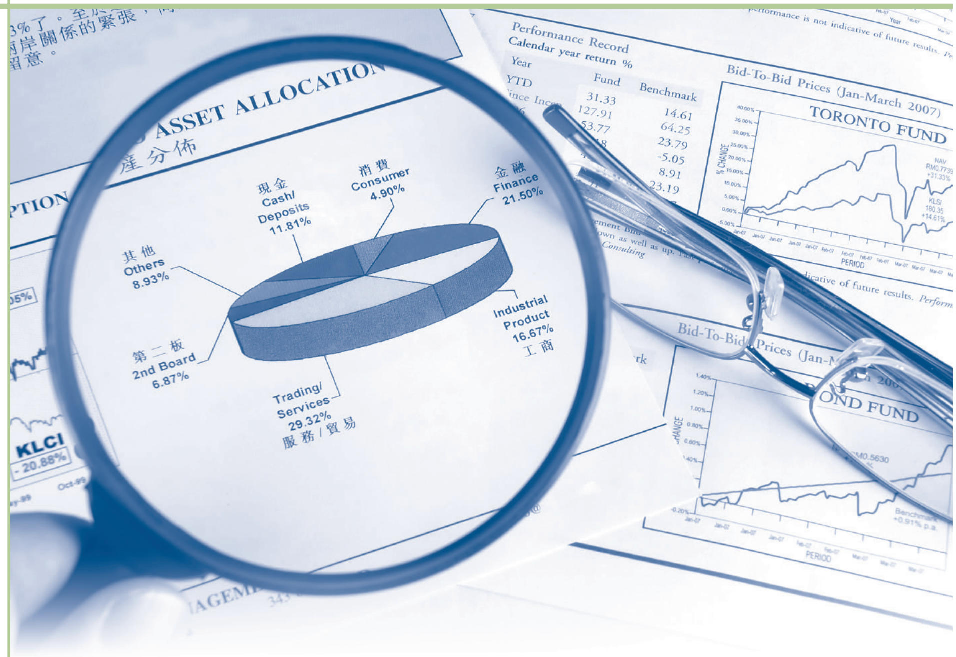
COVINGTON
CAPITAL CORPORATION

2015 | Annual Report



COVINGTON VENTURE FUND INC.

Series VI

Series VII
Series VIII
Series IX

For The Year Ended July 31, 2015

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Covington Venture Fund Inc. (the "Fund") are the responsibility of management. They have been prepared in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates and judgments. The significant accounting policies which management believes are appropriate for the Fund are described in Note 3 to the financial statements.

Management has developed and maintains a system of internal controls to provide reasonable assurance that all assets are safeguarded and to produce relevant, reliable and timely financial information, including the accompanying financial statements.

The Board of Directors discharges its duties to the financial statements primarily through the activities of its Audit and Valuation Committee (the "Committee"), which is composed of members of the Board of Directors. The Committee has responsibility for approving the Fund's Net Asset Values as calculated by management in accordance with the Fund's valuation policies as well as meeting with management and the external auditors to review both the financial statements and the results of the audit examination. The external auditors have unrestricted access to the Committee. The Committee also considers, for review by the Board of Directors and approval by the shareholders, the engagement or re-appointment of the external auditors.

These financial statements have been approved by the Board of Directors and have been audited by Ernst & Young LLP, Chartered Professional Accountants and Licensed Public Accountants on behalf of the shareholders. The independent auditors' report outlines the scope of their audit and their opinion on the financial statements.

Scott Clark

Scott D. Clark
President & CEO,
Covington Capital Corporation

L Low

Lisa Low
Chief Financial Officer,
Covington Capital Corporation

Toronto, Canada
October 29, 2015

INDEPENDENT AUDITORS' REPORT

To the Class A Shareholders of:

Covington Venture Fund Inc. Series VI
Covington Venture Fund Inc. Series VII, VIII, IX
(collectively, the "Fund's Series")

We have audited the accompanying financial statements of each of the Fund's Series, which comprise the statements of financial position as at July 31, 2015 and July 31, 2014, and August 1, 2013, and the statements of comprehensive income, changes in net assets attributable to holders of redeemable shares, and cash flows for the years ended July 31, 2015 and 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of each of the Fund's Series as at July 31, 2015 and July 31, 2014, and August 1, 2013, and their financial performance, and their cash flows for the years ended July 31, 2015 and 2014 in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
October 29, 2015

STATEMENTS OF FINANCIAL POSITION

[in $ thousands of Canadian dollars except per share amounts and number of shares]

As at	**July 31, 2015** $	July 31, 2014 $	August 1, 2013 $
ASSETS AND LIABILITIES			
Current assets			
Cash	**197**	181	729
Marketable securities	**4,712**	5,429	7,145
Venture investments	**2,118**	2,034	2,307
Accrued interest receivable	**2**	1	-
	7,029	7,645	10,181
Current liabilities			
Accrued expenses [Note 8]	**4,086**	3,991	4,824
Redemptions payable	**-**	-	10
	4,086	3,991	4,834
Net assets attributable to holders of redeemable shares [Note 12]	**2,943**	3,654	5,347
Redeemable Class A Shares outstanding [Note 6]	**412,380**	495,861	656,865
Net assets attributable to holders of redeemable shares, per share [Note 6 and 12]	**$ 7.14**	$ 7.37	$ 8.14

