BEST FUNDS

INNOVATIVE INVESTING

The Business, Engineering, Science & Technology Discoveries Fund Inc.

September 30, 2013

October 17, 2014

Independent Auditor's Report

To the Shareholders of
The Business, Engineering, Science & Technology Discoveries Fund Inc.
(the Fund)

We have audited the accompanying financial statements of the Fund, which comprise the statements of financial position as at September 30, 2013, September 30, 2012 and October 1, 2011 and the statements of comprehensive income (loss), changes in shareholders' equity and cash flows for the years ended September 30, 2013 and 2012, and the related notes, which comprise 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 the 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.

Auditor's responsibility
Our responsibility is to express an opinion on the 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 auditor's 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 auditor considers 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 the Fund as at September 30, 2013, September 30, 2012 and October 1, 2011 and its financial performance and its cash flows for the years ended September 30, 2013 and 2012 in accordance with International Financial Reporting Standards.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

The Business, Engineering, Science & Technology Discoveries Fund Inc.
STATEMENTS OF FINANCIAL POSITION

As at September 30, 2013, September 30, 2012 and October 1, 2011

	September 30, 2013	September 30, 2012	October 1, 2011
ASSETS			
Cash	$ 261,248	$ 1,484,387	$ 41,315
Accrued interest and other receivables	177,539	178,938	670,904
Receivable on the sale of investments (note 9)	568,454	2,380,814	1,897,026
Investments	33,495,771	35,858,854	48,047,278
Total Assets	34,503,012	39,902,993	50,656,523
LIABILITIES			
Class A redeemable shares (note 5)	12,246,678	16,442,147	24,421,755
Payable on redemption of Class A shares	—	164,957	—
Accounts payable and accrued liabilities	310,153	300,906	327,986
Deferred income on venture investments	312,280	469,575	531,789
Class B shares (note 5)	1	1	1
Class P shares (incentive participation amount) (notes 5, 6)	828,068	826,063	1,032,751
Total Liabilities	13,697,180	18,203,649	26,314,282
SHAREHOLDERS' EQUITY			
Share capital - Class L, Series I shares	16,838,743	16,838,743	16,838,743
Retained earnings	3,967,089	4,860,601	7,503,498
Total Shareholders' Equity	20,805,832	21,699,344	24,342,241
Total Liabilities & Shareholders' Equity	34,503,012	39,902,993	50,656,523

Approved by the Board of Directors

George R. Paterson
Director

David Copeland
Director

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

The Business, Engineering, Science & Technology Discoveries Fund Inc.
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the years ended September 30, 2013 and 2012

	2013	2012
INCOME		
Net gain (loss) on investments at fair value through profit and loss	$ 1,128,411	$ (2,068,482)
	1,128,411	(2,068,482)
EXPENSES		
Advisory fees (note 6)	677,999	893,672
Management fees (note 6)	587,765	766,004
Transfer agent, registrar and administrative (note 6)	481,144	502,387
Legal fees	155,524	50,009
Audit fees	138,072	137,525
Directors' fees and expenses	124,610	122,575
Selling costs (note 6)	75,405	114,195
Shareholders' reporting costs	61,026	61,075
Sponsor's fees (note 6)	52,256	67,788
Custodian fees (note 6)	34,954	29,095
Class A redeemable shares	11,587	10,528
Transaction fees	1,842	-
Net gain (loss) on remeasurement of Class P shares (incentive participation amount) (note 6)	303,881	754,431
	2,706,065	3,509,284
Loss before finance costs	(1,577,654)	(5,577,766)
FINANCE COSTS		
Net gain (loss) on remeasurement of Class A redeemable shares	(684,142)	(2,934,869)
Net and comprehensive loss	(893,512)	(2,642,897)
Earnings (loss) per share		
Class L, Series I shares	(0.43)	(1.26)

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

The Business, Engineering, Science & Technology Discoveries Fund Inc.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the years ended September 30, 2013 and 2012

	Share capital $	Retained earnings $	Total $
Balance as at October 1, 2011 - Class L, Series I shares	16,838,743	7,503,498	24,342,241
Net and comprehensive loss	-	(2,642,897)	(2,642,897)
Balance as at September 30, 2012 - Class L, Series I shares	**16,838,743**	**4,860,601**	**21,699,344**
Net and comprehensive loss	-	(893,512)	(893,512)
Balance as at September 30, 2013 - Class L, Series I shares	**16,838,743**	**3,967,089**	**20,805,832**

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

The Business, Engineering, Science & Technology Discoveries Fund Inc.
STATEMENTS OF CASH FLOWS
For the years ended September 30, 2013 and 2012

	2013	2012
Cash provided by (used in)		
Operating activities		
Net loss	$ (893,512)	$ (2,642,897)
Adjustments for:		
Net gain (loss) on remeasurement of Class A redeemable shares	(684,142)	(2,934,869)
Change in unrealized depreciation on investments	103,618	5,436,547
Realized loss (gain) on sale of investments	1,246,031	(54,518)
Non-cash income	(111,776)	(140,709)
Net change in non-cash balances related to operations	1,667,716	(287,804)
Proceeds from maturities of short-term investments	25,476,945	109,444,349
Proceeds from disposal of venture investments	7,926,653	15,519,108
Proceeds from disposal of public company investments	182,237	—
Purchase of short-term investments	(23,478,625)	(102,339,589)
Purchase of venture investments	(8,982,000)	(15,676,764)
	2,453,145	6,322,854
Financing activities		
Amounts paid for Class A shares redeemed	(3,685,139)	(4,893,546)
Redemption fees charged for Class A shares	8,855	13,764
	(3,676,284)	(4,879,782)
(Decrease) increase in cash during the year	(1,223,139)	1,443,072
Cash - Beginning of year	1,484,387	41,315
Cash - End of year	261,248	1,484,387
Supplemental Information*		
Interest paid	-	-
Interest received	1,842,972	2,826,769
Income Taxes Paid	-	-

*Included in operating activities

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

The Business, Engineering, Science & Technology Discoveries Fund Inc.
SCHEDULE OF INVESTMENT PORTFOLIO
As at September 30, 2013

