B.E.S.T. Total Return Fund Inc.

Unaudited Interim Financial Statements

For the six-month period ended February 28, 2018

NOTICE OF NO AUDITOR REVIEW OF THE INTERIM FINANCIAL STATEMENTS

B.E.S.T. Total Return Fund Inc. (the “Fund”) hereby gives notice that the Fund’s auditor has not performed a review of these Interim Financial Statements in accordance with standards established by the Chartered Professional Accountants of Canada.

B.E.S.T. TOTAL RETURN FUND INC.

STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

As at February 28, 2018 and August 31, 2017

	February 28, 2018 $	August 31, 2017 $
ASSETS		
Current Assets		
Investments - at fair value (cost: 2018 - 5,186,314; 2017 - 5,401,074)	4,788,220	4,850,322
Cash	315,626	197,493
Accrued interest and other receivables	401,028	328,376
Total Current Assets	5,504,874	5,376,191
Non-current Assets		
Deferred income taxes (note 8)	3,481	6,223
Total Non-current Assets	3,481	6,223
Total Assets	5,508,355	5,382,414
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	109,223	101,683
Deferred income on venture investments	15,370	19,177
Income taxes payable	102,693	62,967
Total Current Liabilities	227,286	183,827
Non-current Liabilities		
Deferred income on venture investments	2,480	12,738
Contingent performance fees (note 7)	283,957	224,300
Total Non-current Liabilities	286,437	237,038
Net assets attributable to holders of Class A shares and Class C shares (note 5)	4,994,622	4,961,539
Total Liabilities	5,508,345	5,382,404
EQUITY		
Class B Share	10	10
Total Liabilities and Equity	5,508,355	5,382,414
Number of redeemable shares outstanding		
Class A shares	68,163	71,435
Class C shares	360,698	360,698
Net assets attributable to holders of redeemable shares per share		
Class A shares	11.65	11.48
Class C shares	11.65	11.48

Approved by the Board of Directors

David A. Turnbull
Director

George R. Paterson
Director

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

B.E.S.T. TOTAL RETURN FUND INC.

STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

For the six-month periods ended February 28, 2018 and February 28, 2017

	2018 $	2017 $
INCOME		
Interest for distribution purposes	280,987	256,515
Other income	35,273	29,075
Other changes in fair value of investments		
Net realized (loss) on sale of investments	(117,252)	(408)
Net change in unrealized appreciation of investments	152,658	236,595
Net gain on investments	351,666	521,777
EXPENSES		
Performance fees (note 7)	59,657	94,304
Audit fees	42,236	36,018
Transfer agent, registrar and administrative fees (note 7)	40,379	52,709
Legal and other professional fees	34,168	45,558
Directors' fees and expenses (note 7)	26,368	28,734
Independent review committee expenses (note 7)	9,619	9,448
Advisory fees (note 7)	9,051	9,827
Management fees (note 7)	6,788	7,371
Selling costs (note 7)	6,279	4,866
Custodian fees	3,467	3,568
Sponsorship fees (note 7)	841	913
Shareholders' reporting costs	186	1,515
	239,039	294,831
Net gain before income taxes and financing costs	112,627	226,946
Current income tax expense (note 8)	39,726	17,109
Deferred income tax expense (recovery) (note 8)	2,742	(3,151)
Net gain after tax and before financing costs	70,159	212,988
FINANCE COSTS		
Increase in net assets attributable to holders of redeemable shares	70,159	212,988
Net and comprehensive income	-	-

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

B.E.S.T. TOTAL RETURN FUND INC.

STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

For the six-month periods ended February 28, 2018 and February 28, 2017

	2018 $	2017 $
Equity at beginning of period	10	10
Equity at the end of period	10	10

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

B.E.S.T. TOTAL RETURN FUND INC.

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

For the six-month periods ended February 28, 2018 and February 28, 2017

	2018 $	2017 $
Net assets attributable to holders of redeemable shares - beginning of period		
Class A shares	820,183	886,598
Class C shares	4,141,356	3,585,719
	4,961,539	4,472,317
Increase in net assets attributable to holders of redeemable shares		
Class A shares	10,732	40,666
Class C shares	59,427	172,322
	70,159	212,988
Redeemable share transactions		
Proceeds on subscription of Class A shares	44,985	20,000
Payments on redemption of Class A shares	(82,061)	(106,547)
	(37,076)	(86,547)
Net increase (decrease) in net assets attributable to holders of redeemable shares		
Class A shares	(26,344)	(45,881)
Class C shares	59,427	172,322
	33,083	126,441
Net assets attributable to holders of redeemable shares - end of period		
Class A shares	793,839	840,717
Class C shares	4,200,783	3,758,041
	4,994,622	4,598,758
Weighted average number of redeemable shares outstanding during the period		
Class A shares	70,740	86,858
Class C shares	360,698	362,725
Increase in net assets attributable to holders of redeemable shares per share		
Class A shares	0.15	0.47
Class C shares	0.16	0.48

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

B.E.S.T. TOTAL RETURN FUND INC.