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

[in $ thousands of Canadian dollars except per share amounts]

For the years ended July 31,	2015 $	2014 $
INCOME		
Net gain/(loss) on financial instruments:		
Interest for distribution purposes	**201**	266
Realized gain on sale of investments[1]	**55**	107
Change in unrealized depreciation of marketable securities	**(209)**	(190)
Change in unrealized appreciation/(depreciation) of venture investments	**84**	(273)
	131	(90)
EXPENSES		
Advisory fees [Note 8]	**66**	89
Management fees [Note 8]	**41**	56
Shareholders' communication, marketing, administration and other	**26**	30
Harmonized Sales Tax	**25**	36
Audit fees	**21**	55
Transfer agent fees [Note 8]	**20**	25
Dealer service fees [Note 8]	**14**	20
Custodian fees	**10**	10
Directors' fees	**8**	6
Sponsor's fees [Note 8]	**6**	9
Independent Review Committee	**4**	4
Legal fees	**1**	3
	242	343
Decrease in net assets attributable to holders of redeemable shares	**(111)**	(433)
Decrease in net assets attributable to holders of redeemable shares per share (based on weighted average number of shares outstanding)	**$ (0.24)**	$ (0.76)
Weighted average number of shares outstanding	**454,905**	570,448

[1] **Breakdown of realized gain/(loss) on sale of investments:**

	2015	2014
Zero-coupon bonds		
Bonds, at amortized cost, beginning of year	**5,153**	6,678
Accretion of discount	**199**	266
	5,352	6,944
Bonds, at amortized cost, end of year	**3,945**	5,153
Amortized cost of bonds sold	**1,407**	1,791
Proceeds from sale of bonds	**1,462**	1,898
Realized gain on sale of marketable securities	**55**	107
Venture investments		
Venture investments, at cost, beginning of year	**3,000**	3,000
Venture investments, at cost, end of year	**3,000**	3,000
Cost of venture investments sold	**-**	-
Proceeds from sale of venture investments	**-**	-
Realized gain on sale of venture investments	**-**	-
Realized gain on sale of investments	**55**	107

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

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES

[in $ thousands of Canadian dollars]

For the years ended July 31,	2015 $	2014 $
Net assets attributable to holders of redeemable shares, beginning of year	**3,654**	5,347
Decrease in net assets attributable to holders of redeemable shares	**(111)**	(433)
REDEEMABLE SHARE TRANSACTIONS		
Class A Shares, Series VI		
Amounts paid for Class A Shares, Series VI redeemed	**(600)**	(1,260)
Net assets attributable to holders of redeemable shares, end of year	**2,943**	3,654

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

STATEMENTS OF CASH FLOWS

[in $ thousands of Canadian dollars]

For the years ended July 31,	2015 $	2014 $
Operating activities		
Decrease in net assets attributable to holders of redeemable shares	**(111)**	(433)
Items not affecting cash:		
Accretion of bond interest	**(199)**	(266)
Realized gain on sale of investments	**(55)**	(107)
Change in unrealized depreciation of investments	**125**	463
Purchase of short term investments	**(2,697)**	-
Proceeds from short term investments	**1,997**	-
Proceeds from sale of bonds	**1,462**	1,898
Net change in non-cash working capital:		
Change in other assets and liabilities	**94**	(833)
	616	722
Financing activities		
Amounts paid for Class A Shares, Series VI redeemed	**(600)**	(1,270)
Increase/(decrease) in cash during the year	**16**	(548)
Cash, beginning of year	**181**	729
Cash, end of year	**197**	181

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

SCHEDULE OF INVESTMENT PORTFOLIO

[in $ thousands of Canadian dollars except number of shares [or par value $]]

As at July 31, 2015

Marketable securities

Par Value $	Issuer	Coupon Rate %	Maturity Date	Amortized Cost $	Fair Value $
Short-term investment					
700,000	Enbridge Gas Distribution Inc.	0.66	August 28, 2015	700	700
				700	700
Bonds					
4,020,000	Farm Credit Canada	Zero Coupon	December 15, 2015	3,945	4,012
				3,945	4,012
Total marketable securities				**4,645**	**4,712**

Venture investments

Investee companies*	Number of shares	Equity at cost $	Total $
Ivey CSBIF I Inc., Class A	150,000	1,500	1,500
Ivey CSBIF II Inc., Class A	150,000	1,500	1,500
Total venture investments, at cost		3,000	**3,000**
Unrealized depreciation of venture investments			(882)
Venture investments, at fair value			**2,118**
Total investments, at fair value			**6,830**
Liabilities, net of other assets			(3,887)
Net assets attributable to holders of redeemable shares			**2,943**

* *Series VI has invested solely in business operating in the financial industry. These companies are all in the expansion stage of their development.*

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

STATEMENTS OF FINANCIAL POSITION

[in $ thousands of Canadian dollars except per share amounts and number of shares]