Par value/ number of shares	Issuer	Maturity date/ expiration date	Cost		Fair value
	SHORT-TERM INVESTMENTS				
	Commercial paper				
4,000,000	HSBC Bank Canada, discount note, 1.13%	October 18, 2013	3,996,520	$	3,996,520
	Total short-term investments		3,996,520	$	3,996,520
	PUBLIC COMPANY INVESTMENTS				
310,000	Cymat Technologies Ltd., common shares		55,800	$	3,100
544,500	TransGaming Inc., common shares		100,733		62,618
	Total public company investments		156,533	$	65,718
	VENTURE INVESTMENTS				
	Industrial and financial				
	Brompton Corporation				
42,291	Common shares		-		423
	CNSX Markets Inc.				
1,455,087	Common shares		5,844,694		727,303
	Compower Systems Inc.				
1,333	Common shares		-		-
1,960,000	Senior secured debenture, 2.00%	December 31, 2013	1,960,000		63,000
	Couch Commerce Inc.				
970,000	Promissory note, 14.50%	August 22, 2015	970,000		970,000
	ERMS Corporation				
2,824	Preferred shares		3,558,437		2,447,024
264,464,964	Common shares		376,902		-
	Iogen Corporation				
1,927,914	Class A Common shares		3,274,203		2,487,009
	Questrade Inc.				
4,650,000	Debenture, 16.00%	August 31, 2014	4,650,000		4,650,000
1	Common shares purchase warrant	August 31, 2014	-		-
	Total industrial and financial		20,634,236		11,344,759
	Technology				
	AcuityAds Inc.				
607,000	Promissory note, 16.50%	January 9, 2016	607,000		607,000
	ArcticAx Inc.				
600,000	Promissory note, 21.00%	September 1, 2014	600,000		600,000
	Axentra Corp.				
60,929	Promissory note, 18.00%	August 15, 2013	60,929		60,929
1,048	Common shares		-		-
	DisclosureNet Inc.				
6,090	Preferred shares		5,440,796		6,510,800

The Business, Engineering, Science & Technology Discoveries Fund Inc.
SCHEDULE OF INVESTMENT PORTFOLIO
As at September 30, 2013

Par value/ number of shares	Issuer	Maturity date/ expiration date	Cost		Fair value
317,180	Class B Common Shares		649,204		324,400
14.40	Class A Preferred Shares purchase warrant	April 29, 2014	-		-
7,980	Class A Common Shares purchase warrant	April 29, 2014	-		-
	Echoworx Inc.				
2,350,000	Promissory note, 20.00%	August 31, 2014	2,350,000		2,350,000
	Geminare Inc.				
75,313	Common shares		-		30,125
3,603,604	Preferred shares		4,000,000		3,282,630
3,348,520	Common shares, Class B		-		1,339,408
	FileTrek (GridIron Software) Inc.				
60,795	Common shares		1,000,000		-
2,144,005	Preferred shares, Class A		2,189,904		-
1,317,650	Preferred shares, Class A1		332,947		-
	Health Care Services International Inc.				
4,250	Common shares		-		7,268
	Infonaut Inc.				
508	Common shares		-		-
	Intelligent Mechatronic System Inc.				
1,360,000	Promissory note, 15.00%	September 15, 2015	1,360,000		1,360,000
	PowerBand Global Inc.				
1	Common shares purchase warrant	October 2, 2015	-		-
1	Common shares purchase warrant	October 2, 2015	-		-
	Shareholderco (7182171 Canada Inc.)				
5,843,131	Non-Voting common shares		-		-
5,843,131	Special voting shares		3		-
	Skura Corp.				
570,000	Promissory note, 14.00%	September 13, 2016	570,000		570,000
1	Common shares purchase warrant	September 13, 2018	-		-
	Spinco (4515218 Canada Inc.)				
1,000,000	Series A exchangeable preferred shares		1,522,796		-
1,463,195	Series B exchangeable preferred shares		977,471		-
3,379,936	Series C exchangeable preferred shares		790,305		-
5,843,131	Special voting shares		5		-
	TransGaming Inc.				
1,812,500	Common shares purchase warrant	July 5, 2018	137,524		162,633
1,270,000	Common shares purchase warrant	July 6, 2016	-		63
1,010,000	Promissory note, 10.00%	July 5, 2016	883,518		883,518
	Total technology		23,472,402		18,088,774
	Total venture investments		44,106,638	$	29,433,533
	Total investments		48,259,691	$	33,495,771

1. FUND STATUS AND OPERATIONS

The Business, Engineering, Science & Technology (B.E.S.T.) Discoveries Fund Inc. (the "Fund") was incorporated under the laws of Canada by articles of incorporation dated November 21, 1996, amended December 31, 1996, January 30, 1998, January 4, 2002, January 22, 2008, March 12, 2008, and further amended July 24, 2009. The Fund is registered as a Labour Sponsored Investment Fund Corporation under the Community Small Business Investment Funds Act (Ontario) (the "CSBIF Act"). The Fund is taxable as a mutual fund corporation and is a prescribed Labour Sponsored Venture Capital Corporation under the Income Tax Act (Canada). The address of the Fund's registered office is 15 Toronto Street, Suite 400, Toronto, Ontario, M5C 2E3.

The Fund makes investments in eligible Canadian businesses as defined in the CSBIF Act with the objective of achieving maximum long-term capital appreciation.

The sponsor of the Fund is the International Federation of Professional and Technical Engineers - Local 164 (the "Sponsor").

The Fund is managed by B.E.S.T. Investment Counsel Limited (the "Manager") pursuant to an agreement dated December 18, 2008 (the "Management Agreement"). The Manager is responsible for all aspects of the management, operations and administration of the Fund, all subject to the direction and control of the Board of Directors of the Fund.

The Manager also provides portfolio management services in connection with the Fund. The Fund and the Manager entered into a management advisor agreement with B.E.S.T. Investment Counsel Limited (the "Management Advisor") dated December 18, 2008 (the "Management Advisor Agreement") pursuant to which the Management Advisor has been retained to identify, screen and analyse investment opportunities and monitor and manage the Fund's investments. Certain of the investments held by the Fund are also held by other funds managed by the manager.

At the Annual and Special meeting of the Fund held on June 24, 2009, the shareholders approved a Plan of Arrangement (the "Plan of Arrangement") for the Fund as detailed in the Management Information Circular dated May 25, 2009. The Ontario Superior Court of Justice issued a final order on June 26, 2009 which became effective on July 24, 2009 (the "Effective Date").

As a result of the Plan of Arrangement, each holder of the Fund's existing Class A shares received in accordance with each holder's election or deemed election, either (a) new Class A Shares of the Fund and/or (b) new Class L Shares of the Fund. As part of the Plan of Arrangement, the Class A Shareholders were subject to a three year moratorium on redemptions from the Effective Date. Since the Effective Date, the Fund has been closed to new subscriptions for Class A Shares.

The financial statements are presented in Canadian dollars. These financial statements were authorized for issue by the Board of Directors on October 17, 2014.

2. BASIS OF PRESENTATION AND ADOPTION OF IFRS

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board. The Fund restated its historical financial statements for the year ended September 30, 2013 with comparative information for the year ended September 30, 2012. Previously the Fund prepared its financial statements in accordance with Canadian generally accepted accounting principles as defined in Part V of the CPA Canada Handbook (Canadian GAAP). The Fund has consistently applied the accounting policies used in the preparation of its opening IFRS Statement of Financial Position at October 1, 2011 and throughout all periods presented, as if the 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 statements for the years ended September 30, 2013 and 2012 prepared under Canadian GAAP.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the Fund are as follows:

Financial instruments

The Fund recognizes financial instruments at fair value upon initial recognition.

