases and sales of venture investments. During the period, no commissions have been paid (2019-nil).

Directors of the Fund are entitled to receive an annual fee of $7,500 and a fee of $1,000 for each meeting of the Board of Directors or any committee thereof attended. Directors of the Fund who are members of the Sponsor or are directors, officers or shareholders of the Manager will receive no compensation.

Members of the Fund's Independent Review Committee ("IRC") also serve other LSIFs managed by Covington. The IRC members each receive total remuneration across all Funds of $12,000 per year plus a per meeting fee of $2,000 for the Chairperson and $1,500 per meeting for each of the other two members. The annual fee is allocated across all of the Funds served by the IRC whereas per meeting fees are borne by the particular Fund for which the meeting is called, if any.

9. RELATED PARTY TRANSACTIONS

The Fund receives investment advisory services provided by the Manager. These services are in the normal course of operations are recorded at the amount of the consideration agreed to by the parties, as described in Note 8. Management fees, incentive participation amount and sponsor's fees are reported in the Statements of Comprehensive Income. Amounts due to/from the Manager and contingent incentive participation amount payable to the Manager at period-end, if any, are reported in the Statements of Financial Position. Included in accrued expenses as at January 31, 2020 is $2,314 (July 31, 2019 - $2,698) due to the Manager for accrued management fees net of management fees recovered.

10. INCOME AND OTHER TAXES PAYABLE

Under the Tax 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 dividend income earned by the Fund will be partially refundable upon the payment or deemed payment of dividends by the Fund. The Tax Act and Ontario Act set minimum levels of qualifying venture investments required to be made by the Fund. If the required minimum level of qualifying venture investments is not met under each statute, the Fund will be subject to defined taxes and penalties. The Fund is currently in compliance with the requirements of the Tax Act, and Ontario Act.

The Fund is a single corporation for income tax purposes and computes its income (loss) for tax purposes as such. All revenue, expenses, capital gains and losses, either common to all series of the Fund or to a particular series, will be taken into account in determining the income or loss of the Fund as a whole and applicable taxes payable by the Fund as a whole.

Capital losses can be carried forward indefinitely. Non-capital losses may be carried forward for twenty years.

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

11. FINANCIAL INSTRUMENTS

Fair value hierarchy

The following describes the three-level hierarchy for fair value measurements based on transparency of inputs to the valuating of an asset or liability as at the measurement dates. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable market inputs (Level 3). The three levels of the fair value hierarchy are:

Level 1 – Quoted Prices in an Active Market

Unadjusted quoted prices in active markets for identical assets or liabilities. This level of the hierarchy includes listed equity securities on major exchanges, highly liquid temporary deposits with Canadian Banks, as well as term deposits, bank deposit notes and corporate bonds. The fair value of instruments that are quoted in active markets are determined using the quoted prices where they represent those at which regularly and recently occurring transactions take place.

Level 2 – Valuation Techniques with Observable Parameters

Inputs other than quoted prices included in Level 1 that are observable for the asset and liability either directly (ie. as prices) or indirectly (ie. derived from prices). This level of the hierarchy includes zero coupon bonds held by Funds that are valued using valuation models determined by third party pricing services. These sources generally determine the value of the zero coupons bonds using observable market input such as: data points from various Canada yield curves and corporate spreads. These may be combined with liquidity spreads into proprietary valuation models. Since the inputs may be observable inputs but the application of a valuation model is used, these financial instruments are considered Level 2.

Level 3 – Valuation Techniques with Significant Unobservable Parameters

Inputs that are not based on observable market inputs Level 3 instruments include equities, debentures, term loans and promissory notes issued by privately-held companies. As observable prices are not available for these securities, the Fund may use a variety of valuation techniques to derive the fair value.

11. FINANCIAL INSTRUMENTS *(Cont'd)*

If different levels of inputs are used to measure a financial instrument's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. These amendments have been made to address the need for increased consistency and comparability of fair value measurements, and to expand the disclosure surrounding fair value measurements and do not have any impact on the net assets of the Fund.