As at	July 31, 2015 $	July 31, 2014 $	August 1, 2013 $
ASSETS AND LIABILITIES			
Current assets			
Cash	**232**	1,589	273
Marketable securities	**15,807**	15,366	18,353
Venture investments	**3,220**	3,769	4,035
Accrued interest receivable	**1**	1	1
	19,260	20,725	22,662
Current liabilities			
Accrued expenses [Note 8]	**558**	305	318
Contingent incentive participation amount payable [Note 7]	**77**	77	77
Redemptions payable	**-**	-	17
	635	382	412
Net assets attributable to holders of redeemable shares [Note 12]	**18,625**	20,343	22,250
Net assets attributable to holders of redeemable shares per Series			
Series VII	**$ 2,657**	$ 3,354	$ 4,463
Series VIII	**$ 3,827**	$ 4,058	$ 4,238
Series IX	**$ 12,141**	$ 12,931	$ 13,549
Redeemable Class A Shares outstanding [Note 6]			
Series VII	**330,120**	401,356	525,122
Series VIII	**413,875**	416,664	422,353
Series IX	**1,341,892**	1,351,290	1,369,763
Net assets attributable to holders of redeemable shares per share [Note 6 and 12]			
Series VII	**$ 8.05**	$ 8.36	$ 8.50
Series VIII	**$ 9.25**	$ 9.74	$ 10.03
Series IX	**$ 9.05**	$ 9.57	$ 9.89

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

[in $ thousands of Canadian dollars except per share amounts]

For the years ended July 31,	2015 $	2014 $
INCOME		
Net gain/(loss) on financial instruments:		
Interest for distribution purposes	**886**	995
Realized gain on sale of investments[1]	**-**	38
Change in unrealized appreciation/(depreciation) of marketable securities	**(328)**	(280)
Change in unrealized appreciation/(depreciation) of venture investments	**(549)**	(266)
	9	487
EXPENSES		
Distribution service fees [Note 8]	**298**	302
Management fees [Note 8]	**237**	268
Transfer agent fees [Note 8]	**116**	129
Harmonized Sales Tax	**106**	118
Audit fees	**80**	115
Shareholders' communication, marketing, administration and other	**65**	63
Directors' fees	**53**	30
Dealer service fees [Note 8]	**33**	41
Independent Review Committee	**21**	16
Sponsor's fees [Note 8]	**10**	10
Custodian fees	**10**	10
Legal fees	**5**	5
	1,034	1,107
Decrease in net assets attributable to holders of redeemable shares	**(1,025)**	(620)
Decrease in net assets attributable to holders of redeemable shares per Series		
Series VII	**$ (146)**	$ (102)
Series VIII	**$ (211)**	$ (124)
Series IX	**$ (668)**	$ (394)
Decrease in net assets attributable to holders of redeemable shares per share (based on weighted average number of shares outstanding)		
Series VII	**$ (0.40)**	$ (0.22)
Series VIII	**$ (0.51)**	$ (0.30)
Series IX	**$ (0.50)**	$ (0.29)
Weighted average number of shares outstanding		
Series VII	**365,952**	463,444
Series VIII	**415,048**	419,459
Series IX	**1,346,478**	1,361,404

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

STATEMENTS OF COMPREHENSIVE INCOME [Cont'd]

[in $ thousands of Canadian dollars except per share amounts]

For the years ended July 31,	2015 $	2014 $
[1] **Breakdown of realized gain/(loss) on sale of investments:**		
Zero coupon bonds		
Bonds, at cost, beginning of year	**14,451**	14,160
Accretion of discount	**769**	746
	15,220	14,906
Bonds, at cost, end of year	**15,220**	14,451
Cost of bonds sold	**-**	455
Proceeds from sale of bonds	**-**	493
Realized gain on sale of marketable securities	**-**	38
Venture investments		
Venture investments, at cost, beginning of year	**4,035**	4,035
Venture investments, at cost, end of year	**4,035**	4,035
Cost of venture investments sold	**-**	-
Proceeds from sale of venture investments	**-**	-
Realized loss on sale of venture investments	**-**	-
Realized gain on sale of investments	**-**	38

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

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES

[in $ thousands of Canadian dollars]

For the years ended July 31,	2015 $	2014 $
Net assets attributable to holders of redeemable shares, beginning of year	**20,343**	22,250
Decrease in net assets attributable to holders of redeemable shares	**(1,025)**	(620)
REDEEMABLE SHARE TRANSACTIONS		
Class A Shares, Series VII		
Amounts paid for Class A Shares, Series VII redeemed	**(580)**	(1,049)
Class A Shares, Series VIII		
Amounts paid for Class A Shares, Series VIII redeemed	**(27)**	(57)
Class A Shares, Series IX		
Amounts paid for Class A Shares, Series IX redeemed	**(86)**	(181)
Net assets attributable to holders of redeemable shares, end of year	**18,625**	20,343

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

STATEMENTS OF CASH FLOWS

[in $ thousands of Canadian dollars]

