



2001

A N N U A L R E P O R T

Citadel Group of Funds

Citadel Diversified Investment Trust

Citadel S-1 Income Trust Fund

Citadel HYTES Fund

Citadel SMaRT Fund

MYDAS Fund

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Message to Unitholders

The Citadel Group of Funds have again chosen to present the Annual Report for each of the funds in the group in a combined format. The Citadel Group of Funds share the same investment manager, Bloom Investment Counsel, Inc. and, through an expense sharing arrangement, utilize the same management team to administer the funds. At this time, the Citadel Group of Funds consists of:

Citadel Diversified Investment Trust, an income fund designed to strike a balance between delivering income and preserving capital. Citadel Diversified invests its funds in the income fund sector with minimal restrictions on the relative weightings it can have in any sector of the market. Citadel Diversified has no targeted distribution rate, but pays monthly distributions based on amounts it receives from its underlying investments.

Citadel S-1 Income Trust Fund, an income fund designed to maintain a very structured portfolio of investments in a broad range of income yielding equity and debt securities that results in the Fund being rated SR-1 by Standard & Poors. Citadel S-1 has a targeted monthly distribution rate of \$0.208 per unit.

Citadel HYTES Fund, an income fund designed to achieve a high tax deferred yield by maintaining a fully invested and leveraged portfolio of investments in various sectors within the income fund and high yield debt markets. Citadel HYTES has a targeted monthly distribution of \$0.26 per unit and maintains a fixed minimum leverage of 10% of total assets.

Citadel SMaRT Fund, an income fund designed to provide income derived solely from the volatile royalty trust sector of the income fund market while also offering partial capital protection. Through the use of forward agreements, Citadel SMaRT's structure ensures that on termination of the fund on December 31, 2013, the value of the Fund's units will be a minimum of \$17.50 per unit plus the value of its royalty trust portfolio. Citadel SMaRT has a targeted monthly distribution of \$0.208 per unit.

MYDAS Fund, the newest fund in the group, closed its initial public offering on February 14, 2002. MYDAS Fund is an income fund designed to maximize total unitholder return by rotating its portfolio of investments in the income fund and high yield debt sectors of the market between the various sub-sectors as market conditions warrant. MYDAS, while rotating investments, must at all times comply with various minimum and maximum sector weightings. MYDAS has a targeted monthly distribution of \$0.1875 per trust unit.

YEAR IN REVIEW

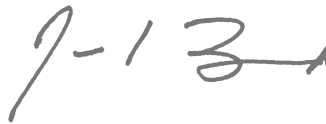
2001 was a year in which all of the group's funds performed very well, delivering exceptional returns to unitholders. Of the two funds in the group that were in existence for the full year, Citadel Diversified posted a total unitholder return of 35.7% and Citadel S-1 posted a total unitholder return of 21.4%. Citadel HYTES, which commenced operations on April 11, 2001, posted a 14.8% total unitholder return for the year.

Citadel SMaRT Fund commenced operations on September 14, 2001 and immediately began building its royalty trust portfolio at a time of relatively depressed royalty trust prices. By year end, Citadel SMaRT had paid two distributions and had substantially deployed its funds into the royalty trust market. MYDAS Fund commenced operations on February 14, 2002 and is currently still in the process of deploying its funds into the income fund market.

We are pleased to provide you with this year's Annual Report, which contains a review of each Fund's audited financial statements.

If you are an investor in one of the Citadel Group of Funds and want further information on any of the other funds in the group, please visit us at our web site www.citadelfunds.com or call us at (403) 261-9674.

Please take the time to review this report in its entirety. We encourage you to discuss any questions you may have with your investment advisor or to call us directly. We thank you for your continued support and confidence.



James T. Bruvall
Chief Executive Officer
April 19, 2002

Report of the Investment Manager

THE MARKET

Overview

Canadian short term interest rates fell steadily during 2001. This created a strong appetite for yield product and resulted in a strong flow of investor funds into the royalty trust, income trust and real estate investment trust sectors of the equity market, producing a remarkable return of 24.3% measured by the BMO Nesbitt Burns Income Fund index. In comparison the TSE 300 index in 2001 produced a negative 12.6% total return.

Oil & Gas Royalty Trusts

Oil and natural gas prices peaked in the first quarter of last year and then declined into the fourth quarter when the political and military ramifications of the events on September 11, 2001 resulted in some price recovery towards the end of the year. For the year as a whole, West Texas Intermediate crude oil spot market prices declined from US\$26.80 to US\$20.65 per barrel. Similarly the spot market price for natural gas at the Henry Hub fell from US\$10.42 per mmbtu to US\$2.67 per mmbtu. The falling commodity prices, despite some considerable hedging by many trusts, reduced the cash flows to the royalty trusts resulting in a significant reduction in distributions as the year progressed. Robust distributions at the start of 2001 enabled some trusts such as ARC Energy, Enerplus Resources and NAL Oil & Gas to show total returns in the area of 30% with less than ten percentage points coming from capital appreciation.