Financial instruments carried at fair value

The following tables classify the carrying value of the Fund's financial instruments held at fair value across the fair value hierarchy as at January 31, 2020 and July 31, 2019:

	Financial instruments at fair value			
As at January 31, 2020	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Venture investments	-	-	1,975,000	1,975,000
Total financial assets	**-**	**-**	**1,975,000**	**1,975,000**
As at July 31, 2019				
Venture investments	-	-	1,975,000	1,975,000
Total financial assets	-	-	1,975,000	1,975,000

During the periods ended January 31, 2020 and July 31, 2019, there were no transfers between any levels of the fair value hierarchy in any of the Fund's Series.

The following is a reconciliation of Level 3 fair value measurements:

	January 31, 2020	**July 31, 2019**
	$	**$**
Balance, beginning of period	1,975,000	1,975,000
Proceeds from sale of venture investments	-	-
Venture debt repaid	-	-
Realized loss on sale of venture investment	-	-
Balance, end of period	**1,975,000**	1,975,000
Total change in unrealized gains and losses during the year included in the statement of comprehensive income for assets held at end of period	**-**	-

Risk management

The Fund's activities expose it to a variety of financial risks: valuation risk, market risk (which includes currency risk, interest rate risk and other price risk), liquidity risk and credit risk as described below. The Fund's overall risk management program seeks to minimize potential adverse effects on the Fund's financial performance through a regular program of monitoring the Fund's investment positions and updating the valuation of the private company portfolios. The value of investments within a portfolio can fluctuate daily as a result of changing economic and market conditions, prevailing interest rates and company specific news relating to portfolio investments. The Fund has managed this risk through its Audit and Valuation Committee which reviews a quarterly report from the Manager on the investment portfolio as a whole and on determination of fair value for the venture investments including a discussion of significant events affecting the valuation of such investments. The majority of this committee is independent from the Manager and is responsible for considering the appropriateness of the valuation policies adopted by the Fund and the Manager.

11. FINANCIAL INSTRUMENTS *(Cont'd)*

(a) Valuation and other market risk

There is a risk of loss of capital associated with all venture investments of the Fund. Valuation risk is the risk that the estimated fair values of investments for which no quoted market value exists as determined by the Manager may differ from values that would have been used had a ready market existed for these investments. Other market risk is the risk that the value of the venture investments will fluctuate as a result of changes in market prices.

Among the assets held for trading by the Fund are venture investments for which no quoted market values exist. These investments are in privately held companies whereby fair values are estimated by the Manager using valuation techniques as described in Note 3. These are also the assets that are included at Level 3 in the valuation hierarchy investments for which the fair values have been estimated based on assumptions that may not be supported by observable market prices.

The potential effect of changing the assumptions to reasonably possible alternative assumptions on the fair value of the venture investments would result in a decrease or increase in net assets as at January 31, 2020 and July 31, 2019 as follows:

January 31, 2020		July 31, 2019	
Fair value of privately held investments $	**Decrease/Increase in net assets**	Fair value of privately held investments $	Decrease/Increase in net assets
1,975,000	**-59.11% to 0.00%**	1,975,000	-52.30% to 0.00%

The tables below summarize the significant unobservable inputs used in the fair value measurement of Level 3 financial instruments.

For the purpose of these tables, venture investments are broken down as debt and equity. With respect to equity investments, those investments that are expected to require further investment to reach cash flow break-even, are classified as early stage.

As at January 31, 2020

Description	**Fair value $**	**Valuation technique**	**Unobservable inputs**	**Reasonable possible shift in value**	**Change in valuation +/ $**
Debt	1,975,000	Estimated realizable value	Probability of collection	-59.11% to +0.00%	-1,575,000 to 0

As at July 31, 2019

Description	**Fair value $**	**Valuation technique**	**Unobservable inputs**	**Reasonable possible shift in value**	**Change in valuation +/ $**
Debt	1,975,000	Estimated realizable value	Probability of collection	-52.30% to +0.00%	-1,575,000 to 0

The process of valuing investments for which no published market exists is inevitably based on inherent uncertainties and the resulting values may differ from values that would have been used had a ready market existed for the investments and may not reflect the prices at which the Fund's investments may actually be sold.