Regular way purchases and sales of financial assets are recognized at their trade date. The Fund's investments in financial assets have been designated at fair value through profit and loss as they are measured on a fair value basis and are subsequently measured at fair value through profit and loss.

Short-term investments and publicly traded investments are valued based on quoted bid prices. Venture investments, having quoted market values and being publicly traded on a recognized stock exchange, and not otherwise restricted, are recorded at values based on their bid prices.

Investments in securities not having quoted market values are recorded at estimated fair value determined on a going concern basis, or if appropriate, assuming an orderly disposition over a reasonable period of time. Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value is determined using an appropriate valuation methodology after considering the history and nature of the business, operating results and financial conditions, the general economic and market conditions, capital market and transaction market conditions, independent valuations of businesses, contractual rights relating to the investment, public market comparable transactions and other pertinent considerations.

For warrants which 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 such as the Black-Scholes model is used; if no such market inputs are available, other appropriate methodologies are used.

Cash and receivables represent loans and receivables and are subsequently measured at amortized cost, which approximates fair value due to their short-term nature. Cash is comprised of deposits with financial institutions.

Accounts payable and accrued liabilities are classified as other financial liabilities and are measured at amortized cost, which approximates fair value due to their short term nature.

Class A shares are redeemable on an ongoing basis and are convertible into Class L shares. They have been classified as financial liabilities as they are equally subordinate to other classes of shares issued by the Fund which do not have identical features.

Class B shares have no dividend entitlement, do not participate in the residual returns of the Fund and are redeemable for $1 upon liquidation. As a result, the Class B shares have been classified as financial liabilities.

Class P shares are redeemable in certain circumstances and contain a mandatory cumulative dividend equal to the Manager's Incentive Performance Amount and therefore, have been classified as financial liabilities.

The Class A, B and P shares are accounted for at amortized cost. In measuring the Class P shares at amortized cost, an adjustment is recorded in net income each period based on the revised cash flows expected to be paid as dividends pursuant to the incentive participation amount (IPA) (see note 6). The adjustment incorporates the IPA payable based on realization events which have occurred and the contingent portion of the IPA which represents the IPA which would be payable if the portfolio were to be liquidated based on the fair value of investments held at the measurement date.

Class L shares are non-redeemable, do not carry any fixed dividends and have been classified as equity.

Investments in subsidiaries, associates and joint ventures

Subsidiaries are all entities over which the Fund has control. The 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. The Fund has determined that it is an investment entity and as such, it accounts for subsidiaries at fair value with the exception of any subsidiaries which provide services related to the Fund's investment activities, which are consolidated. Associates and joint ventures are investments over which the Fund has significant influence or joint control, which have been designated at fair value through profit or loss.

Impairment of financial assets

At each reporting date, the Fund assesses whether there is objective evidence that a financial asset at amortized cost is impaired. If such evidence exists, the Fund recognizes an impairment loss as the difference between the amortized cost of the financial asset and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. Impairment losses on financial assets at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Income recognition, transaction costs and expenses

Gains and losses on investments includes realized gains (losses), changes in unrealized appreciation (depreciation) and interest and are recorded as net gain (loss) on investments at fair value through profit and loss ("FVTPL") on the Statements of Comprehensive Income (Loss).

Transaction costs, if incurred, are expensed in the Statements of Comprehensive Income (Loss). Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commission paid to agents, advisors, brokers and dealers.

Expenses directly attributable to a series or class are charged to that series or class. Other expenses are allocated proportionately to each series or class based upon the relative net asset values of each series.

Earnings (loss) per share

Earnings (loss) per Class L, Series I share is disclosed in the Statements of Comprehensive Income (Loss) and is determined by dividing net income for the year attributable to each class and series of shares divided by the weighted average number of shares of the class and series of Class L shares outstanding during the year. For the year ended September 30, 2013, the weighted average number of Class L, Series I shares was 2,100,911 (2012: 2,100,911).

Income taxes

The Fund is a mutual fund corporation and a prescribed labour-sponsored venture capital corporation under the Income Tax Act (Canada).

Under the Income Tax Act (Canada), generally no income taxes are payable by the Fund on dividends received from Canadian corporations, and income taxes payable on capital gains are 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.

The Fund recovers all of its refundable income taxes annually through the deemed payment of a dividend by capitalizing the appropriate amount of its income as paid-up capital pro rata on its Class A shares and Class L Shares. As a result, the Fund has determined that it is in substance not taxable on these sources of income and therefore does not record income taxes on them.

If and to the extent that the Fund increases the paid-up capital of the Class A shares, the holders of the shares will be deemed to have received a dividend and the adjusted cost base of that holder's shares will be increased by the amount of the deemed dividend. Also, the CSBIF Act sets minimum levels of venture investments for the Fund. If the minimum level of qualifying venture investments is not met, the Fund will be subject to defined income taxes and penalties.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Management's estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Significant estimates include the fair value of venture investments. The valuation of venture investments determines the amount of expenses such as the management fees and the incentive participation amount. While management believes that the estimates used in preparing its financial statements are reasonable and prudent, actual results could differ from these estimates.

The process of valuing venture investments is inevitably based on inherent uncertainties and the resulting values will differ, perhaps materially, from the amounts ultimately realized. Also, because these venture investments have been valued on a going concern basis, the values may differ materially from those realized on forced sale or liquidation.

In measuring the Class P shares at amortized cost, the Fund recognizes a contingent incentive participation amount that may become payable at a future date on the realized income and gains and unrealized appreciation in the investment portfolio, based on the assumption that all the investments are liquidated at the estimated fair value as at the date of the financial statements.

Investment entity status

The Fund has early adopted the amendments made to IFRS 10 *Consolidated financial statements* and IFRS 12 *Disclosure of interests in other* entities for investment entities. A significant judgment made in preparing the Fund's financial statements relate to the determination that the Fund is an investment entity, including that its objective is to invest in eligible Canadian venture investments solely for the purpose of generating investment income and that fair value is the primary measurement attribute to measure and evaluate the performance of substantially all of its investments. This also includes management's judgment that investment related activities with its subsidiaries do not represent a substantial business activity or source of income.

5. SHARES OF THE FUND

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

Authorized and issued shares

Unlimited number of Class L Shares, Series I issuable in series, with voting rights, discretionary dividend entitlement with redemption and other rights at the discretion of the Board of Directors. As at September 30, 2013 there are 2,100,911 Class L Shares, Series I outstanding (September 30, 2012: 2,100,911; October 1, 2011: 2,100,911).

25,000 Class B shares, issuable only to the Sponsor or permissible employee organizations, with voting rights, no dividend entitlement. As at September 30, 2013 there is 1 Class B share outstanding (September 30, 2012:1; October 1, 2011: 1).