STATEMENTS OF CASH FLOWS (UNAUDITED)

For the six-month periods ended February 28, 2018 and February 28, 2017

Cash provided by (used in)	**2018 $**	**2017 $**
Operating activities		
Increase in net assets attributable to holders of redeemable shares	70,159	212,988
Items not affecting cash:		
Net change in unrealized (appreciation) of investments	(152,658)	(236,595)
Realized loss on sale of investments	117,252	408
Net change in non-cash balances related to operations	22,948	136,006
Proceeds from maturities of short-term investments	7,292,722	-
Proceeds from maturities/sale of venture investments	796,016	923,291
Purchase of short-term investments	(7,991,230)	-
Purchase of venture investments	-	(1,510,000)
Cash provided by (used in) from operating activities	155,209	(473,902)
Financing activities		
Proceeds from issue of Class A shares	44,985	-
Amounts paid for Class A shares redeemed	(82,061)	(101,759)
Cash (used in) financing activities	(37,076)	(101,759)
Increase (Decrease) in cash during the period	118,133	(575,661)
Cash - beginning of period	197,493	1,397,151
Cash - end of period	315,626	821,490
Supplemental information (classified as operating activities)		
Interest Received	74,788	231,681

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

B.E.S.T. TOTAL RETURN FUND INC.
SCHEDULE OF INVESTMENT PORTFOLIO (UNAUDITED)
As at February 28, 2018

Par value/ number of shares	Issuer	Maturity date/ expiration date	Cost $	Fair value $
	SHORT-TERM INVESTMENTS (49.99%)*			
2,497,050	Bank of Nova Scotia, Bankers Acceptance, 1.44%	March 29, 2018	2,497,050	2,497,050
	Total short-term investments		2,497,050	2,497,050
	VENTURE INVESTMENTS			
	ERMS Corporation			
60,549,474	Common Shares		261,988	
	Dejero Labs Inc.			
30,744	Common Share Purchase Warrant	October 14, 2020	-	
	FinanceIT Canada Inc.			
14,400	Common Share Purchase Warrant	April 21, 2018	-	
	Findev Inc.			
32,142	Common Share Purchase Warrant	July 5, 2018	88,506	
	Garner Distributed Workflow Inc.			
212,800	Common Share Purchase Warrant	July 8, 2021	-	
	Geminare Inc.			
75,313	Common Shares		-	
	Health Care Services International Inc.			
1	Common Share Purchase Warrant	December 31, 2020	-	
	Hipplay Inc.			
4,191	Common Shares		-	
	Intelligent Mechatronic Systems Inc.			
1	Common Share Purchase Warrant	December 31, 2025	-	
1	Common Share Purchase Warrant	December 31, 2025	-	
581,750	Promissory Note, 15.00%	July 31, 2017	581,750	
	MAC Financial Recovery (Canada) Inc.			
75,264	Promissory Note, 11.50%	February 1, 2019	75,264	
	Mobify Research and Development Inc.			
31,814	Common Share Purchase Warrant	December 22, 2021	-	
	Optessa Inc.			
410,000	Debenture, 20.00%	July 27, 2012	410,000	
	Pitchpoint Solutions Inc.			
71,417	Common Share Purchase Warrant	December 9, 2021	-	
400,000	Promissory Note, 13.50%	December 9, 2019	400,000	
	Ridetones Inc.			
1	Common Share Purchase Warrant	December 31, 2025	-	
440,000	Promissory Note, 15.00%	July 31, 2017	440,000	

B.E.S.T. TOTAL RETURN FUND INC.
SCHEDULE OF INVESTMENT PORTFOLIO (UNAUDITED)
As at February 28, 2018

	Skura Corp.			
30,800	Common Shares, Class E		-	
	Trakopolis Iot Corp.			
139,131	Common Share Purchase Warrant	October 28, 2019	-	
	Utilitran Inc.			
400,000	Common Shares		-	
400,000	Demand Note, 0.00%	November 11, 2011	400,000	
31,756	Promissory Note, 0.00%	November 11, 2011	31,756	
	Total venture investments		2,689,264	2,291,170
	Total investments (95.87%)*		5,186,314	4,788,220
	Other assets less liabilities and Class B share equity (4.13%)*			206,402
	Total net assets attributable to holders of redeemable shares (100.00%)*			4,994,622

* Percentages shown relate to investments at fair value to total net assets attributable to holders of redeemable shares.

1. STATUS AND OPERATIONS

B.E.S.T. Total Return Fund Inc. (the “Fund”) was incorporated under the laws of Canada by articles of incorporation dated October 31, 2003. The Fund is registered as a Labour Sponsored Venture Capital Corporation under the Income Tax Act (Canada) and as a Labour Sponsored Investment Fund Corporation under the Community Small Business Investment Funds Act (Ontario) (the “CSBIF Act”), as amended. The registered address of the Fund is 181 Bay Street, Suite 810, Toronto, Ontario, Canada M5J 2T3.

The Fund makes investments in eligible Canadian businesses as defined in the Income Tax Act (Canada) and the CSBIF Act.