Real Estate Investment Trusts (“Reits”)

While there were some small increases in distributions during 2001, most Reits paid out less of their distributable income in order to conserve cash for capital expenditures and growth opportunities. Active management of Reit portfolios continued with new properties being added and non-core holdings

being sold. Summit Reit was one of the most active on the acquisition front adding a large portfolio of industrial properties to its holdings. With interest rates declining during the year the Reit sector performed well with total returns between 20% and 45%. The top performer was Summit Reit with a return of 44.6% followed by Riocan Reit with 40.5%. The exception to this above average performance were the three hotel Reits. These Reits were adversely affected by the events of September 11, 2001, but even so still managed to generate returns of approximately 10% for the year.

Income Funds

In 2001, declining interest rates, tepid investor interest in the general market, and improving internal operations contributed to a number of funds having total returns of 40% to 56%. Specifically, Atlas Freezers returned 50.7%, North West Stores 53.3%, Northland Power 42.1%, Oceanex 42.0%, Pembina Pipeline 41.7%, TransAlta Power 48.1% and Westshore Terminals 56.0%. A number of initial public offerings came to market with the amount increasing as the year progressed. The best performer in this group, following its initial offering in May last year, was Energy Savings whose price increased 85% by year end due to good operational results and a 30% increase in its annualized distribution.

FUNDS

Citadel Diversified Investment Trust

2001 was another rewarding year for Citadel Diversified and its unitholders. Based on the Fund's market price appreciation plus distributions, the total return for the year was 35.7%. These strong returns were obtained due to our well timed decision to protect capital by reducing our exposure to royalty trusts last spring, prior to their pullback mid-year.

Citadel S-1 Income Trust

Investment grade holdings in COPrS (Canadian Originated Preferred Securities) comprise about 30% of the Citadel S-1 portfolio. These investments are an important constituent in maintaining the Standard & Poors SR-1 rating for the Fund. During 2001, these investments provided the Fund with a total return of 11.8%. Higher returns from the balance of the Fund's investments, market price appreciation and distributions combined to provide a total return of 21.4% for Citadel S-1 unitholders.

Citadel HYTES Fund

Citadel HYTES Fund was fully invested by November, 2001 and had implemented its mandatory leverage of 10% of the total assets by year end. Unitholders received a total return of 14.8% from the Fund's launch in April to the year end based on the market price appreciation and distributions. The net asset value of HYTES has increased steadily since issue and is now above \$26.00 per unit.

Citadel SMaRT Fund

When SMaRT Fund's initial public offering closed on September 14, 2001, we were faced with the challenge of assembling a portfolio during the investment market upheaval that followed the September 11th tragedy. Being a fund of royalty trusts, SMaRT is very much affected by the movement in oil and gas prices and these were particularly volatile in the months following the Twin Towers' attack. The net asset value of SMaRT Fund has increased from its starting point of \$23.65 per unit through the uncertain markets of late last year to \$24.65 by year end and is now presently above \$26.00 per unit.

MYDAS Fund

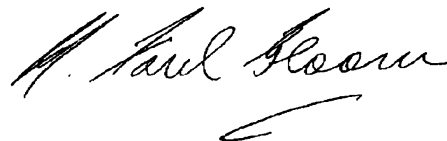
On February 14, 2002, the MYDAS Fund completed its initial public offering. We look forward to the challenge of assembling a diversified portfolio of Canadian income funds and high yielding investment grade debt which will pay a targeted yield of 9%.

OUTLOOK

The income fund sector has completed two years of superior performance when compared to the general equity market indices. A large part of this performance has occurred as a result of a mania that has developed for high yielding income funds in an investment environment where other similar high yields are scarce. Unfortunately this mania has investors buying trusts strictly to obtain yield while disregarding underlying value and business risks. Today some Reits are, in our opinion, more than 20% overvalued. We also believe that royalty trusts, despite the recent improvement in oil and gas prices, are overvalued by more than 30%.

Feeding off the mania for yield is an increasing onslaught of income fund offerings, a number of which have considerable business risks. We are concerned that if all the offerings in the pipeline do come to market it will create an over supply of product in the income fund sector of the market.

Interest rates appear to have seen their low point and though we do not expect them to rise significantly for some time, higher rates will reduce the demand for income funds and make current yields less attractive. Coupling these concerns with our belief that the general equity market will soon improve leads us to recommend a cautious investment stance to the income fund sector for the coming months.



M. Paul Bloom

President, Bloom Investment Counsel, Inc.