Unlimited number of Class C shares, issuable in series, without voting rights, with discretionary dividend entitlement and with such other terms as the Board of Directors may determine in respect of a particular series. The issuance of Class C shares is subject to prior approval of the Ministry of Finance (Ontario). As at September 30, 2013 there are no Class C shares outstanding (September 30, 2012: nil; October 1, 2011: nil).

Unlimited number of Class P shares, issuable in series, to the Manager and the Management Advisor, without voting rights, dividend entitlement determined in accordance with the Management Agreement and the Management Advisor Agreement incentive participation amount with the rights, privileges, restrictions and conditions as determined and approved by the Board of Directors of the Fund and the Ministry of Finance (Ontario). As at September 30, 2013 there are 2 Class P shares outstanding (September 30, 2012: 2; October 1, 2011: 2).

Unlimited number of Class A shares, issuable in series, with voting rights, discretionary dividend entitlement, restrictions on transfer and redemption, redeemable at the net asset value less applicable early redemption fee. As approved by the shareholders on December 21, 2001, three series of Class A shares have been designated, the Series I shares, the Series II shares and the Series III shares. Each of the three series of Class A shares had a different sales commission, redemption fee and service fee structure. The rights of the Class A shares are the same in all material respects for each series. The offering of Class A, Series II shares and Class A, Series III shares commenced on January 4, 2002.

Pursuant to the Plan of Arrangement, the Class A Series I shareholders had the right to convert their Class A shares into Class A Shares, Series IV or Class L Shares, Series I. On the second anniversary following the Effective Date, the Class A Shares were given the right to convert to Class L Shares, Series I.

The Class A Shares, Series IV have in all material respects the same rights as the other Class A shares.

The fees for early redemption of Class A shares are calculated as follows:

Series I Shares: one eighth of 6.25% of the redemption price of such Series I Shares for each year or part year remaining before the eighth anniversary of the date of issue.

Series II Shares: 1.25% of the redemption price of such Series II Shares for each year or part year remaining before the eighth anniversary of the date of issue.

Series IV Shares: one eighth of 6.25% of the redemption price of such Series IV Shares for each year or part year remaining before the eighth anniversary of the date of issue.

The following table outlines the movement in Class A redeemable shares:

	Series I shares		Series II shares		Series III shares		Series IV shares		Total
Class A	Shares	Carrying Amount ($)	Shares	Carrying Amount ($)	Shares	Carrying Amount ($)	Shares	Carrying Amount ($)	Carrying Amount ($)
Balance - October 1, 2011	992,625	11,481,064	696,435	7,991,501	62,913	724,997	364,841	4,224,193	24,421,755
Net gain (loss) on remeasurement of Class A redeemable shares	-	(1,394,797)	-	(977,368)	-	(82,121)	-	(480,583)	(2,934,869)
Share redemptions	(276,744)	(2,724,151)	(199,795)	(1,951,593)	(3,849)	(37,748)	(34,536)	(331,247)	(5,044,739)
Balance - September 30, 2012	**715,881**	**7,362,116**	**496,640**	**5,062,540**	**59,064**	**605,128**	**330,305**	**3,412,363**	**16,442,147**
Net gain (loss) on remeasurement of Class A redeemable shares	-	(298,390)	-	(204,499)	-	(25,932)	-	(155,321)	(684,142)
Share redemptions	(178,201)	(1,795,871)	(145,746)	(1,453,608)	(8,781)	(88,513)	(17,644)	(173,335)	(3,511,327)
Balance - September 30, 2013	**537,680**	**5,267,855**	**350,894**	**3,404,433**	**50,283**	**490,683**	**312,661**	**3,083,707**	**12,246,678**

Capital risk management

Shares issued and outstanding in all classes and series are considered to be the capital of the Fund. The Fund is a mutual fund corporation which derives its capital from subscriptions from investors in Class A Shares of the Fund. The Class A Shares are redeemable and are entitled to distributions, if any, and to payment of a proportionate share based on the Class A net asset value per share upon redemption. As part of the Plan of Arrangement, the Class A Shareholders were subject to a three year moratorium on redemptions from the Effective Date.

The Fund's capital also consists of Class L Shares, Series I which are generally not redeemable but which are tradable on the Canadian National Stock Exchange under the symbol "VC". The Class L Shares, Series I are entitled to distributions, if any, at the discretion of the Board of Directors.

The Fund makes investments in eligible Canadian businesses as defined in the CSBIF Act with the objective of achieving maximum long-term capital appreciation. The Manager's objective is to invest the Fund's capital in order to provide a return to shareholders in accordance with the objective and strategy of the Fund. The Fund is not subject to any externally imposed capital requirements.

The Fund's accounting policies for measuring the fair value of its investments are identical to those used in measuring its net asset value for transactions with shareholders. A net asset value is calculated on every valuation date for each series of Class A shares and Class L shares. The net asset value of a particular series or class of shares is computed by calculating the value of the series' or classes' proportionate share of the assets and liabilities of the Fund common to all series and classes less the liabilities of the Fund attributable only to that series or class. The Class L Shares, Series I of the Fund are traded on the Canadian National Stock Exchange under the symbol "VC".

The net assets per Class A and Class L share are as follows:

	September 30, 2013	September 30, 2012	October 1, 2011
Class A, Series I	$9.80	$10.28	$11.57
Class A, Series II	$9.70	$10.19	$11.47
Class A, Series III	$9.76	$10.25	$11.52
Class A, Series IV	$9.86	$10.33	$11.58
Class L, Series I	$9.90	$10.33	$11.59

Commissions to agents on distribution of Class A shares

Sales commission on Class A, Series I shares is 6.25% of the amount invested. Sales commission on Class A, Series II shares is 10.00% of the amount invested, consisting of a 6.25% sales commission plus an additional 3.75% sales commission in lieu of any service fees being payable before the eighth anniversary of the date of issue of the Series II shares. No sales commission is payable on the sale of Class A, Series III shares.

Sales commissions related to the sale of Class A, Series I and Class A, Series II shares are charged to share capital as a share issuance cost.

No sales commissions are paid on the issuance of Class A Shares, Series IV or Class L Shares, Series I.

6. OPERATING ARRANGEMENTS

The Fund pays an annual management fee to the Manager of 1.50% per annum of the net asset value of the Fund and subject to meeting certain conditions, an Incentive Participation Amount (“IPA”). The Fund also pays the Management Advisor an annual advisor fee of 1.75% of the net asset value of the Fund and, subject to certain conditions, an IPA. The Manager and the Management Advisor will not be entitled to receive the IPA unless: (1) the compound annual internal rate of return, including realized and unrealized gains and income, from an eligible investment since its acquisition equals or exceeds 12.00% per year; (2) the total net realized and unrealized gains and income from the portfolio of eligible investments since January 1, 1997 exceeds the annualized average rate of return on five-year GICs offered by a Schedule 1 Canadian chartered bank plus 2.00%; and (3) the Fund has recouped an amount equal to all principal invested in the particular eligible investment.