For the years ended July 31,	2015 $	2014 $
Operating activities		
Decrease in net assets attributable to holders of redeemable shares	**(1,025)**	(620)
Items not affecting cash:		
Accretion of bond interest	**(769)**	(746)
Realized gain on sale of investments	**-**	(38)
Change in unrealized depreciation of investments	**877**	546
Advance of loan	**-**	(2,000)
Purchase of short term investments	**(2,497)**	(999)
Proceeds from repayment of loan	**-**	2,000
Proceeds from sale of short term investments	**2,497**	3,997
Proceeds from sale of bonds	**-**	493
Change in non-cash working capital:		
Change in other assets and liabilities	**253**	(13)
	(664)	2,620
Financing activities		
Amounts paid for Class A Shares, Series VII, VIII, IX redeemed	**(693)**	(1,304)
Increase/(decrease) in cash during the year	**(1,357)**	1,316
Cash, beginning of year	**1,589**	273
Cash, end of year	**232**	1,589

Supplementary information:

Interest received*	**114**	105

** included in operating activities*

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

SCHEDULE OF INVESTMENT PORTFOLIO

[in $ thousands of Canadian dollars except number of shares [or par value $]]

As at July 31, 2015

Marketable securities

Par Value $	Issuer	Coupon Rate %	Maturity Date	Amortized Cost $	Fair Value $
Bonds					
3,305,123	Nova Gas Transmission Ltd.	Residual	February 28, 2016	3,193	3,277
3,848,594	Loblaw Companies Ltd.	Residual	June 1, 2016	3,658	3,801
8,911,508	Royal Bank of Canada	Zero Coupon	December 30, 2016	8,369	8,729
				15,220	15,807
Total marketable securities				**15,220**	**15,807**

Venture investments

Investee companies	Number of shares (or par value $)	Debt at cost $	Equity at cost $	Total $
bitHeads Inc., Class B Preferred	411,327	-	45	45
Fidelity PAC Metals Ltd., Secured Debenture, 9.5%, due December 31, 2015	$1,200,000	1,200	-	1,200
Mist Mobility Integrated Systems Technology Inc., Demand Promissory Note, 12%	$1,975,000	1,975	-	1,975
WireIE Holdings International Inc., Common	2,559,705	-	815	815
Total venture investments, at cost		3,175	860	**4,035**
Unrealized depreciation of venture investments				(815)
Venture investments, at fair value				**3,220**
Total investments, at fair value				**19,027**
Liabilities, net of other assets				(402)
Net assets attributable to holders of redeemable shares				**18,625**

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

SCHEDULE OF INVESTMENT PORTFOLIO [Cont'd]

[in $ thousands of Canadian dollars except number of companies and percentages]

As at July 31, 2015	Number of companies	Cost of investments $	% Total venture investments at cost %	Fair value of investments $	% Total venture investments at fair value %
Stage of Development					
Start-up / Early	1	815	20.2	-	0.0
Expansion	3	3,220	79.8	3,220	100.0
	4	**4,035**	**100.0**	**3,220**	**100.0**
Industry Class					
Entertainment/Retail	1	1,200	29.7	1,200	37.3
Manufacturing	1	1,975	49.0	1,975	61.4
Technology	2	860	21.3	45	1.4
	4	**4,035**	**100.0**	**3,220**	**100.0**
As at July 31, 2014					
Stage of Development					
Start-up / Early	1	815	20.2	549	14.6
Expansion	3	3,220	79.8	3,220	85.4
	4	**4,035**	**100.0**	**3,769**	**100.0**
Industry Class					
Entertainment/Retail	1	1,200	29.7	1,200	31.8
Manufacturing	1	1,975	49.0	1,975	52.4
Technology	2	860	21.3	594	15.8
	4	**4,035**	**100.0**	**3,769**	**100.0**
As at August 1, 2013					
Stage of Development					
Start-up / Early	1	815	20.2	815	20.2
Expansion	3	3,220	79.8	3,220	79.8
	4	**4,035**	**100.0**	**4,035**	**100.0**
Industry Class					
Entertainment/Retail	1	1,200	29.7	1,200	29.7
Manufacturing	1	1,975	49.0	1,975	49.0
Technology	2	860	21.3	860	21.3
	4	**4,035**	**100.0**	**4,035**	**100.0**

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

JULY 31, 2015

[in $ thousands of Canadian dollars except per share amounts and number of shares]

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 "Administrator"). The Fund is sponsored by the Canadian Federal Pilots Association (the "Sponsor"). The address of the Fund's registered office is 87 Front Street East, Suite 400, Toronto, Ontario M5E 1B8. These financial statements were authorized for issue by the Fund's Board of Directors on October 29, 2015.

On January 6, 2006, the Venture Partners Balance Fund Inc. ("VPB") and Capital First Venture Fund Inc. ("CFVF") amalgamated with several other LSIF's to become CVF. Specifically, VPB became CVF Series VI and CVFV became CVF VII respectively. Collectively, VPB and CFVF are known as the "Original Funds". The Fund currently consists of two groupings: CVF Series VI and CVF Series VII, VIII, IX. Each group represents a separate portfolio of assets under National Instrument 81-106 ("NI 81-106") which governs Investment Fund Continuous Disclosure requirements and therefore, each is considered to be a separate investment fund for financial statement reporting purposes.

The Fund is currently closed to new subscriptions.