The Fund is sponsored jointly by the Christian Labour Association of Canada (“CLAC”), the Society of Energy Professionals and the International Federation of Professional and Technical Engineers - Local 164 (the “Sponsors”). CLAC holds the one issued and outstanding Class B share.

The federal government ceased offering the federal tax credit on subscriptions after the taxation year 2016. The Ontario government ceased offering the provincial tax credit after the end of the 2011 taxation year.

These financials statements were authorized for issue by the Board of Directors on April 20, 2018.

2. BASIS OF PRESENTATION

The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (IFRS) including International Accounting Standard 34, Interim Financial Reporting (“IAS 34”) and applied on a basis consistent with those applied in the Fund’s audited financial statements for the year ended August 31, 2017. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities including derivatives at fair value through profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

CLASSIFICATION

The Fund recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments not measured at fair value through profit and loss (FVTPL). Investment transactions are recorded on the trade date. The Fund’s non-derivative investments, including any associates and joint ventures, are designated as FVTPL at inception. Derivatives, including warrants, are held for trading and measured at FVTPL. The Fund’s obligations with respect to net assets attributable to holders of redeemable Class A and Class C Shares are presented at the redemption amount. All other financial assets and liabilities are measured at amortized cost and reflect the amount to be received or paid, discounted, when appropriate, at the contract’s effective interest rate.

FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Marketable Securities

The fair value of short-term investments, which have a term to maturity of less than one year, typically approximates amortized cost due to their short-term nature.

Publicly listed securities are valued at a price within the bid-ask spread that is most representative of the fair value based on the specific facts and circumstances. The difference between the fair values and average cost of the investments is recorded as net change in unrealized appreciation (depreciation) of investments in the Statements of Comprehensive Income.

Venture investments

Investments in securities not having a quoted market value or in restricted securities are recorded at their 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 of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair value is determined using the appropriate valuation methodology after considering the history and nature of the business, 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. A valuation technique such as the Black-Scholes model is used for unlisted warrants, and where inputs to the model are not readily available, estimates are used.

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.

Management must make estimates of the fair values for investments where reliable market quotations are not readily available. These estimates are significant and the amounts ultimately realized on disposition of the investments may be materially different. Refer to note 9 for further information on the fair values of investments held by the Fund.

FUNCTIONAL CURRENCY AND FOREIGN CURRENCY TRANSLATION

The Canadian dollar is the Fund's functional and presentation currency as it is the primary economic environment in which the Fund operates. Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at year-end exchange rates. Purchase and sales of investments, investment income and expenses are calculated at the exchange rates prevailing on the dates of the transactions.

TRANSACTION COSTS

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties.

AGENT FEES ON DISTRIBUTION OF SHARES

Fees or commissions paid to agents to sell the Class A Shares of the Fund are expensed as a selling cost and are reported in the Statements of Comprehensive Income. Service fees, if any, paid to agents are also expensed as a selling cost and reported in the Statements of Comprehensive Income.

CLASS A SHARES AND CLASS C SHARES

The Class A Shares and Class C Shares of the Fund have different features and are classified as liabilities as they are redeemable at the option of the holder and they are not the most subordinate class of shares. The Class A shares are redeemable at the option of the holder at any time even though there may be tax implications of the redemption of the Class A shares before the eight anniversary of the date of issue. The Class C shares are redeemable with some restrictions on the amounts that the Fund is required to redeem in any year.

The Class B Share held by the Sponsor is classified as equity as it is not redeemable at the option of the holder and is the most subordinate class of share.

INTEREST FOR DISTRIBUTION PURPOSES

Interest income is recorded on an accrual basis based on the coupon rate of interest and is reported as interest for distribution purposes in the Statements of Comprehensive Income.

PERFORMANCE FEES

As described in Note 7, a performance fee becomes payable to B.E.S.T. Investment Counsel Limited (the “Manager” and “Investment Advisor”) upon realization of gains on venture investments beyond a cumulative threshold. Any amount payable at the financial statement date is recorded as a liability and expense of the Fund in the year. The Fund also recognizes a contingent performance fee payable that might 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.

DEFERRED INCOME ON VENTURE INVESTMENTS

Fees received by the Fund on the initiation of venture investments are deferred and amortized over the term of the investment. The amortization of the deferred balance is included in other income in the Statements of Comprehensive Income.

INCOME TAXES

The Fund accounts for income taxes using the liability method, whereby deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities measured using the substantively enacted income tax rates and laws that are expected to be in effect when the differences are expected to reverse. The income tax expense (recovery) for the year is the tax payable (recoverable) for the year and any change during the year in the deferred tax assets and liabilities.

CASH

Cash is comprised of demand deposits with a reputable financial institution.

DISTRIBUTIONS TO HOLDERS OF REDEEMABLE SHARES

Distributions to holders of redeemable shares, if any, are recognized in the Statements of Comprehensive Income when they are authorized and no longer at the discretion of the Fund. This may occur when distributions are approved by the Board of Directors of the Fund. Distributions to holders of redeemable shares are recognized as finance costs in the Statements of Comprehensive Income.