Upon satisfying the above conditions, the IPA will be determined on the following basis:

The proceeds from the disposition of each particular eligible investment in each calendar quarter of the Fund after deducting the cost of such investment shall be allocated and paid as follows:

a) The Fund shall receive an amount equal to all gains and income earned from each particular eligible investment which provides a cumulative investment return at an annual average rate equal to 12.00% since investment.

b) The Management Advisor shall receive all gains and income earned from each particular eligible investment in excess of the 12.00% annual average rate of return up to and including 15.00% of the annual average rate of return earned from the particular eligible investment.

c) All gains and income earned on each particular investment after deducting the amounts calculated in accordance with (a) and (b) above shall be allocated as 80.00% to the Fund; 16.00% to the Management Advisor; and 4.00% to the Manager.

The IPA is paid as a dividend on the Class P shares held by the Manager and the Management Advisor. For the year ended September 30, 2013 the Fund reported a net IPA of $303,881 (2012: $754,431). The net IPA is a result of the paid and payable IPA of $437,877 (September 30, 2012: $1,168,869) and the change in the contingent incentive participation amount on unrealized gains and income on the investment portfolio during the period of $(133,996) (2012: $(414,438)). As at September 30, 2013 an IPA in the amount of $343,751 (September 30, 2012: $207,750; October 1, 2011: $nil) was payable based on the realized gains and income earned by the Fund. As at September 30, 2013, the Fund had a contingent incentive participation amount of $484,315 (September 30, 2012: $618,311; October 1, 2011: $1,032,749) that would have become payable at a future date on the realized income and gains and unrealized appreciation in the investment portfolio, based on the assumption that all the investments are liquidated at the estimated fair value as at the date of the financial statements. The IPA and the contingent incentive participation amount are recorded as net gain (loss) on remeasurement of Class P shares (incentive participation amount) on the Statements of Comprehensive Income. Amounts owing at year-end have been included in Class P shares (incentive participation amount) on the Statements of Financial Position.

The Fund has retained Convexus Managed Services Inc. ("Convexus") to provide fund accounting, shareholder recordkeeping and administration services, including registrar and transfer agency services. The Fund pays Convexus a fund accounting fee at a fixed amount and shareholder recordkeeping and administration fees at a fixed amount per account. The fees paid to Convexus for these services are included in Transfer agent, registrar and administrative costs.

The Fund and the Manger have retained Equity Financial Trust Company to provide registrar and transfer agent services to the Fund for the Class L Shares, Series I. The fees paid to Equity Financial Trust Company are included in Transfer agent, registrar and administrative costs.

The Fund and the Manager have retained the Management Advisor to provide sales and marketing services to the Fund pursuant to the terms of a sales and marketing services agreement dated July 10, 2003 effective August 1, 2003. The Fund pays the Management Advisor an annual sales and marketing fee (calculated daily and paid monthly in arrears) as follows: (i) the aggregate of 0.425% on the first $50 million of the net asset value of the Fund, 0.40% on the next $50 million, 0.375% on the next $50 million and 0.35% on any amount of the net asset value of the Fund above $150 million, (ii) less $96,000. The fees paid to the Management Advisor for sales and marketing services are included in Selling costs.

The Fund and the Manager have also retained the Management Advisor to provide accounting and administrative services to the Fund and to supervise the services to be provided by the registrar pursuant to the terms of an accounting and administrative services agreement dated as of September 1, 2003. The Fund pays the Management Advisor an annual accounting and administrative fee (payable monthly in arrears) equal to $96,000. The fees paid to the Management Advisor for accounting and administrative services are included in Transfer agent, registrar and administrative costs.

The Fund and the Manager have retained CIBC Mellon Global Security Services Company to provide custody services to the Fund. The fees paid to CIBC Mellon Global Security Services Company are included in Transfer agent registrar and administrative costs.

The Fund pays all direct costs and expenses incurred in the operation of the Fund, including directors' fees, custodian fees, insurance, legal, audit, valuation and marketing expenses.

The Sponsor receives an annual fee of 0.15% of the net asset value of the Fund.

7. INCOME TAXES

As at September 30, 2013, the Fund had non-capital losses available for carry-forward of $15,138,664 of which approximately $1,527,864, $2,987,144, $5,433,730, $2,498,231, $1,930,351, $619,587 and $141,757 will expire in 2015, 2026, 2027, 2028, 2029, 2030 and 2033 respectively.

As the Fund does not record income taxes on capital gains, it has not recognized the benefit of any related deferred tax assets. The Fund also had net capital losses available for carry-forward of $567,128 (2012: $Nil) for which no expiry time exists.

8. FINANCIAL INSTRUMENTS

The Fund's objective is to achieve long-term capital appreciation. The Fund primarily maintains an investment focus on niche businesses and other companies with a broader market focus, which are capitalizing on innovative uses of engineering, science and technology.

The Fund's financial instruments consist primarily of marketable securities and venture investments. Venture investments in private companies consist of convertible debt, equity, or equity equivalents. These investments in private companies are typically illiquid. The Fund seeks to reduce the risks typically associated with such investments by diversifying the investment portfolio, by investing in eligible companies that are in differing stages of development in a variety of high growth potential industries, by using a disciplined investment decision process and by working with investee companies through, among other things, providing business advice and other services, aiding in the recruitment process, and helping in the process of raising additional capital.

The Fund's activities expose it to a variety of financial risks: market risk (comprising currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Manager seeks to minimize potential adverse effects of these risks on the Fund's performance by employing professional experience, daily monitoring of the Fund's positions and market events, by diversifying the investment portfolio within the constraints of the investment objectives and by structuring investments to provide the Fund with the maximum protection in the event of problems with the issuer of the security. The investment portfolio is primarily comprised of small and medium-sized private Canadian companies, many of which are at an early stage of development. Investments of this type, by their nature, involve a longer investment time horizon than that which is typical for other types of investments. There is no assurance that the portfolio companies will be successful in developing and bringing their products to market in commercially viable quantities at reasonable costs and consequently, there is no assurance that the Fund's holdings in these portfolio companies will achieve desired returns.

Sensitivity analyses are provided for information purposes only. In practice, the actual results may differ from the sensitivity analysis and the differences may be material.

Currency Risk

Currency risk arises from financial instruments that are denominated in a currency other than the Canadian dollar, which is the Fund's functional and presentation currency. The Fund is exposed to the risk that the fair value of securities denominated in other currencies will fluctuate due to changes in the exchange rates. As at September 30, 2013, September 30, 2012 and October 1, 2011 all of the Fund's securities were denominated in Canadian dollars.

Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments held in the investment portfolio such as bonds and debentures. The Fund is exposed to the risk that the value of interest-bearing financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. The table below summarizes the Fund's exposure to interest rate risks. It includes the Fund's assets and liabilities, categorized by the earlier of contractual re-pricing or maturity dates.