2. BASIS OF PRESENTATION AND ADOPTION OF IFRS

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") published by the International Accounting Standards Board ("IASB"). The Fund adopted this basis of accounting in 2015 as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously, the Fund prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles as defined in Part V of the Chartered Professional Accountants ("CPA") of Canada Handbook – Accounting ("Canadian GAAP"). The Fund has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position at August 1, 2013 and throughout all periods presented, as if these policies had always been in effect. Note 12 discloses the impact of the transition to IFRS on the Fund's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Fund's financial statement for the year ended July 31, 2014 prepared under Canadian GAAP.

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 Funds' 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.

[in $ thousands of Canadian dollars except per share amounts and number of shares]

3. SIGNIFICANT ACCOUNTING POLICIES

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.

Fixed income securities, debentures or other debt instruments including short-term investments are valued at the quotation price from recognized investment dealers. Zero-coupon bonds are valued at the quotation price from recognized investment dealers. The difference between fair value and the amortized cost is recorded as unrealized appreciation (depreciation) of marketable securities. The discount relating to the zero-coupon bond is recognized on a straight-line basis into income over the life of the respective bond.

Venture investments in securities not having quoted market values or in restricted securities are recorded at estimated fair value ("FV"). 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.

For warrants that are not traded on a recognized securities exchange, no market value is readily available. When there are sufficient and reliable observable market inputs, a valuation technique is used.

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.

Financial assets and liabilities at fair value

The Fund carries its investment in equity and debt as financial assets or financial liabilities at FVTPL. This has two sub-categories: (1) financial assets or financial liabilities held for trading; and (2) those designated at FVTPL at inception.

(1) Financial assets and financial liabilities held for trading: a financial asset or financial liability is classified as held for trading ("HFT") if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if on initial recognition, it is part of a portfolio of identifiable financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking.

(2) Financial assets and financial liabilities designated at FVTPL: a financial asset or financial liability is designed as FVTPL at inception are financial instruments that are not classified as HFT but are managed and their performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's investments are designated as FVTPL.

[in $ thousands of Canadian dollars except per share amounts and number of shares]

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

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 fair value through profit and loss. IAS 28, Investment in Associates, also allows investments in associates that are held by investment entities to be recognized and measured at fair value through profit and loss and to be accounted for in accordance with IAS 39, Financial Instruments: Recognition and Measurement 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 fair value through profit or loss.

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.

Foreign currency translation

The Fund may hold certain venture investments where the original purchase price was stated in US dollars. The cost is converted to Canadian dollars at the exchange rate in effect at the time of purchase and this amount becomes the historical cost of the investment. When a venture investment is purchased in US dollars, the fair value of these investments is adjusted weekly for the change in the exchange rate.

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

[in $ thousands of Canadian dollars except per share amounts and number of shares]

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 revenues 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 are:

(1) Fair value of venture investments in securities not having quoted market values – The Fund holds some investments that are 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.

(2) Classification and measurement of investments and application of the fair value option – In classifying and measuring the financial instruments held by the Fund, the Manager is required to make significant judgements about whether or not the business of the Fund is to invest on a total return basis for the purpose of applying the fair value option for financial assets under IAS 39, Financial Instruments – Recognition and Measurement. The most significant judgement includes the determination that the fair valuation option can be applied to the Fund's 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 fair value through profit and loss. The following represent the Fund's interest in unconsolidated subsidiaries, associates and structured entities and related ownership percentages:

		Proportion of ownership and voting rights		
Name	**Relationship**	**July 31, 2015**	**July 31, 2014**	**August 1, 2013**
Ivey CSBIF I Inc.	Associate	32%	32%	32%
Ivey CSBIF II Inc.	Associate	32%	32%	32%

The entities listed above are incorporated in Canada and have their principal place of business in Canada.

Restrictions, Commitments and Support

The Fund may receive income in the form of dividends from its investments in its associates as listed above. While there are no significant restrictions on the transfer of funds from these entities to the Fund, they may be subject to the approval by the Board of Directors at the associate level as required by shareholder agreements or constating documents. The Fund has no commitments to provide follow-on or other financing to these associates nor has it provided any additional financial support during the years ended July 31, 2015 or 2014.

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[in $ thousands of Canadian dollars except per share amounts and number of shares]

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 the case of Series VI and VII, each Original Fund'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, 2014, 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.

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 and VIII, 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.

[in $ thousands of Canadian dollars except per share amounts and number of shares]

6. REDEEMABLE SHARES *(Cont'd)*

For CVF Class A Shares, IX, 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 years indicated:

Year ended July 31, 2015

Number of shares	Series VI	Series VII	Series VIII	Series IX
Class A Shares				
Balance, beginning of year	495,861	401,356	416,664	1,351,290
Redeemed during the year	(83,481)	(71,236)	(2,789)	(9,398)
Balance, end of year	412,380	330,120	413,875	1,341,892

Year ended July 31, 2014

Number of shares	Series VI	Series VII	Series VIII	Series IX
Class A Shares				
Balance, beginning of year	656,865	525,122	422,353	1,369,763
Redeemed during the year	(161,004)	(123,766)	(5,689)	(18,473)
Balance, end of year	495,861	401,356	416,664	1,351,290

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 years ended July 31, 2015 or 2014.

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.