April 19, 2002

Administrators

Each Fund within the Citadel Group of Funds shares the same management team. Each of the Funds subsequent to Citadel Diversified have agreed, in exchange for the right to use the “Citadel” name and the right to use the infrastructure created by Citadel Diversified, to contribute amounts to the aggregate overhead of the Funds. Citadel Diversified Management Ltd. (“CDML”) is the administrator of Citadel Diversified Investment Trust, Citadel S1 Management Ltd. (“CSML”) is the administrator of Citadel S-1 Income Trust Fund, Citadel TEF Management Ltd. (“CTEF”) is the administrator of Citadel HYTES Fund, Citadel CPRT Management Ltd. (“CPRT”) is the administrator of Citadel SMaRT Fund and MYDAS Management Inc. (“MMI”) is the administrator of MYDAS Fund. CDML, CSML, CTEF, CPRT and MMI provide administrative services to their respective Funds and carry out all of the day to day operations of each Fund, other than investment advisory and portfolio management activities. The directors and officers of CDML, CSML, CTEF, CPRT and MMI are as follows:

Harold P. Milavsky
Chairman of the Board
Calgary

Paul L. Waitzer
Director
Toronto

Doug D. Baldwin
Director
Calgary

Kent J. MacIntyre
Director
Calgary

James T. Bruvall
Director and
Chief Executive Officer
Calgary

Darren K. Duncan
Chief Financial Officer
Calgary

Investment Manager

Bloom Investment Counsel, Inc. (“Bloom”) is the investment advisor and portfolio manager for each Fund within the Citadel Group of Funds. Bloom is responsible for implementing each Fund’s investment strategy and determines the ongoing commodity, industry and geographic weighting of securities in each Fund’s portfolio. In accordance with Bloom’s active management philosophy, Bloom continually reviews each Fund’s portfolio to ensure that the portfolio meets the investment guidelines of the Fund, while balancing the sometimes divergent goals of delivering income and protecting capital.

Bloom Investment Counsel, Inc. commenced business in 1985 and specializes in the management of segregated investment portfolios for wealthy individuals, their retirement plans, corporations and trusts.

The principal officers and consultants of Bloom which provide investment advisory, research and portfolio management services to each Fund are as follows:

M. Paul Bloom
President
Toronto

Maurice G. Corbett
Vice-President
Toronto

Sara Bloom
Vice-President
Toronto

Citadel Diversified Investment Trust

Citadel Diversified Investment Trust (the “Fund” or “Citadel Diversified”) is a closed-end investment trust listed on The Toronto Stock Exchange under the symbol “CTD.un”. The Fund has a termination date of December 31, 2007 or such earlier or later date as the unitholders may determine in accordance with the Fund’s Declaration of Trust. Citadel Diversified’s investment objectives are to provide its unitholders with a high level of monthly distributions and to maximize the net asset value of the Fund over its life. In order to achieve these objectives, the Fund’s investment manager, Bloom Investment Counsel, Inc., actively manages a diversified portfolio of publicly traded oil and gas royalty trusts, real estate investment trusts, income funds and limited partnerships.

Pursuant to the Fund’s distribution policy, Citadel Diversified pays monthly cash distributions equal to the cash distributions received in the prior month less estimated expenses of the Fund. Citadel Diversified paid total monthly distributions of \$1.135 per unit during 2001 compared to \$1.053 per unit in 2000. During 2001, the Fund realized capital gains of \$2.4 million on the sale of certain investments, primarily royalty trusts, resulting in the Fund having a much lower tax deferral rate on its distributions relative to prior years.

Total distributions paid or payable since the Fund’s inception in September 1997 to December 2001 have been \$3.902 per unit with an average tax deferral of 65.0%. For 2001, Citadel Diversified delivered a 35.7% total return (unit price appreciation plus distribution reinvestment) representing an annualized compound rate of return of 13.8% per year since the Fund’s inception. Comparatively, the BMO Nesbitt Burns income fund index generated a total return of 24.3% for 2001 and an annualized compound rate of return of 8.9% since September 1997.

Investment Highlights:

	2001				2000
	Q4	Q3	Q2	Q1	Q4
Net Asset Value per Unit ⁽¹⁾	\$ 9.51	\$ 8.89	\$ 9.24	\$ 8.91	\$ 8.46
Market Price per Unit ⁽¹⁾	\$ 10.20	\$ 9.25	\$ 9.15	\$ 8.71	\$ 8.50
Trading Premium / (Discount)	7.3%	4.0%	(1.0%)	(2.2%)	0.5%
Quarterly Distributions per Unit	\$ 0.263	\$ 0.280	\$ 0.308	\$ 0.284	\$ 0.301
Trailing Yield	11.1%	12.7%	12.3%	12.5%	12.4%
Market Capitalization (\$ millions)	\$ 132.9	\$ 114.8	\$ 112.3	\$ 106.9	\$ 104.4

⁽¹⁾ Net asset value and market price per unit are based on quarter end values.