INCREASE/ DECREASE IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES FROM OPERATIONS

Income not distributed is included in the net assets attributable to holders of redeemable shares. The change in net assets attributable to holders of redeemable shares is recognized in the Statements of Comprehensive Income as finance costs.

Increase or decrease in net assets attributable to holders of redeemable shares per share is determined by dividing the total net increase or decrease in net assets attributable to the holders of each of the Class A and Class C shares by the weighted average number of Class A and Class C shares outstanding during the year.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in accordance with IFRS requires management to use judgement in applying the accounting policies and to make estimates and assumptions that affect the application of accounting policies and the amounts reported in the financial statements for assets, liabilities, income and expenses. Significant estimates include the valuation of venture investments. Please refer to note 9 Fair Value Measurement for details of valuation policies for venture investments. While management believes that the estimates used in preparing its financial statements are reasonable and prudent, actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis.

Investment entity status

The Fund meets the definition of an investment entity per IFRS 10 as the following conditions exist:

(a) The Fund has obtained funds for the purpose of providing investors with professional investment management services;
(b) The Fund's business purpose, which was communicated directly to investors, is investing for capital appreciation and investment income; and
(c) The investments are measured and evaluated on a fair value basis.

5. SHARES ISSUED AND OUTSTANDING

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

Unlimited Class A shares, issuable in series, discretionary dividend entitlement, voting, restrictions on redemption, entitled to elect two directors.

Unlimited Class B shares, issuable only to an eligible labour body, as defined in the Income Tax Act (Canada), and an employee organization, as defined in the CSBIF Act that represents employees in more than one province, voting, restrictions on transfer, entitled to elect seven directors.

Unlimited Class C shares, discretionary dividend entitlement, restricted redemption rights, non-voting. The Class C Shares are 100% held by a senior officer of the Fund as at February 28, 2018 and August 31, 2017.

Redemption of Class A shares

A shareholder may redeem all or part of the Class A shares held at the net asset value per share subject to certain restrictions. In any fiscal 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 Fund as at the last day of the preceding fiscal year. If the Fund does not redeem Class A shares in the fiscal year requested, it will redeem those shares in the following fiscal year before it redeems any other Class A shares that it has been requested to redeem.

If the Fund is requested to redeem Class A shares before the eighth anniversary of their issue, an early redemption fee may be charged to investors.

Redemption of Class C shares

The shareholder may redeem all or part of the Class C shares held at the net asset value per share on March 2 of any year, based on the amount of capital raised from the sale of Class A shares. Redemptions are subject to certain restrictions and the Fund is entitled to suspend the right to redeem Class C shares in order to ensure that the Fund may maintain its investment pacing requirements or satisfy its other obligations.

Capital Risk Management

The capital of the Fund is represented by the net assets attributable to the holders of redeemable shares. The amount of net assets attributable to holders of redeemable shares can change significantly on a daily basis, as the Fund is subject to daily subscriptions and redemptions at the discretion of the shareholders, as well as changes resulting from the Fund's performance. The Manager's objective is to invest the Fund's capital in order to provide a return to shareholders in accordance with the objectives and strategy of the Fund. The Fund is not subject to any externally imposed capital requirements.

Issued	**February 28 2018**	**August 31 2017**
	Number of shares	Number of shares
Class A shares		
Balance - Beginning of period	71,435	89,687
Issued during the period	3,929	2,888
Redeemed during the period	(7,201)	(21,140)
Balance - End of period	68,163	71,435
Class B shares		
Balance - Beginning of period	1	1
Balance - End of period	1	1
Class C shares		
Balance - Beginning of period	360,698	362,725
Redeemed during the period	—	(2,027)
Balance - End of period	360,698	360,698

6. ALLOCATION OF INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES

In accordance with the Fund's articles of incorporation, the commissions paid to registered dealers selling Class A shares are paid by the Fund. These commissions are reflected in the Statements of Comprehensive Income. The articles of incorporation also specify that the net asset value per share for both Class A and Class C shares, computed by dividing the total net assets of the Fund by the total number of outstanding Class A and Class C shares, are equal. As such, the allocation of the increase (decrease) in net assets from operations to Class C shares has been decreased to incorporate the Class C share portion of the commissions paid to agents on the distribution of Class A shares.

7. OPERATING ARRANGEMENTS AND RELATED PARTIES

Management, advisor and performance fees

The Fund has entered into an agreement with the Manager to engage and supervise service providers to the Fund. Under this agreement, the Fund has agreed to pay the Manager an annual fee for the performance of such administrative services, including key personnel, of 1.50% (plus HST) of the aggregate net asset value attributable to the Class A shares on the first $100 million of the aggregate net asset value attributable to the Class A shares and 1.25% (plus HST) of the aggregate net asset value attributable to the Class A shares in excess of $100 million. The fee paid to the Manager is applied to the Class A shares and Class C shares based on the proportion of the total net asset value of the Fund attributable to each class of share. The fee is calculated and paid monthly in arrears. The Manager is also entitled to be reimbursed for certain costs and expenses incurred on behalf of the Fund.