[in $ thousands of Canadian dollars except per share amounts and number of shares]

8. COMMITMENTS

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, investment advisor, 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 stated as follows:

	Series VI	Series VII	Series VIII	Series IX
Management fees	1.25%	1.25%	1.25%	1.25%
Investment advisor fees	2.00%	-	-	-
Sponsor fees	0.25%	0.05%	0.05%	0.05%
Transfer agent fees	0.60%	0.60%	0.60%	0.60%
Dealer service fees	0.50%	0.50%	0.50%	-
Distribution service fees*	-	-	1.152%	1.92%

** As of July 31, 2015, only Series VIII and Series IX are paying distribution service fees.*

The Manager is entitled to an incentive participation amount (the "IPA") based on the performance of CVF Class A Shares Series VI and VII as disclosed in the Fund's annual information form and is based on performance of the Series dating to the inception of the Original Funds 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 July 31, 2015, either Conditional IPA or IPA payable included in the financial statements are as follows:

	Expensed year ended July 31, 2015	Expensed year ended July 31, 2014	IPA payable as at July 31, 2015	IPA payable as at July 31, 2014	Paid during year ended July 31, 2015	Paid during year ended July 31, 2014
Series VII, VIII, IX	-	-	77	77	-	-

Series VI has not met the performance criteria to record either IPA payable or Conditional IPA.

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 in either Series VI or Series VII, VIII, IX (2014-NIL).

Directors of the Fund are entitled to receive an annual fee of $7.5 and a fee of $1 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 $15 per year plus a per meeting fee of $2 for the Chairperson and $1.5 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.

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[in $ thousands of Canadian dollars except per share amounts and number of shares]

9. RELATED PARTY TRANSACTIONS

Included in accrued expenses are amounts due to the Manager for management fees which have been funded by the Manager on behalf of Series VI. These amounts are non-interest bearing and due on demand.

	As at July 31, 2015	As at July 31, 2014	As at August 1, 2013
Management fees – Series VI	**3,303**	3,183	4,022

During the year, Series VII, VIII, IX advanced loans of $NIL (2014- $2,000) to Series I, II, III, IV, V. The terms of the loans were 12.75% interest per annum. The funds were used to temporarily provide liquidity for Series I, II, III, IV, V as required. Each loan was repaid within the same year it was advanced. Interest of $NIL (2014 - $141) was paid on the loan. The terms were based on commercially similar terms as a third party loan agreement entered into by another fund managed by the Manager. Series I,II,III,IV,V was wound up in fiscal 2014.

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.

The Fund has capital losses of $138,042 and non-capital losses of $28,336 available to offset future capital gains and income respectively. The benefit, if any, of these losses has not been recognized in the financial statements. If not utilized, the non-capital losses will expire as follows: 2026-$8,115; 2027-$5,409; 2028-$Nil; 2029-$5,415; 2030-$5,570; 2031-$Nil; 2032-$2,173 and 2033-$1,654. Capital losses can be carried forward indefinitely.

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.

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[in $ thousands of Canadian dollars except per share amounts and number of shares]

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.

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.

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[in $ thousands of Canadian dollars except per share amounts and number of shares]

11. FINANCIAL INSTRUMENTS *(Cont'd)*

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 July 31, 2015, July 31, 2014 and August 1, 2013:

Series VI	Financial instruments at fair value			
As at July 31, 2015	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Marketable securities	700	4,012	-	4,712
Venture investments	-	-	2,118	2,118
Total financial assets	**700**	**4,012**	**2,118**	**6,830**
As at July 31, 2014				
Marketable securities	-	5,429	-	5,429
Venture investments	-	-	2,034	2,034
Total financial assets	-	5,429	2,034	7,463
As at August 1, 2013				
Marketable securities	-	7,144	-	7,145
Venture investments	-	-	2,307	2,307
Total financial assets	-	7,144	2,307	9,452

Series VII, VIII, IX	Financial instruments at fair value			
As at July 31, 2015	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Marketable securities	-	15,807	-	15,807
Venture investments	-	-	3,220	3,220
Total financial assets	**-**	**15,807**	**3,220**	**19,027**
As at July 31, 2014				
Marketable securities	-	15,366	-	15,366
Venture investments	-	-	3,769	3,769
Total financial assets	-	15,366	3,769	19,135
As at August 1, 2013				
Marketable securities	2,998	15,355	-	18,353
Venture investments	-	-	4,035	4,035
Total financial assets	2,998	15,355	4,035	22,388

During the periods ended July 31, 2015 and 2014, there were no transfers between Level 1 and Level 2 of the fair value hierarchy in any of the Fund's Series.

[in $ thousands of Canadian dollars except per share amounts and number of shares]

11. FINANCIAL INSTRUMENTS *(Cont'd)*

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

	July 31, 2015		July 31, 2014	
	Series VI $	**Series VII, VIII, IX $**	**Series VI $**	**Series VII, VIII, IX $**
Balance, beginning of year	2,034	3,769	2,307	4,035
New investments	-	-	-	-
Disposals or sales	-	-	-	-
Net transfers into and/or out of Level 3	-	-	-	-
Change in unrealized gains/(losses)	84	(549)	(273)	(266)
Net unrealized gains/(losses)	-	-	-	-
Balance, end of year	**2,118**	**3,220**	2,034	3,769
Total change in unrealized gains and losses during the year included in the statement of comprehensive income for assets held at end of year	**84**	**(549)**	(273)	(266)

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.