Stock Symbol:	CTD.un (TSE)
2001 High / Low:	\$10.20 - \$8.15
2001 Tax Distribution:	\$1.00
2001 Tax-Deferred %:	24.2%
2001 Total Return:	35.7%

Management's Discussion & Analysis

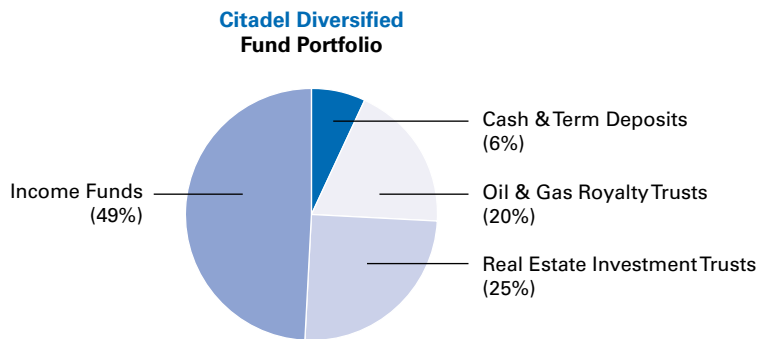
Financial Results

Citadel Diversified's total income for 2001 experienced an 18% increase over 2000, rising from \$12.5 million in 2000 to \$14.8 million in 2001 as the Fund received stronger distributions from its portfolio during the year. Total expenses, inclusive of administrative & investment manager fees, general & administrative costs and interest expense, for 2001 declined slightly due to lower debt servicing costs incurred in 2001 and expense sharing with the other Funds in the Citadel Group of Funds.

Net investment income and net investment income per unit also improved significantly from \$10.3 million and \$0.93 per unit in 2000 to \$12.6 million and \$1.02 per unit in 2001 respectively. As a result, distributions paid to unitholders for 2001 increased to \$1.135 per unit from \$1.053 in 2000.

Despite weak valuations in the royalty trusts during the last half of 2001, stronger valuations in the income fund and real estate sectors of Citadel Diversified's portfolio elevated its net asset value in 2001. The Fund's net asset value per unit increased 12.4%, from \$8.46 per unit at December 31, 2000 to \$9.51 per unit at December 31, 2001. An improved net asset value, stronger distributions and increased demand for income oriented products also propelled the Fund's market price. Citadel Diversified's market price rose from \$8.50 per unit at December 31, 2000 to \$10.20 per unit at December 31, 2001, representing a total unitholder return (inclusive of distribution reinvestment) of 35.7% for 2001.

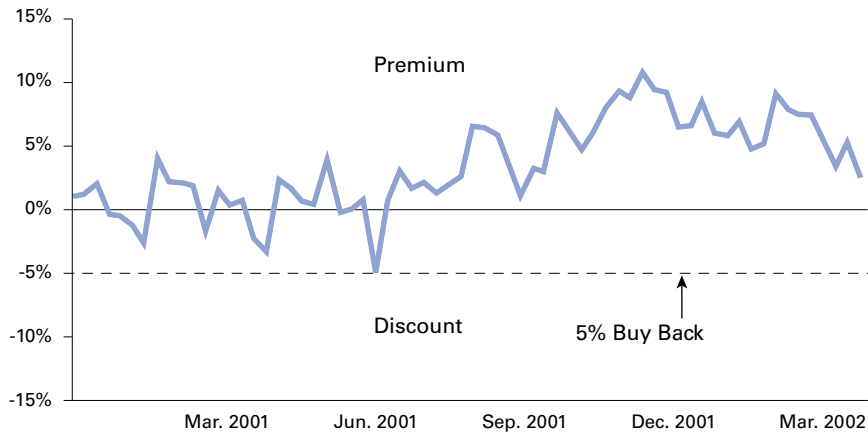
As at December 31, 2001, the Fund's portfolio based on market values is shown in the chart below.



Trading Premium / Discount to Net Asset Value

During 2001, the Fund repurchased no units for cancellation (2000 – 274,700 units) under its mandatory repurchase program. Under the Fund's mandatory repurchase program, the Fund is obligated to repurchase units offered for sale at a discount to net asset value of greater than 5%. Citadel Diversified's average premium to net asset value during 2001 was 2.8%. At December 31, 2001 Citadel Diversified's net asset value and market price were \$9.51 per unit and \$10.20 per unit respectively, a 7.3% premium to net asset value.

Citadel Diversified Investment Trust Trading Premium (Discount)



Exchange Offer

On March 14, 2002, Citadel Diversified announced an Exchange Offer whereby it offered to issue its units in exchange for units and/or convertible debentures of 65 income funds, royalty trusts, real estate investment trusts and limited partnerships. Upon Closing on April 29, 2002, all units and convertible debentures tendered and not withdrawn were accepted by the Fund, resulting in the issuance of 5,532,651 Citadel units. In order to ensure that the Exchange Offer resulted in an increase in Citadel Diversified's net asset value of not less than \$0.05 per unit, the Administrator and Investment Manager agreed to jointly pay approximately \$2.7 million of the total expenses of the Exchange Offer estimated to be \$2.9 million. As a result, the net effect of the Exchange Offer on Citadel Diversified's net asset value was an increase of \$0.05 per unit.