The Fund has entered into an agreement with B.E.S.T. Investment Counsel Limited (the “Investment Advisor”) for the provision of investment advisory services. Under this agreement, the Fund has agreed to pay the Investment Advisor an annual fee equal to 2.00% (plus HST) of the aggregate net asset value attributable to the Class A shares on the first $100 million of the net asset value attributable to the class A shares and 1.75% (plus HST) of the aggregate net asset value attributable to the Class A shares in excess of $100 million. The fee for investment advisory services is applied to the Class A shares and Class C shares based on the proportion of the total net asset value of the Fund attributable to each class of share. The Advisor is also entitled to be reimbursed for certain reasonable costs and expenses.

B.E.S.T. Investment Counsel Limited is entitled to share in a performance fee as soon as practicable after the disposition date of an eligible investment based on the gains and income earned from each eligible investment. No performance fee shall be paid by the Fund in respect of the realization of an eligible investment, unless on the Disposition Date of such eligible investment:

(a) the total net realized and unrealized gains and income from the Fund from its portfolio of eligible investments since inception must have generated a return greater than the average annual rate of return on five year Guaranteed Investment Certificates offered by a Schedule I Canadian chartered bank plus 2%;
(b) the compounded annual rate of return (including realized and unrealized gains and income) from the particular eligible investment since its acquisition by the Fund must equal or exceed 12% per annum; and
(c) the Fund must have recouped an amount equal to all principal invested in the particular eligible investment.

The Fund will not pay the performance fee on any partial dispositions of an eligible investment unless and until the Fund receives (from all dispositions of that investment on a cumulative basis) an amount equal to at least the full amount of the principal invested in the eligible investment.

Provided that the payment of the performance fee does not reduce returns to shareholders on the investment portfolio below the threshold outlined in (a) above, the proceeds from the disposition of each particular eligible investment in each calendar quarter of the Fund, after deducting the costs of such investment and the proceeds of disposition paid to the Fund, shall be allocated and paid as follows:

The Investment Advisor shall receive all gains and income earned from each particular eligible investment in excess of the 12% compounded annual rate of return contemplated in (b) above, up to and including a level representing 15% of the compounded annual rate of return earned from the particular eligible investment.

All gains and income earned on each particular eligible investment in excess of a 15% compounded annual rate of return earned from the particular eligible investment, shall be allocated and paid in the following proportions:

(i) 16% to the Investment Advisor; and
(ii) 4% to the Manager.

The Fund will retain the other 80% of such gains and income. The performance fee plus HST will be calculated and paid quarterly in arrears based upon realized gains and income, calculated on the last day of the last month of each calendar quarter.

The performance fee is applied to the Class A shares and Class C shares based on the proportion of the total net asset value of the Fund attributable to each class of share.

Sponsorship fees

The Fund must pay to each of the Sponsors an annual fee equal to 0.07% of the aggregate net asset value per share attributable to the Class A shares. The fee paid to the sponsors is applied proportionately to the Class A shares and Class C shares.

Commissions and service fees

The Fund pays commissions of 6.00% of the subscriptions raised to registered dealers selling Class A shares. In addition, the Fund pays these dealers a service fee equal to 0.50% annually of the aggregate net asset value attributable to Class A shares held by its clients. The service fees are included in the selling costs in the Statements of Comprehensive Income and are applied proportionately to the Class A shares and Class C shares.

Directors' fees and expenses

The directors of the Fund are paid annual fees of $7,000 plus $600 for each Board of Directors' or Board of Directors' committee meeting attended and are reimbursed for all reasonable expenses incurred in attending such meetings. In addition, the Chairman of the Fund is paid an additional amount of $4,000 annually and the Chair of the Audit Committee is paid an additional amount of $2,000 annually.

Independent Review Committee expenses

In accordance with securities regulations, the Fund has established an independent review committee (the "IRC"). There are three members of the IRC. The members of the IRC are paid annual fees of $5,500 plus $660 per meeting attended and are reimbursed for all reasonable expenses incurred in attending such meetings. The Chairman of the IRC is paid an additional annual fee of $2,000.

Related Party Transactions

B.E.S.T. Investment Counsel Limited is the Manager and Investment Advisor for the Fund. Included in accounts payable and accrued liabilities as at February 28, 2018 are accrued Management Fees of $1,016 (August 31, 2017: $1,173) and accrued Advisory Fees of $1,354 (August 31, 2017: $1,563). The related expenses for the year are disclosed in the Statements of Comprehensive Income.

During the six-month period ended February 28, 2018, the Fund incurred performance fees in the amount of $59,657 (2017: $94,304). As at February 28, 2018, $Nil was payable to B.E.S.T. Investment Counsel Limited for performance fees (August 31, 2017: $Nil). As at February 28, 2018, the Fund also recorded a contingent performance fee amount of $283,957 (August 31, 2017: $224,300) that might 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.