(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.

[in $ thousands of Canadian dollars except per share amounts and number of shares]

11. FINANCIAL INSTRUMENTS *(Cont'd)*

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 July 31, 2015, July 31, 2014 and August 1, 2013 as follows:

	July 31, 2015		July 31, 2014		August 1, 2013	
	Fair value of privately held investments $	**Decrease/Increase in net assets**	Fair value of privately held investments $	Decrease/Increase in net assets	Fair value of privately held investments $	Decrease/Increase in net assets
Series VI	**2,118**	**-4.81% to +0.88%**	2,034	-5.64% to +19.2%	2,307	-3.62% to +2.72%
Series VII, VIII, IX	**3,220**	**-**	3,769	0.0% to +1.31%	4,035	-

The FV of each level 3 investment is generally related to the underlying value and/or creditworthiness of small to medium sized privately-held businesses. Management reviews a number of valuation techniques for each investment depending on a number of factors including: financial performance, stage of the business, follow-on financings from external parties, relation of business financial measures to public company comparables, reliability of future cash flow projections and publicly available information on transactions involving similar businesses in the marketplace.

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

Series VI – has invested in underlying Community Small Business Investment Funds. The valuation technique used is the determination of net asset value per share of the underlying Fund. The possible shift in value based on the use of the unobservable technique is -4.34% to + 0.88% or a change in value of -$142 to + $26 (July 31, 2014 : -5.46% to +19.2% or a change in value of -$200 to +$701; August 1, 2013: -3.62% to +2.72% or a change in value of -$193 to +$145).

Series VII,VIII, IX- has investments in four privately-held businesses for which level 3 inputs have been used in determining the value of the investment. Two investments are debt instruments and two are equity instruments with a fair values of $3,175 and $45 respectively (July 31, 2014: $3,175 and $594; August 1, 2013: $3,175 and $860 respectively). The primary valuation technique used to value these companies was estimated realizable value with inputs considering probability of collection and exit multiples respectively. Based on these inputs, management has determined there is no net increase or decrease in the fair value of these securities as at the July 31, 2015 (July 31, 2014: 0% to +1.31% or a change in value of $Nil to $267; August 1, 2013: no net increase or decrease in fair value).

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.

(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 July 31, 2015, July 31, 2014 or August 1, 2013.

[in $ thousands of Canadian dollars except per share amounts and number of shares]

11. FINANCIAL INSTRUMENTS *(Cont'd)*

(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. Below is a breakdown of debt instruments by maturity:

Debt instruments by maturity date As at July 31, 2015	Less than 1 year $	1-3 years $	3-5 years $	Greater than 5 years $
Series VI	**4,012**	**-**	**-**	**-**
Series VII, VIII, IX	**10,253**	**8,729**	**-**	**-**
As at July 31, 2014				
Series VI	-	5,429	-	-
Series VII, VIII, IX	3,175	15,366	-	-
As at August 1, 2013				
Series VI	-	7,144	-	-
Series VII, VIII, IX	3,175	7,131	8,224	-

Series VI through IX have investments in zero-coupon or residual bonds. As at July 31, 2015, July 31, 2014 and August 1, 2013 if the yield curve had shifted in parallel by 25 basis points, and all other variables remained constant, the net assets would have increased or decreased respectively by the following approximate dollar values as a result of holding these bonds:

As at:	July 31, 2015	July 31, 2014	August 1, 2013
	Impact of a +/- 25 basis point parallel shift in the yield curve $	Impact of a +/- 25 basis point parallel shift in the yield curve $	Impact of a +/- 25 basis point parallel shift in the yield curve $
Series VI	**4**	19	42
Series VII, VIII, IX	**49**	82	119

In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

(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 Series VI through IX have no exposure to publicly-traded equities as at July 31, 2015, July 31, 2014 or August 1, 2013.

[in $ thousands of Canadian dollars except per share amounts and number of shares]

11. FINANCIAL INSTRUMENTS *(Cont'd)*

(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 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.

(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 July 31, 2015, July 31, 2014 and August 1, 2013 the Fund invested in debt instruments as follows (not including the venture portfolio listed in (a) above or short-term marketable securities):

As at July 31, 2015

Debt instruments by credit rating*:	**AAA**	**AA**	**A**	**BBB**	**Total**
	$	**$**	**$**	**$**	**$**
Series VI**	**4,012**	**-**	**-**	**-**	**4,012**
Series VII, VIII, IX**	**-**	**8,729**	**3,277**	**3,801**	**15,807**

As at July 31, 2014

Debt instruments by credit rating*:	**AAA**	**AA**	**A**	**BBB**	**Total**
	$	**$**	**$**	**$**	**$**
Series VI**	5,429	-	-	-	5,429
Series VII, VIII, IX**	-	8,466	3,196	3,704	15,366

As at August 1, 2013

Debt instruments by credit rating*:	**AAA**	**AA**	**A**	**BBB**	**Total**
	$	**$**	**$**	**$**	**$**
Series VI**	7,145	-	-	-	7,145
Series VII, VIII, IX**	-	8,224	3,568	3,563	15,355