Term of the Fund

The Board of Directors of CDML have determined to call a meeting of unitholders in the second half of 2002 to consider, and if thought fit, approve the extension of the term of the Fund by an additional five years to December 31, 2012.

Outlook for 2002

With the economy poised to continue its recovery for the balance of this year and interest rates trending upward, the outlook for Citadel Diversified is stable. Based upon the Fund's current portfolio and analysts' estimates of distributions from the portfolio, Citadel Diversified's fiscal 2002 distributions are estimated to be in the \$0.95 – \$1.05 range per unit. Using Citadel Diversified's current market price of \$10.03 per unit as at April 25, 2002, the forecast distributions generate an expected yield of 10%.

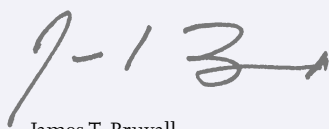
Management's Responsibility Statement

The financial statements of Citadel Diversified Investment Trust have been prepared by Citadel Diversified Management Ltd ("CDML") and approved by the Board of Directors of CDML. CDML is responsible for the information and representations contained in these financial statements and the other sections of the annual report.

CDML maintains appropriate procedures to ensure that relevant and reliable financial information is produced. These statements have been prepared in accordance with accounting principles generally accepted in Canada and include certain amounts that are based on estimates and judgements. The significant accounting policies applicable to the Fund are described in Note 2 to the financial statements.

The Board of Directors of CDML is responsible for ensuring that management fulfills its responsibilities for financial reporting and has reviewed and approved these financial statements. The Board carries out this responsibility through the Audit Committee, which is comprised of the non-executive directors of the Board.

CDML, with the approval of its Board of Directors, has appointed the external audit firm of PricewaterhouseCoopers LLP. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to unitholders their opinion on the financial statements. The auditors have full and unrestricted access to the Audit Committee to discuss their findings.



James T. Bruvall
Chief Executive Officer
Citadel Diversified Management Ltd.



Darren K. Duncan
Chief Financial Officer
Citadel Diversified Management Ltd.

Auditors' Report to Unitholders

To the Unitholders of Citadel Diversified Investment Trust

We have audited the statement of net assets of Citadel Diversified Investment Trust as at December 31, 2001 and 2000, the statement of investments as at December 31, 2001 and the statements of operations and changes in net assets for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of management of the Fund's Administrator. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets of the Fund as at December 31, 2001 and 2000, its investments as at December 31, 2001 and the results of its operations and the changes in its nets assets for the years ended December 31, 2001 and 2000 in accordance with Canadian generally accepted accounting principles.



PricewaterhouseCoopers LLP
Chartered Accountants
Calgary, Alberta
March 26, 2002 (except Note 10, which is as of April 29, 2002)

Citadel Diversified Investment Trust
Statement of Net Assets

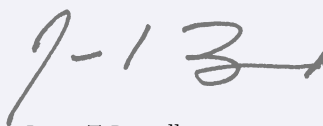
As at December 31,	2001	2000
Assets		
Investments, at market (cost: 2001 – \$101,834,997; 2000 – \$96,292,143)	\$ 114,451,515	\$ 96,641,036
Cash and term deposits	7,968,376	5,871,783
Prepaid expenses (note 4)	1,304,127	1,106,390
Accounts receivable	–	605,774
Distributions receivable	1,212,396	827,137
	<u>124,936,414</u>	<u>105,052,120</u>
Liabilities		
Accounts payable and accrued liabilities (note 4)	49,406	58,886
Distributions payable	964,130	1,092,678
	<u>1,013,536</u>	<u>1,151,564</u>
Net Assets representing Unitholders' Equity	<u>\$ 123,922,878</u>	<u>\$ 103,900,556</u>
Units outstanding (note 3)	<u>13,028,782</u>	<u>12,277,284</u>
Net asset value per unit	<u>\$ 9.51</u>	<u>\$ 8.46</u>

see accompanying notes

Signed on behalf of the Board,



Harold P. Milavsky
 Chairman of the Board



James T. Bruvall
 Director and Chief Executive Officer

Citadel Diversified Investment Trust
Statement of Operations

Year Ended December 31,	2001	2000
Income		
Interest, dividend and other income	\$ 14,751,721	\$ 12,487,253
	14,751,721	12,487,253
Expenses		
Administrative and investment manager fees (note 4)	1,678,782	1,642,410
General and administration costs	438,635	403,587
Interest expense	—	186,956
	2,117,417	2,232,953
Net investment income	12,634,304	10,254,300
Net realized gain on sale of investments (note 5)	2,426,701	2,454,833
Net change in unrealized gain on investments	12,267,625	10,388,019
Total results of operations	\$ 27,328,630	\$ 23,097,152
Results of operations per unit ⁽¹⁾		
Net investment income	\$ 1.02	\$ 0.93
Net realized gain on sale of investments	0.20	0.22
Net change in unrealized gain on investments	0.99	0.94
	\$ 2.21	\$ 2.09