During the six-month period ended February 28, 2018, the Fund paid B.E.S.T. Capital Administration Inc. $16,950 (2017: $16,950) for storage and facilities costs which are included in transfer agent, registrar and administrative fees. B.E.S.T. Capital Administration Inc. is wholly owned by the Chief Executive Officer of the Fund. As at February 28, 2018, $2,825 (August 31, 2017: $2,825) was included in accounts payable and accrued liabilities for storage and facilities costs.

The Sponsors are related parties of the Fund. During the six-month period ended February 28, 2018, the Fund incurred Sponsor Fees of $841 (2017: $913). As at February 28, 2018 $126 (August 31, 2017: $145) was included in accounts payable and accrued liabilities for Sponsorship fees.

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.

8. INCOME TAXES

Under the Income Tax Act (Canada), no income taxes are generally payable by the Fund on taxable dividends received from taxable Canadian corporations, and income taxes payable on the capital gains on the disposal of investments 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. Accordingly, the Fund is, in substance, tax exempt on these sources of income and as such did not record income taxes and did not recognize the benefit associated with capital losses or other temporary differences.

The Fund is taxable at general corporate tax rates on other sources of investment income which can be reduced by permitted deductions for tax purposes such as expenses and loss carryforwards. A portion of the income taxes payable on other investment income earned by the Fund are also refundable on payment or deemed payment of taxable dividends to the shareholders.

The Fund intends to recover 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 C shares. If and to the extent that the Fund increases the paid-up capital of the Class A shares and Class C shares, the holders of the shares will be deemed to have received a dividend and the adjusted cost base of the holder’s shares will be increased by the amount of the deemed dividend. During the six-month period ended February 28, 2018, the Fund declared a paid up capital increase in the amount of $NIL (2017: $Nil).

The Income Tax Act (Canada) and the CSBIF Act set minimum levels of investment for the Fund. If the minimum level of investments is not met, the Fund will be subject to defined taxes and penalties. As at February 28, 2018, the Fund was in compliance with the minimum level of investments.

As at February 28, 2018, the Fund has no non-capital losses and capital losses in the amount of $979,913. As at August 31, 2017, the Fund had no non-capital losses and capital losses in the amount of $862,661.

The amount of capital losses reflected as an asset as at February 28, 2018 is $NIL (August 31, 2017: $NIL).

The Fund’s deferred income tax asset arising from the balance of the deferred income on venture investments was $3,481 as at February 28, 2018 (August 31, 2017: $6,223).

The Fund has not recognized the deferred tax impact of the contingent performance fees and share issuance costs because of the uncertainty that these amounts will be deductible from future taxable income of the Fund.

9. FINANCIAL INSTRUMENTS

The Fund makes investments in eligible businesses in two broad industry sectors: (a) industrial and financial businesses including automotive, manufacturing, service, consumer products, industrial machinery, distribution, retail and financial services and (b) technology related businesses with high growth potential. The objective is to generate interest and dividend income as well as long-term capital appreciation through investments in a diversified portfolio of small and medium sized private and public businesses.

The Fund’s financial instruments consist primarily of cash, marketable securities, venture investments, accounts receivable, accounts payable and accrued liabilities. Venture investments in private companies consist of subordinated debt, convertible debt, equity, or equity equivalents. These investments in private companies are typically illiquid. The Fund’s investments are diversified across industries in small and medium sized eligible businesses. The Fund seeks to reduce the risks typically associated with such investments by diversifying its portfolio to various companies and by using a disciplined investment decision process.

Financial Instruments

Assets	**February 28, 2018**	**August 31, 2017**
Investments	$4,788,220	$4,850,322
Cash	$315,626	$197,493
Accrued interest and other receivables	$401,028	$328,376
Total Assets	$5,504,874	$5,376,191
Liabilities		
Accounts payable, accrued liabilities and contingent performance fees	$393,180	$325,983
Net assets attributable to holders of Class A shares	$793,839	$820,183
Net assets attributable to holders of Class C shares	$4,200,783	$4,141,356
Total Liabilities	$5,387,802	$5,287,522

The Fund's activities expose it to a variety of financial risks: market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Investment Advisor 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 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.

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.

Market Risk

Market risk is the risk that the fair value of financial instruments will fluctuate due to changes in market factors. Market risk includes currency risk, interest rate risk and other price risk. The Fund is exposed to these risks directly through its financial instruments.

Currency Risk

The Fund may hold investments denominated in a currency other than the Canadian dollar, the functional currency. Foreign currency risk, as defined in IFRS 7, arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of other price risk. Management monitors the exposure on all foreign currency denominated assets and liabilities. The table below provides analysis of monetary items to meet the requirements of IFRS 7.

The Fund does not enter into any foreign exchange hedging transactions for the purpose of managing its exposure to foreign exchange movements.

While the Fund may have direct exposure to foreign exchange rate changes on the price of non-Canadian dollar denominated securities, it may also be indirectly affected by the impact of foreign exchange rate changes on the earnings of certain companies in which the Fund invests, even if those companies' securities are denominated in Canadian dollars. For that reason, the below sensitivity analysis may not necessarily indicate the total effect on the Fund's net assets.

Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments held in the investment portfolio such as promissory notes and debentures. The Fund is exposed to the risk that the fair 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 risk. It includes the Fund's assets and liabilities, categorized by the earlier of contractual re-pricing or maturity dates.

February 28, 2018

Financial Instrument	Less than 1 year	1 to 5 years	Non-interest bearing	Total
Investments	$4,004,064	$400,000	$384,156	$4,788,220
Cash			$315,626	$315,626
Other assets			$401,028	$401,028
Liabilities			$5,387,802	$5,387,802

Interest bearing securities with a maturity of less than one year are comprised of venture investments in debt securities.

August 31, 2017

Financial Instrument	Less than 1 year	1 to 5 years	Non-interest bearing	Total
Investments	$3,230,292	$1,232,931	$387,099	$4,850,322
Cash			$197,493	$197,493
Other assets			$328,376	$328,376
Liabilities			$5,287,522	$5,287,522

Interest bearing securities with a maturity of less than one year are comprised of venture investments in debt securities and short-term investments.

Refer to tables below which present significant unobservable inputs used in the fair value measurements of investments classified as Level 3 for the impact of interest rate increases or decreases on the change in valuation of these investments.

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 and the Investment Advisor moderate 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 marketable securities are susceptible to market price risk arising from uncertainties about future prices of the instruments.

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

As at February 28, 2018, the Fund had $384,156 (August 31, 2017: $387,099) of non-interest bearing venture investments. If the value of the Fund's non-interest bearing venture investments had increased or decreased by 5%, all other variables held constant, the net assets of the Fund would have increased or decreased respectively by approximately $19,208 or approximately 0.38% (August 31, 2017: $19,355, 0.39%)

Refer to tables below which present significant unobservable inputs used in the fair value measurements of investments classified as Level 3 for the impact of other price risk on the change in valuation of these investments.

Credit and Concentration 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 investments as presented in the Statement of Financial Position represents the maximum credit risk exposure as at February 28, 2018 and August 31, 2017. This also applies to other assets, as they have a short term to settlement.

Cash consists of highly liquid temporary deposits with Canadian banks.

Where applicable, all transactions in listed securities are settled 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 as follows:

February 28, 2018

Asset	Security	Counterparty	Fair Value
Cash		CIBC Mellon	$315,626
Short-term Securities	Banker's Acceptance	Bank of Nova Scotia	$2,497,050
Debt Securities Venture Companies	Secured by General Security Agreement	Intelligent Mechatronic Systems Inc., MAC Financial Recovery (Canada) Inc., Optessa Inc., PitchPoint Solutions Inc., Ridetones Inc.	$1,907,014
Total Cash and Debt Securities			$4,719,690

August 31, 2017

Asset	Security	Counterparty	Fair Value
Cash		CIBC Mellon	$197,493
Short-term Securities	Banker's Acceptance	Royal Bank of Canada	$1,798,542
Debt Securities Venture Companies	Secured by General Security Agreement	Garner Distributed Workflow Inc., Intelligent Mechatronic Systems Inc., MAC Financial Recovery (Canada) Inc., Optessa Inc., PitchPoint Solutions Inc., Ridetones Inc., Roadhouse Holdings Inc., Trakopolis IoT Corp.	$2,664,681
Total Cash and Debt Securities			$4,660,716

Credit risk arising on debt instruments is mitigated by investing primarily in commercial paper instruments rated R2 or higher. The Fund also 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. The credit risk is mitigated by obtaining a general security agreement on the assets of the issuing portfolio company.

Other than outlined above, there were no significant concentrations of credit risk to counterparties at February 28, 2018 or August 31, 2017.

The business of the Fund is to make investments in small and medium-sized eligible businesses in order to generate interest and dividend income as well as long-term capital appreciation. 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 to 10% of the Net Asset Value of the Fund at the time of investment.

As at February 28, 2018 and August 31, 2017, the Fund's venture investments exposed to credit risk were concentrated in the following sectors:

	February 28, 2018		August 31, 2017	
Industry	**% of total venture investments**	**# of companies**	**% of total venture investments**	**# of companies**
Financial Technology and Industrial	3.28%	1	9.17%	1
Security Software and Services	17.46%	1	14.42%	1
Other Technology	62.49%	2	63.72%	5
Total Venture Debt Investments	83.17%	4	87.32%	7

All of the Fund's investments subject to credit risk are located in Canada primarily in the province of Ontario.

Liquidity Risk

The Fund is exposed to daily cash redemptions of redeemable shares. Therefore, the Fund invests a portion of its assets in investments that are traded in an active market that can be readily disposed of and/or the Fund retains sufficient cash and cash equivalent positions to maintain liquidity. In any financial year, the Fund is not required to redeem shares having an aggregate redemption price exceeding 20% of the net asset value of the Fund calculated on the last day of the preceding financial year end and may suspend redemptions for substantial periods of time.

All the financial liabilities of the Fund as at February 28, 2018 and August 31, 2017 fall due within twelve months with the exception of contingent performance fees and net assets attributable to holders of Class C shares. The maturity of contingent performance fees is uncertain and is dependent on the realization of venture investments. The maturity of the net assets attributable to holders of Class C shares is dependent on the subscription of new Class A shares.