September 30, 2013

	Less than 1 year	1 -5 years	Non-interest bearing	Total
Investments	$11,720,449	$4,390,518	$17,384,804	$33,495,771
Cash			$261,248	$261,248
Other assets		$539,658	$206,335	$745,993
Liabilities			$13,384,900	$13,384,900

September 30, 2012

	Less than 1 year	1 -5 years	Non-interest bearing	Total
Investments	$9,498,851	$8,826,263	$17,533,740	$35,858,854
Cash			$1,484,387	$1,484,387
Other assets		$539,659	$2,020,093	$2,559,752
Liabilities			$17,734,074	$17,734,074

October 1, 2011

	Less than 1 year	1 -5 years	Non-interest bearing	Total
Investments	$23,046,812	$6,374,238	$18,626,228	$48,047,278
Cash			$41,315	$41,315
Other assets		$1,897,026	$670,904	$2,567,930
Liabilities			$25,782,493	$25,782,493

As at September 30, 2013 had prevailing interest rates raised or lowered by 1.00%, with all other variables held constant, net assets, which is inclusive of Class A, Class L, and Class B shares, would have decreased or increased, respectively, by $161,110 or 0.49% of the total net assets (September 30, 2012: $188,648 or 0.49%; October 1, 2011: $313,181 or 0.64%).

The interest bearing securities with a maturity of less than one year are comprised of short-term commercial paper investments of $3,996,520 (September 30, 2012: $5,994,840; October 1, 2011: $13,099,061) and venture investment in debt securities of $7,723,929 (September 30, 2012: $3,504,011; October 1, 2011: $9,947,751) which mature in less than one year.

Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. The Manager moderates this risk through careful selection of securities and other financial instruments within the parameters of the investment strategy. The maximum risk resulting from financial instruments is equivalent to their fair value. The Fund’s equity and debt instruments are susceptible to market price risk arising from uncertainties about future prices of the instruments.

As at September 30, 2013, if equity prices on the Toronto Stock Exchange had increased or decreased by 5%, all other variables held constant, the net assets of the Fund attributed to public portfolio companies would have increased or decreased, respectively, by approximately $3,286 or approximately 0.01% of total net assets (September 30, 2012: $6,462 or 0.02% of total net assets; October 1, 2011: $7,358 or approximately 0.02% of total net assets).

The Fund's venture investments (unlisted) are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Manager and the Management Advisor provides the Fund with investment advice and its portfolio companies with business advice to limit and manage market risk.

As at September 30, 2013, if the value of the Fund's equity venture investments had increased or decreased by 5%, all other variables held constant, the net assets of the Fund attributed to venture investments would have increased or decreased respectively by approximately $865,954 or approximately 2.62% of net assets (September 30, 2012: $870,225 or approximately 2.28% of net assets; October 1, 2011: $741,282 or approximately 1.52% of net assets).

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. The carrying amount of the debt investments as presented in the Schedule of Investments Portfolio represents the maximum credit risk exposure as at September 30, 2013. This also applies to other assets, as they have a short term to settlement.

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trades will fail if the other party fails to meet its obligations. All transactions in private issuers are settled/paid for upon delivery using a third party agent such as a law firm as an intermediary. The risk of default is considered minimal as delivery of the securities sold is only made once the agent or legal counsel acting as the intermediary has received payment.

The Fund's financial assets exposed to credit risk were concentrated in the following industries:

September 30, 2013

Asset	Security	Counterparty	Amount
Cash		CIBC Mellon	$261,248
Financial	Commercial Paper rated R1	HSBC Bank Canada	$3,996,520
Technology	Debt Securities Secured by General Security Agreement	AcuityAds Inc., ArticAX Inc., Axentra Corporation, Echoworx Corporation, Intelligent Mechatronic Systems Inc., Skura Inc., TransGaming Inc.	$6,431,447
Financial and Industrial	Debt Securities Secured by General Security Agreement	Questrade Inc., Compower Systems Inc., Couch Commerce Inc.	$5,683,000
Total cash, short-term investments and debt securities			$16,372,215

September 30, 2012

Asset	Security	Counterparty	Amount
Cash		CIBC Mellon	$1,484,387
Financial	Commercial Paper rated R1	Royal Bank of Canada	$5,994,840
Technology	Debt Securities Secured by General Security Agreement	ArcticAX Inc. Axentra Corporation, Delego Software Inc. Echoworx Corporation, Geminare Inc., FileTrek Inc., Health Care Services International Inc. Infonaut Inc., Kneebone Corporation, and TransGaming Inc.	$6,548,958
Financial and Industrial	Debt Securities Secured by General Security Agreement	Questrade Inc., Compower Systems Inc., ERMS Corporation	$5,781,316
Total cash, short-term investments and debt securities			$19,809,501

October 1, 2011

Asset	Security	Counterparty	Amount
Cash		CIBC Mellon	$41,315
Industrial	Commercial Paper rated R1	Encana Corp.	$4,599,902
Financial	Commercial Paper rated R1	Bank of Nova Scotia, CIBC	$8,499,699
Technology	Debt Securities Secured by General Security Agreement	ComponenArt Inc., Axentra Corp., Echoworx Corp., Geminare Inc., FileTrek Inc., Infonaut Inc., Kneebone Corporation, N-Dimension Solutions Inc., Healthcare Services Inc., Vision Max Corp., and XPI Inc.	$12,287,177
Financial and Industrial	Debt Securities Secured by General Security Agreement	Questrade Inc., CNSX Markets Inc., Compower Sysems Inc., and ERMS Corporation	$4,367,219
Total cash, short-term investments and debt securities			$29,795,312

Credit risk arising on debt instruments is partially mitigated by investing primarily in rated instruments of R1 for commercial paper instruments or by investing in debt securities which are secured by a general security agreement on the assets of the issuing portfolio company. Investments in the debt securities in the venture portfolio are non-investment grade and therefore subject to higher credit risk.

Other than outlined above, there were no significant concentrations of credit risk to counterparties as at September 30, 2013, September 30, 2012 and October 1, 2011.

The business of the Fund is to make investments in small and medium-sized eligible businesses in order to generate interest and dividend income and long-term capital appreciation. In order to achieve this objective the Fund invests in two broad industry sectors: i) industrial and financial and ii) technology related businesses. The Fund's Investment Advisor and Manager seek out eligible investments which will meet the investment objectives of the Fund while maintaining risk at acceptable levels. The Fund attempts to limit the risk to any one venture investment by limiting the amount invested in any one company. As at September 30, 2013, 61.46% of the Fund's venture investments were concentrated in the Technology Sector and spread between thirteen venture companies (September 30, 2012: 62.80% Technology Sector, fourteen venture companies; October 1, 2011: 57.56% Technology Sector, fourteen venture companies).