⁽¹⁾ Based on the weighted average number of units outstanding.
see accompanying notes

Statement of Changes in Net Assets

Year Ended December 31,	2001	2000
Net Assets – beginning of year	\$ 103,900,556	\$ 76,212,963
Operations:		
Net investment income	12,634,304	10,254,300
Net realized gain on sale of investments	2,426,701	2,454,833
Net change in unrealized gain on investments	12,267,625	10,388,019
	27,328,630	23,097,152
Unitholder Transactions:		
Proceeds from issuance of trust units, net	6,762,697	18,452,490
Repurchase of units	–	(2,045,864)
	6,762,697	16,406,626
Distributions to Unitholders: (note 6)	(14,069,005)	(11,816,185)
Net Increase in Net Assets	20,022,322	27,687,593
Net Assets – end of year	\$ 123,922,878	\$ 103,900,556
Distributions per unit	\$ 1.135	\$ 1.053

see accompanying notes

Citadel Diversified Investment Trust
Statement of Investments

As at December 31, 2001

Number of Units		Cost	Market	% of Market
Income Funds				
130,000	Algonquin Power Income Fund	\$ 1,244,263	\$ 1,352,000	
604,000	Atlas Cold Storage Income Trust	5,958,957	6,583,600	
150,000	Chemtrade Logistics Income Fund	1,500,000	1,762,500	
270,000	Clean Power Income Fund	2,697,200	2,783,700	
196,000	Connor Brothers Income Fund	1,960,000	2,342,200	
252,000	Energy Savings Income Fund	2,520,000	4,649,400	
400,000	Fort Chicago Energy Partners L.P.	3,353,517	3,700,000	
450,000	Halterm Income Fund	2,762,875	3,933,000	
587,500	Koch Pipelines Canada L.P.	3,347,000	4,024,375	
223,650	NorskeCanada Ltd.	1,065,000	1,520,820	
420,000	North West Company Fund	5,363,218	6,816,600	
330,000	Oceanex Income Fund	3,115,112	3,894,000	
175,000	Pembina Pipeline Income Fund Trust	1,573,250	1,979,250	
205,000	PRT Forest Regeneration	2,023,764	2,275,500	
526,600	Rogers Sugar Income Fund	4,143,702	2,264,380	
364,800	Superior Propane Income Fund	5,266,294	6,179,712	
275,000	Timberwest Forest Corp.	2,261,250	3,575,000	
		50,155,402	59,636,037	48.7%
Oil & Gas Royalty Trusts				
100,000	APF Energy Fund Trust	1,000,000	985,000	
500,000	ARC Energy Trust	4,014,582	6,050,000	
230,000	Enerplus Resource Fund	5,003,380	5,692,500	
342,100	NAL Oil and Gas Trust	2,979,272	3,113,110	
200,000	PrimeWest Energy Trust	1,401,683	1,272,000	
241,400	Shiningbank Energy Income Fund	2,398,075	3,372,358	
550,000	Viking Energy Royalty Trust	3,437,120	3,531,000	
		20,234,112	24,015,968	19.6%
Real Estate Investment Trusts				
400,000	Cdn Hotel Income Property Reit	4,416,878	3,408,000	
300,000	Cominar Reit	2,945,775	3,600,000	
220,000	CPL Long Term Care Reit	3,827,550	3,124,000	
118,000	Firm Capital Mortgage Investment Trust	1,062,000	1,121,000	
250,000	H&R Reit	2,838,709	3,450,000	
200,000	IPC US Income Commercial Reit	2,000,000	2,076,000	
678,800	Morguard Reit	6,447,171	5,566,160	
148,000	Retirement Residences Reit	1,480,000	1,805,600	
375,000	Riocan Reit	3,459,500	4,548,750	
350,000	Royal Host Reit	2,967,900	2,100,000	
		31,445,483	30,799,510	25.2%
	Investments	101,834,997	114,451,515	93.5%
	Cash and Term Deposits	7,968,376	7,968,376	6.5%
	Total	\$ 109,803,373	\$ 122,419,891	100.0%

Notes to Financial Statements

December 31, 2001 and 2000

1. Structure of the Fund

Citadel Diversified Investment Trust (the “Fund” or “Citadel Diversified”) is a closed-end investment trust established under the laws of Ontario pursuant to a Declaration of Trust dated as of July 11, 1997. The Fund commenced operations on September 16, 1997, when it completed an issue of 9,900,000 units at \$10.00 per unit through an initial public offering. The term of the Fund continues until December 31, 2007.

2. Significant Accounting Policies

These financial statements, prepared in accordance with Canadian generally accepted accounting principles, include estimates and assumptions by management that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the period.