* *Credit ratings are obtained from Dominion Bond Rating Services and/or Standard & Poor's. Where one or more rating is obtained, the lowest rating has been used.*

** *Each of these Series are balanced funds where a portion of initial capital raised was set aside in investment grade, long-term bank or corporate debt with the objective of returning the investor's original issue price. As such, these Series have a higher proportion of their NAV invested in these bonds to reduce the overall risk associated with these Series.*

[in $ thousands of Canadian dollars except per share amounts and number of shares]

12. TRANSITION TO IFRS

The effect of the Fund's transition to IFRS is summarized below:

(a) Transition elections

The only voluntary exemption adopted by the Fund upon transition was the ability to designate a financial asset or financial liability at fair value through profit and loss upon transition to IFRS. All financial assets designated as FVTPL upon transition were previously carried at fair value under Canadian GAAP as required by Accounting Guideline 18, Investment companies.

(b) Mandatory exceptions to retrospective application

In accordance with the mandatory exceptions to retrospective restatement under IFRS 1, hindsight was not used to create or revise estimates at the transition date. Accordingly, estimates previously made under Canadian GAAP are consistent with those under IFRS.

(c) Classification of redeemable shares issued by the Fund

Under IFRS, IAS 32 Financial Instruments: Presentation, requires that shares of an entity which include a contractual obligation for the issuer to repurchase or redeem the shares for cash or another financial asset, be classified as a financial liability. The Fund's Class A Shares do not meet the criteria in IAS 32 for classification as equity, and have been accordingly reclassified as financial liabilities on transition to IFRS.

(d) Investment entity

The Fund has determined that it meets the definition of an "investment entity" under IFRS 10, Consolidated Financial Statements, in that it obtains funds from one or more investors for the purpose of providing them with investment management services, commits to its investors that is business purpose is to invest funds solely for returns from capital appreciation, investment income or both, and measures and evaluates the performance of all or substantially all of its investments on a fair value basis. Consequently, the Fund is required measure investments in other entities over which it has control, at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity's investment activities. The Fund has no subsidiaries requiring consolidation as at July 31, 2015, July 31, 2014 or August 1, 2013.

(e) Revaluation of investments at FVTPL

Under Canadian GAAP, the Fund measured the fair values of its investments using bid prices for long positions and ask prices for short positions. Under IFRS, the Fund measures the fair values of its investments using the guidance in IFRS 13, Fair Value Measurement, which requires that if an asset or liability has a bid price and an ask price, then its fair value is to be based on a price within the bid-ask spread this is most representative of fair value. As a result, upon adoption of IFRS, an adjustment to the carrying value of the Fund's investments as well as the Fund's net assets attributable to holders of redeemable shares has been made. The impact of this revaluation adjustment is summarized in note (f) below.

JULY 31, 2015

[in $ thousands of Canadian dollars except per share amounts and number of shares]

12. TRANSITION TO IFRS *(Cont'd)*

(f) Reconciliations of Canadian GAAP to IFRS

The transition from Canadian GAAP to IFRS has not had a significant impact on the financial statements of the Fund. There were changes to the presentation in the Statements of Financial Position and Statements of Comprehensive Income (previously Statements of Operations) as per below:

Series VI

Equity	July 31, 2014	August 1, 2013
Equity as reported under Canadian GAAP	3,650	5,345
Revaluation of investments at FVTPL	4	2
Net assets attributable to holders of redeemable shares under IFRS	3,654	5,347

Comprehensive income	Year ended July 31, 2014
Comprehensive income as reported under Canadian GAAP	(435)
Revaluation of investments at FVTPL	2
Increase (decreaase) in net assets attributable to holders of redeemable shares under IFRS	(433)

Series VII, VIII, IX

Equity	July 31, 2014	August 1, 2013
Equity as reported under Canadian GAAP	20,342	22,249
Revaluation of investments at FVTPL	1	1
Net assets attributable to holders of redeemable shares under IFRS	20,343	22,250

Comprehensive income	Year ended July 31, 2014
Comprehensive income as reported under Canadian GAAP	(620)
Revaluation of investments at FVTPL	-
Increase (decreaase) in net assets attributable to holders of redeemable shares under IFRS	(620)

13. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

IFRS 9, Financial Instruments ("IFRS")

The final version of IFRS 9, Financial Instruments was issued by IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward-looking "expected loss" impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which and asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will required more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however is available for early adoption. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Fund is in the process of assessing the impact of IFRS 9.

Fund Symbols*	Series VI CIG461 Series VII CIG462 Series VIII CIG465 Series IX CIG466 ** All Series closed to new purchases*
Fund Manager and Advisor	**Covington Capital Corporation** 87 Front Street East, Suite 400 Toronto, ON M5E 1B8
Sponsor	**Canadian Federal Pilots Association** 350 Sparks Street, Suite 400 Ottawa, ON K1R 7S8
Auditor	**Ernst & Young LLP** Ernst & Young Tower P.O. Box 251 Toronto-Dominion Centre Toronto, ON M5K 1J7
Transfer Agent and Registrar	**CI Investments Inc.** 15 York Street, 2nd Floor Toronto, ON M5J 0A3 Customer Service: 1 888 746 4751

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SKU CGOF 1065 10/15