Liquidity Risk

The Fund is exposed to daily cash redemptions on its redeemable Class A shares. The Fund invests a portion of its assets in investments that are traded in an active market and can be readily disposed of and the Fund retains sufficient cash and cash equivalent positions to maintain liquidity. In any financial year, the Fund is not required to redeem Class A shares having an aggregate redemption price exceeding 20% of the net asset value of the Class A shares of the Fund calculated on the last day of the preceding financial year end and may suspend redemptions for substantial periods of time in such circumstances. Shareholders that redeem their Class A shares before the eighth anniversary of their original purchase are usually required to repay the tax credit they received upon the purchase of the shares. Rules directed at ensuring liquidity and diversification of investments and certain other investment restrictions and practices normally applicable to mutual funds do not apply to the Fund.

All the financial liabilities of the Fund as at September 30, 2013, September 30, 2012 and October 1, 2011 fall due within twelve months with the exception of the Class A shares and the contingent incentive participation amount. The Fund is not required to redeem more than 20% of the net asset value of the Class A shares in any financial year and the maturity of the contingent incentive participation amount is uncertain and is dependent on the realization of venture investments.

Fair value measurement

The Fund classifies its investments within a fair value hierarchy, based on the inputs used in their fair value measurement. The hierarchy of inputs is summarized as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can acess at the measurement date.

Level 2: Inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable for the asset or liability.

The following tables indicate the fair value hierarchy of the inputs used in valuing the Fund's investments.

September 30, 2013

	Quoted Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Fixed Term	-	$3,996,520	$12,114,447	$16,110,967
Equities	$65,718	-	$17,319,086	$17,384,804
Total	$65,718	$3,996,520	$29,433,533	$33,495,771

September 30, 2012

	Quoted Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Fixed Term	-	$5,994,840	$12,330,274	$18,325,114
Equities	$129,240	-	$17,404,500	$17,533,740
Total	$129,240	$5,994,840	$29,734,774	$35,858,854

October 1, 2013

	Quoted Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Fixed Term	-	$13,099,601	$19,974,868	$33,074,469
Equities	$147,164	-	$14,825,645	$14,972,809
Total	$147,164	$13,099,601	$34,800,513	$48,047,278

The carrying value of all other financial instruments of the Fund, which may include receivables on the sale of investments, accrued interest and other receivables, accounts payable and accrued liabilities approximates their fair value. During the years ended September 30, 2013 and 2012 there were no investments transferred between Level 1, Level 2, or Level 3. The Fund's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

Level 3	September 30, 2013	September 30, 2012
Balance - beginning of period	$29,734,774	$34,800,513
Purchases	$8,993,042	$15,817,473
Sales	($7,926,653)	($15,519,108)
Realized Gains (Losses)	($1,320,794)	$54,518
Unrealized Gains (Losses)	($46,836)	($5,418,622)
Balance – end of period	$29,433,533	$29,734,774
Unrealized Gains (Losses) during the year attributed to investments held at end of period	($1,343,407)	($5,418,622)

The equity investments are valued with reference to the last round of equity financing, comparable public companies, transactions involving similar companies and reference to third party valuations among other things. If the equity investment includes a put right the investment may be valued by applying a discount for the expected time to exercise the Fund's put right to realize on this investment.

The fixed term securities are valued at fair value. Adjustments to fair value are made in cases where the operating results and financial condition of the investee company suggest that the Fund may not be able to realize the full amount of the investment. The Fund reviews the investee company's compliance with financial covenants, ability to make interest and principal payments, changes in the market interest rates for similar investments, operating performance relative to budget and the need for further financing among other factors in determining the fair value of the investment.

9. RECEIVABLE ON SALE OF INVESTMENTS

Included in the receivable on sale of investments is a portion of the proceeds from the sale of a venture investment which is being held in escrow in accordance with an escrow agreement between the purchaser and the investors of the venture company. The escrow was established to protect the purchaser of the venture company against unforeseen claims at the time of the purchase. The proceeds held in escrow will be received over a period of time and in amounts which are to be determined based on the escrow agreement release provisions and any legitimate claims against these funds. Management has recorded a receivable of $539,658 for the escrow amount based on its best estimate of the cash flows that it ultimately expects to recover on September 30, 2013 (September 30, 2012: $539,658; October 1, 2011: $1,897,026). This estimate is based on inherent uncertainties and the resulting values may differ from the amounts ultimately realized.

10. RELATED PARTIES

B.E.S.T. Investment Counsel Limited is the Manager and Management Advisor for the Fund. Included in the accrued liabilities as at September 30, 2013 are accrued Management Fees of $49,695 (September 30, 2012: $53,431; October 1, 2011: $77,010) and accrued Advisory Fees of $65,354 (September 30, 2012: $62,336; October 1, 2011: $89,845).

The Fund has retained the Management Advisor to provide sales and marketing services. During the year ended September 30, 2013, the Fund incurred sales and marketing expenses of $58,843 (2012: $108,577) for services provided by the Advisor. As at September 30, 2013 $4,184 (September 30, 2012: $6,100; October 1, 2011: $12,782) was included in accrued liabilities for sales and marketing services.

The Fund pays the Management Advisor an annual accounting and administrative fee of $96,000 plus taxes. During the year ended September 30, 2013, the Fund incurred accounting and administrative fees inclusive of taxes equal to $108,480 (2012: $108,480). As at September 30, 2013 $9,040 (September 30, 2012: $9,040; October 1, 2011: $9,040) was included in accrued liabilities for accounting and administration fees.

During the year ended September 30, 2013, the Fund paid B.E.S.T. Capital Administration Inc. $33,900 (2012: $33,900) for storage and facilities costs. B.E.S.T. Capital Administration Inc. is wholly owned by the Chief Executive Officer of the Fund. As at September 30, 2013 $2,825 (September 30, 2012: $2,825; October 1, 2011: $2,825) was included in accrued liabilities for storage and facilities costs.

All related party transactions are in the normal course of operations and have been recorded at the exchange amount on the date that they occur.