(a) Valuation of investments

Investments are stated at market values based on closing market quotations. Average cost is used to compute realized and unrealized gains or losses on investments. Investment transactions are recorded on the trade date.

(b) Canadian income taxes

The Fund qualified as a unit trust within the meaning of the Income Tax Act (Canada). Provided the Fund distributes to its unitholders its net income for tax purposes, the Fund will not generally be liable for income tax under Part 1 of the Income Tax Act (Canada).

(c) Dividend, interest and other income

Dividend income is recorded on the ex-dividend date and interest and other income are recognized as earned.

3. Unitholders' Contribution

Authorized

The authorized capital of the Fund consists of an unlimited number of trust units which are transferable non-redeemable units of beneficial interest.

Issued and issuable	2001		2000	
	Number	Amount	Number	Amount
Trust units – beginning of year	12,277,284	\$ 108,548,147	9,898,291	\$ 92,141,521
Issued for cash:				
Exercise of rights, net	–	–	2,472,848	16,906,265
Private placement, net	561,971	4,924,285	–	–
Issued for services (note 4)	189,527	1,838,412	180,845	1,546,225
Repurchase of units	–	–	(274,700)	(2,045,864)
Trust units – end of year	13,028,782	\$ 115,310,844	12,277,284	\$ 108,548,147

On June 30, 2000, Citadel Diversified completed a fully subscribed rights offering. Under the terms of the rights offering a total of 2,472,848 trust units were issued at an exercise price of \$7.00 per unit, resulting in net proceeds of \$16.9 million.

The Fund has a mandatory repurchase program whereby units offered for sale at a discount to the Fund's net asset value per unit of greater than 5% are repurchased for cancellation. This program is subject to a maximum of 1.25% of the total number of units outstanding at the beginning of each calendar quarter. During 2001, no units were repurchased (2000 – 274,700 trust units) under the program.

4. Administrative and Investment Manager Fees

Citadel Diversified Management Ltd. ("CDML") is the administrator of the Fund. Pursuant to the administrative services agreement, the administration and investment management fees are based upon 1.5% of the average weekly net asset value of the Fund, payable in units and subject to annual adjustment. In 2001, an additional 183,085 units (2000 – 173,536 units) were issued to CDML in respect of twelve months of services ending September 16, 2002. During 2001, the Fund recorded an expense of \$1,678,782 (2000 – \$1,642,410) in respect of the units earned during the year. The amounts issued to CDML in 2001 and 2000 are included in units issued for services as shown in note 3. Directors of CDML received a total of 6,442 units in 2001 (2000 – 7,309 units) as payment for their annual retainers. As at December 31, 2001 included in accounts payable were amounts owed to CDML of \$49,406 (2000 – \$58,886).

5. Investments

The net realized gain on the sale of investments was determined as follows:

	2001	2000
Proceeds from the sale of securities	\$ 23,799,325	\$ 23,663,759
Less cost of securities sold:		
Investments at cost – beginning of year	96,292,143	88,951,616
Investments purchased during year	26,915,478	28,549,453
Investments at cost – end of year	(101,834,997)	(96,292,143)
Cost of investments disposed of during year	21,372,624	21,208,926
Net realized gain on sale of investments	\$ 2,426,701	\$ 2,454,833

6. Cash Distributions

The Fund distributes monthly cash distributions equal to the cash distributions received by the Fund less estimated expenses.

	2001	2000
Net investment income for the year	\$ 12,634,304	\$ 10,254,300
Addback: fees paid by issuance of units	1,741,273	1,704,903
Less: cash not distributed in year	306,572	143,018
Cash distributions	\$ 14,069,005	\$ 11,816,185
Cash distributions per unit	\$ 1.135	\$ 1.053

7. Loan Payable

The Fund maintains a revolving credit facility with a Canadian chartered bank for up to a maximum amount of \$15,000,000 of which no amount was drawn as at December 31, 2001 (2000 – nil). Borrowings are collateralized by a demand debenture in the amount of \$55,000,000 which provides a first floating charge over the Fund's assets. The credit facility bears interest at the bank's prime lending rate or at rates slightly below prime if incurred by way of bankers' acceptances. The credit facility is a revolving facility that will revolve until July 31, 2002 and for a further 364 days at the option of the bank.

8. Income Taxes

As all taxable income was allocated to the unitholders in 2001 and 2000, no provision for income taxes has been made in these financial statements.

9. Financial Instruments

The fair values of the Fund's financial instruments which are comprised of cash and term deposits, accounts receivable, distributions receivable, accounts payable and accrued liabilities and distributions payable approximate their carrying amount due to the short-term maturity of these instruments.