11. FINANCIAL INSTRUMENTS *(Cont'd)*

(b) Foreign currency risk

Foreign currency risk arises from venture investments that are denominated in a currency other than the Canadian dollar, which is the Fund's functional currency. Although the Manager has flexibility to manage the foreign currency risk by hedging its currency exposure, the Manager did not engage in currency hedging during the period due to the low volume of foreign currency transactions and dollar values involved. Increases and decreases in the exchange rate between the Canadian currency and the foreign currency may increase or decrease the value of the foreign currency denominated investments within the Fund. The Fund had no US dollar denominated investments or cash as at January 31, 2020 or July 31, 2019.

(c) Interest rate risk

If interest rates fall, the fair value of existing debt securities may increase due to the increase in yield. On the other hand, if interest rates rise, the yield of existing debt securities will decrease which will lead to a decrease in fair value. The magnitude of the change will generally be greater for long-term debt securities than 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. As at January 31, 2020 and July 31, 2019 the Fund did not hold any non-private debt instruments.

(d) Other price risk

Other price risk is the risk that the fair value or future cash flows of the investments will fluctuate because of changes in market prices. In addition to venture investments for which no quoted market values exist, the Fund may hold investments that are publicly traded on a recognized stock exchange. There is market price risks associated with investments in publicly traded securities; however the Fund had no exposure to publicly-traded equities as at January 31, 2020 and July 31, 2019.

(e) Liquidity risk

Liquidity risk is defined as the risk that a fund may not be able to settle or meet its obligations on time or at a reasonable price. Fair value of investments with low liquidity may have variances or impairments. The Fund is exposed to weekly redemptions and, therefore, attempts to maintain a portion of its assets in the form of marketable securities which can be readily disposed of. The Fund is not required to redeem Class A Shares, in any financial year having an aggregate redemption price exceeding exceeding 20% of the NAV of the Fund as at the last day of the preceding fiscal year. Many of the Fund's investments are held in non-liquid securities. As such, if all shareholders were to redeem their shares at the same time, the Fund may need to liquidate these investments at lower values than currently ascribed and shareholders may not receive the NAV ascribed. As the Fund matures, liquidity becomes more difficult to achieve as the venture portfolio has longer term holds.

11. FINANCIAL INSTRUMENTS *(Cont'd)*

(f) Credit risk

Credit risk is the risk that a debt security issuer or counterparty cannot meet its financial obligations, such as making interest payments or principal repayments. Issuers that have suffered adverse changes in financial conditions may receive a low credit rating reflecting a high credit risk. A change in the credit rating of the debt security can affect its liquidity and may result in an impairment of its fair value. The Manager manages credit risk by investing the reserve portfolio of the Fund in high quality investment grade debt obligations with a minimum rating of "A" at the time of investment.

The Fund holds a portion of its investment portfolio in private debt instruments which can be considered high risk debt instruments. These instruments are not rated by any of the market bond rating services and are subject to valuation risk as described in part (a) above.

As at January 31, 2020 and July 31, 2019 the Fund did not hold any non-private debt instruments.

Fund Symbols*

Series VII CIG462
Series VIII CIG465
Series VIII-B CIG465
Series IX CIG466
Series IX-B CIG466
** All Series closed to new purchases*

Fund Manager and Advisor

Covington Capital Corporation
36 Distillery Lane, Suite 440
Toronto, ON M5A 3C4

Sponsor

Canadian Federal Pilots Association
18 Deakin Street, Unit 107
Ottawa, ON K2E 8B7

Auditor

Ernst & Young LLP
EY Tower
100 Adelaide St. W.
P.O. Box 1
Toronto, ON M5H 0B3

Transfer Agent and Registrar

CI Investments Inc.
15 York Street, 2nd Floor
Toronto, ON M5J 0A3
Customer Service: 1 888 746 4751

36 Distillery Lane
Suite 440
Toronto, ON M5A 3C4
Telephone: 416 365 0060
Facsimile: 416 365 9822
Email: info@covingtonfunds.com
Website: www.covingtonfunds.com

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SKU CGOF 1065 03/20