11. INTERESTS IN UNCONSOLIDATED SUBSIDIARIES AND ASSOCIATES

Information about the Fund's interests in unconsolidated subsidiaries and associates are as follows:

September 30, 2013

Investment	Principal Place of Business	Country of Incorporation	Nature of Funds Interests	Carrying Amount	Ownership %	Voting %
ERMS Corporation	Ontario	Canada	Preferred Shares, Common Shares	2,447,024	76.57	76.57
Geminare Inc.	Ontario	Canada	Preferred Shares, Common Shares	4,652,163	20.93	20.93
DisclosureNet Inc.	Ontario	Canada	Preferred Shares, Common Shares, Preferred Share Purchase Warrants, Common Share Purchase Warrants	6,835,200	32.78	32.78

September 30, 2012

Investment	Principal Place of Business	Country of Incorporation	Nature of Funds Interests	Carrying Amount	Ownership %	Voting %
ERMS Corporation	Ontario	Canada	Debenture, Common Shares, Common Share Purchase Warrants	1,632,649	46.26	46.26
Geminare Inc.	Ontario	Canada	Preference Shares, Common Shares, Common Share Purchase Warrants	4,048,953	14.73	14.73
XPI Holdings Inc.	Ontario	Canada	Preferred Shares, Common Shares, Preferred Share Purchase Warrants, Common Share Purchase Warrants	7,129,998	31.72	31.72

October 1, 2011

Investment	Principal Place of Business	Country of Incorporation	Nature of Funds Interests	Carrying Amount	Ownership %	Voting %
ERMS Corporation	Ontario	Canada	Debenture, Common Shares, Common Share Purchase Warrants	1,132,648	46.26	46.26
XPI Inc./ XPI Holdings Inc.	Ontario	Canada	Promissory Note, Preferred Shares, Common Shares, Common Share Purchase Warrants	8,364,300	31.72	31.72

12. TRANSITION TO IFRS

The effect of the Fund’s transition to IFRS is summarized in this note as follows:

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. The Fund has determined that it meets the definition of an investment entity and as a result, it measures subsidiaries at FVTPL. The Fund accounts for investments in associates and joint ventures at FVTPL, rather than applying the equity method and accounts for all investments that are financial instruments at FVTPL. All financial assets designated at FVTPL upon transition (see Note 3) were previously carried at fair value under Canadian GAAP as required by Accounting Guideline 18, Investment Companies.

Classification of redeemable shares issued by the Fund

Under Canadian GAAP, the Fund accounted for its redeemable Class A shares and Class B shares as equity. Under IFRS, IAS 32 requires that shares of an entity which include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as financial liability. The Fund’s shares in Class A and Class B do not meet the criteria in IAS 32 for classification as equity and therefore have been reclassified as financial liabilities on transition to IFRS

Reconciliation of equity and comprehensive income (loss) as previously reported under Canadian GAAP to IFRS

Equity	**September 30, 2012**	**October 1, 2011**
Equity as reported under Canadian GAAP	$38,141,492	$48,763,997
Reclassification of shares from equity to liabilities	(16,442,148)	(24,421,756)
Equity as reported under IFRS	**$21,699,344**	**$24,342,241**

Comprehensive income (loss)	**September 30, 2012**
Comprehensive income (loss) as reported under Canadian GAAP	$(5,577,766)
Net gain (loss) on remeasurement of Class A redeemable shares	(2,934,869)
Comprehensive income (loss) as reported under IFRS	**$(2,642,897)**

There were no measurement adjustments which arose as a result of the Fund's transition to IFRS.

In addition to the adjustments above, the Fund has reclassified certain amounts upon transition in order to conform to its financial statement presentation under IFRS, including adjustments to presentation resulting from the fact that these financial statements have not been prepared to comply with the requirements of National Instrument 81-106, Investment Fund Continuous Disclosure.

13. FUTURE ACCOUNTING CHANGES

IFRS 7, Financial instruments: disclosures

The standard was amended to enhance disclosure requirements related to offsetting of financial assets and financial liabilities. The amendments are effective for years beginning on or after January 1, 2013. The adoption of the amendments is not expected to have a significant impact on the Fund's financial statements.

IFRS 13, Fair value measurement

The standard provides a single source of guidance on how to measure fair value where its use is already required or permitted by other IFRS and enhances disclosure requirements for information about fair value measurements. The amendments are effective for years beginning on or after January 1, 2013. The adoption of the amendments is not expected to have a significant impact on the Fund's financial statements, except for additional disclosures in the notes to the financial statements.

IFRS 9, Financial instruments

The final version of IFRS 9, Financial instruments, was issued by the 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 an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require 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 and has not yet determined when it will adopt the new standard.

14. SUBSEQUENT EVENTS

The Fund may limit the aggregate redemptions of Class A Shares in any financial year to 20% of the aggregate Net Asset Value of the Class A Shares of the Fund as of the last day of the preceding financial year. On June 24, 2013, the Fund was closed to redemptions. Redemption requests received by the Fund from June 24, 2013 to October 4, 2013 were processed with a trade date of October 4, 2013. As at September 30, 2013, redemption requests in the amount of $284,834 were waiting to be processed on the October 4, 2013 trade date.

Redemptions of the Class A Shares of the Fund were suspended effective February 3, 2014 following a review by the Board of Directors and the Manager of the strategic options for the Fund. The Manager and the Board of Directors evaluated the Fund's options following the announcement that the Ontario government would phase out the Ontario tax credit program for LSIFs at the end of the 2011 taxation year, and the Federal government's announcement that it will phase out the federal tax credit for LSIFs by 2017. The Board of Directors reviewed and considered the advantages and disadvantages of a number of potential alternatives for the Fund, including maintaining the status quo and an early-wind-up.

At a special meeting on March 28, 2014, shareholders of the Fund approved a transaction for the sale of substantially all of the assets of the Fund in exchange for limited partnership units (the "LP Units") of Tier One Capital Limited Partnership (the "Limited Partnership") (the "Transaction"). Details of the Transaction were set out in the Fund`s Management Proxy Circular dated February 24, 2014.

On July 11, 2014 (the "Effective Date"), the Fund completed the Transaction as follows:

1. The Fund purchased the Class A Shares held by Dissenting Shareholders who had exercised Dissent Rights which remain valid immediately before the Effective Date for cancellation and such Dissenting Shareholders ceased to have any rights as Class A Shareholders other than the right to be paid the fair value of their Class A Shares. The fair value of the Class A Shares in respect of which the Class A Shareholders dissent was determined as of the close of business on March 27, 2014.

2. The LP acquired all of the assets of the Fund (other than liquid assets needed to satisfy all liabilities, including payments to Dissenting Shareholders), in consideration for the LP Units.

3. Except for Class A Shares held by Dissenting Shareholders, each issued and outstanding Class A Share and Class L Share was redeemed by the Fund and each Class A Shareholder and Class L Shareholder (other than Dissenting Shareholders) received an equivalent value of LP Units in payment for the redemption price of the Class A Shares and Class L Shares held by that shareholder on the Effective Date. The number of LP Units that a Class A Shareholder or Class L Shareholder was entitled to receive was calculated as the number of Class A Shares or Class L Shares held multiplied by the net asset value of the applicable series of shares on the valuation date immediately prior to the Effective Date divided by the deemed issue price per LP Unit of $14.00. No fractional LP Units were issued. The number of Units issued to a shareholder of the Fund was rounded down to the next whole number of Units.

4. The Fund waived all redemption fees otherwise payable in connection with the redemption of the Class A Shares in exchange for LP Units.

5. The LP Units were listed on the Canadian Securities Exchange under the symbol "TLP.UN".

The Fund has continued operations as the Limited Partnership since the above transaction closed.