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: Unadjusted quoted prices at the measurement date in active markets for identical assets.

Level 2: Directly or indirectly observable inputs other than quoted prices as in Level 1 such as quoted prices for identical or similar assets in markets that are not active.

Level 3: Inputs for the assets that are not based on observable market data.

The following tables indicate the fair value hierarchy of the inputs used in valuing the Fund's investments at February 28, 2018 and August 31, 2017.

February 28, 2018

Investments	Quoted Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Fixed Term	-	$2,497,050	$1,907,014	$4,404,064
Equities	-	-	$384,156	$384,156
Total	-	$2,497,050	2,291,170	$4,788,220

August 31, 2017

Investments	Quoted Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Fixed Term	-	$1,798,542	$2,664,681	$4,463,223
Equities	-	-	$387,099	$387,099
Total	-	$1,798,542	3,051,780	$4,850,322

The carrying value of all other financial instruments of the Fund, which may include cash, accrued interest and other receivables, accounts payable and accrued liabilities, contingent performance fees and net assets attributable to holders of redeemable shares approximates their fair value. During the six-month period ended February 28, 2018 and the year ended August 31, 2017 there were $NIL investments transferred between Level 1, Level 2, or Level 3.

Level 3	**February 28, 2018**	**August 31, 2017**
Balance - beginning of period	$3,051,780	$3,207,689
Purchases	-	$1,790,000
Sales	($796,016)	($2,680,898)
Realized Gains (Losses)	($117,252)	($104,570)
Change in Unrealized Gains (Losses)	$152,658	$839,559
Balance – end of period	$2,291,170	$3,051,780
Change in Unrealized Gains (Losses) during the year attributed to investments held at end of period	($2,943)	$305,000

Venture investments are classified as either fixed term securities or equity securities. As at February 28, 2018, fourteen investments were classified as equity securities and five investments were classified as fixed term securities (August 31, 2017, sixteen investments were classified as equity securities and ten investments were classified as fixed term). During the six-month period ended February 28, 2018 and the year ended August 31, 2017 there were no investments in fixed term securities that were converted to equity securities.

The Fund’s equity investments consist of common share purchase warrants, preferred shares and common shares. The equity investments are valued using several methods including: reference to the investee company’s recent equity financing, reference to comparable public company equity values and reference to transactions involving similar companies. The Fund’s fixed term securities are valued at fair value using valuation methods typical of fixed income securities such as discounted cash flows and present value models. 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, the need for further financing and the ability to cover the amount of the Fund’s investment with the assets of the investee company among other factors in determining the fair value of the investment. In addition to the range of valuation methods employed, a significant number of the key assumptions used in the valuation of individual investments are specific to the investee company. As a result of these varying valuation methods and the number of different assumptions applied, there are no alternative assumptions that are broadly applicable across the investment portfolio of the Fund. Changes in key assumptions may cause material changes in the value of the investments held by the Fund. If the value of the Level 3 investments as at February 28, 2018 were to increase or decrease by 10%, the value of the Fund would increase or decrease by approximately $229,117 (August 31, 2017 - $305,178).

The following tables present significant unobservable inputs used in the fair value measurements of investments classified as Level 3:

February 28, 2018

Level 3 Investment Valuation Metrics	**Fair Value**	**Valuation Technique**	**Unobservable Inputs**	**Range of Inputs**	**Weighted Average Input**	**Reasonable Possible Shift**	**Change in Valuation +/(-)**
Debt Securities							
Performing Debt	$1,907,014	Discounted cash flow	Discount rate	11.00% to 20.00%	14.90%	1.00%	$72,048/($57,649)
Equity Securities							
Common Shares, Common Share Purchase Warrants	$361,620	Transaction valuation	Comparable Transactions	–	–	10%	$36,162/($36,162)
Common Share Purchase Warrants	$22,536	Black-Scholes Model	Volatility	72%	72%	10%	$4,918/($4,932)

August 31, 2017

Level 3 Investment Valuation Metrics	Fair Value	Valuation Technique	Unobservable Inputs	Range of Inputs	Weighted Average Input	Reasonable Possible Shift	Change in Valuation +/(-)
Debt Securities							
Performing Debt	$2,566,081	Discounted cash flow	Discount rate	11.00% to 20.00%	14.62%	1.00%	$442,400/($337,008)
Non-performing Debt	$98,600	Estimated realizable value	Impairment provision	60%	60%	20%	$19,720/($19,720)
Equity Securities							
Common Shares, Common Share Purchase Warrants	$345,326	Transaction valuation	Comparable Transactions	–	–	10%	$34,533/($34,533)
Common Share Purchase Warrants	$41,773	Black-Scholes Model	Volatility	72%	72%	10%	$6,464/($6,691)

10. FUTURE ACCOUTING CHANGES

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.

IFRS 15, Revenue from Contracts with Customers

IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer, regardless of the type of revenue transaction or the industry. The standard’s requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity’s ordinary activities. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.