10. Subsequent Event

On March 14, 2002 the Fund filed a preliminary short form prospectus for a treasury offering of its units for a minimum of \$10,000,000 (970,140 units) and maximum of \$100,000,000 (9,701,400 units). Citadel Diversified offered to issue its units in exchange for units and certain convertible debentures of 65 income funds, royalty trusts, real estate investment trusts and limited partnerships. The exchange ratio was determined by dividing the weighted average trading price of each issuer by the weighted average trading price of Citadel units for the 20 day period ending April 15, 2002. Upon Closing on April 29, 2002, all units and convertible debentures tendered and not withdrawn were accepted by the Fund, resulting in the issuance of 5,532,651 Citadel units.

Citadel S-1 Income Trust Fund

Citadel S-1 Income Trust Fund (the "Fund" or "Citadel S-1") is a closed-end investment trust which became listed on October 6, 2000 on The Toronto Stock Exchange under the symbol "SDL.un". The Fund has life of approximately 10 years with a termination date of December 31, 2010 or such earlier or later date as the unitholders may determine in accordance with the provisions of the Fund's Declaration of Trust. Citadel S-1's investment objectives are to provide its unitholders with a high level of monthly distributions while maintaining an S-1 stability rating (now SR-1) and to maximize the net asset value of the Fund over its life. In order to achieve these objectives, the Fund's investment manager, Bloom Investment Counsel, Inc., actively manages a diversified portfolio of Canadian income funds, Canadian and U.S. high yielding investment grade debt and income yielding equity securities.

Pursuant to the Fund's distribution policy, Citadel S-1 pays monthly cash distributions targeted at \$0.208 per trust unit. The Fund paid total monthly distributions during 2001 of \$2.538 per unit, which were 46.9% tax deferred. This represents a total return to unitholders (unit price appreciation plus distribution reinvestment) of 21.4% for 2001.

Investment Highlights

	2001				2000
	Q4	Q3	Q2	Q1	Q4
Net Asset Value per Unit ⁽¹⁾	\$ 26.28	\$ 24.94	\$ 25.28	\$ 24.84	\$ 24.32
Market Price per Unit ⁽¹⁾	\$ 29.00	\$ 27.00	\$ 27.00	\$ 24.05	\$ 26.25
Trading Premium / (Discount)	10.4%	8.3%	6.8%	(3.2%)	7.9%
Quarterly Distributions per Unit ⁽²⁾	\$ 0.624	\$ 0.624	\$ 0.666	\$ 0.624	\$ 0.208
Trailing Yield	8.8%	n/a	n/a	n/a	n/a
Market Capitalization (\$ millions)	\$ 60.7	\$ 55.7	\$ 55.7	\$ 49.6	\$ 54.2

⁽¹⁾ Net asset value and market price per unit are based on quarter end values.

⁽²⁾ Only one distribution paid during the quarter ended Dec. 31, 2000.

Stock Symbol:	SDL.un (TSE)
2001 High / Low:	\$29.00 - \$24.05
2001 Tax Distributions:	\$2.538
2001 Tax-Deferred %:	46.9%
2001 Total Return:	21.4%

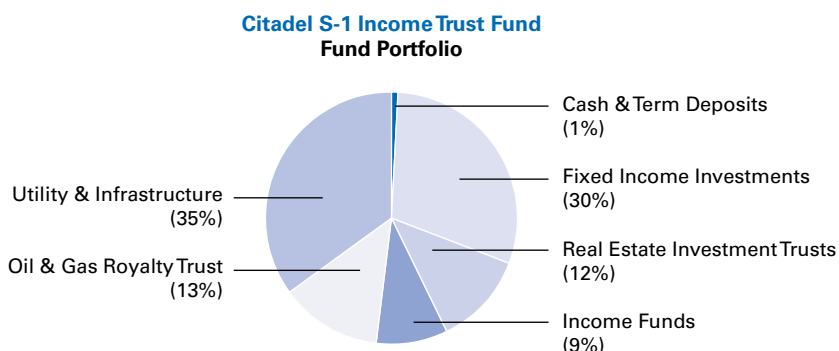
Management's Discussion & Analysis

Financial Results

Citadel S-1's total income for 2001 was \$5.6 million compared to \$1.3 million generated during the stub period of October 6, 2000 to December 31, 2000. Total expenses increased from \$0.2 million in 2000 to \$0.9 million in 2001 as result of a full year's operation. Net investment income and net investment income per unit also improved significantly from \$1.1 million and \$0.54 per unit in 2000 to \$4.6 million and \$2.23 per unit in 2001 respectively. During 2001, the Fund paid total distributions of \$5.3 million or \$2.538 per unit compared to only one distribution of \$0.208 per unit in 2000.

Strong demand for income products and a low interest rate environment produced strong valuations in the overall income trust sector during 2001. These factors helped propel the Fund's net asset value per unit and market price from \$24.32 and \$26.25 at December 31, 2000 to \$26.28 and \$29.00 at December 31, 2001, respectively. Total unitholder return (inclusive of distribution reinvestment) for 2001 was 21.4%.

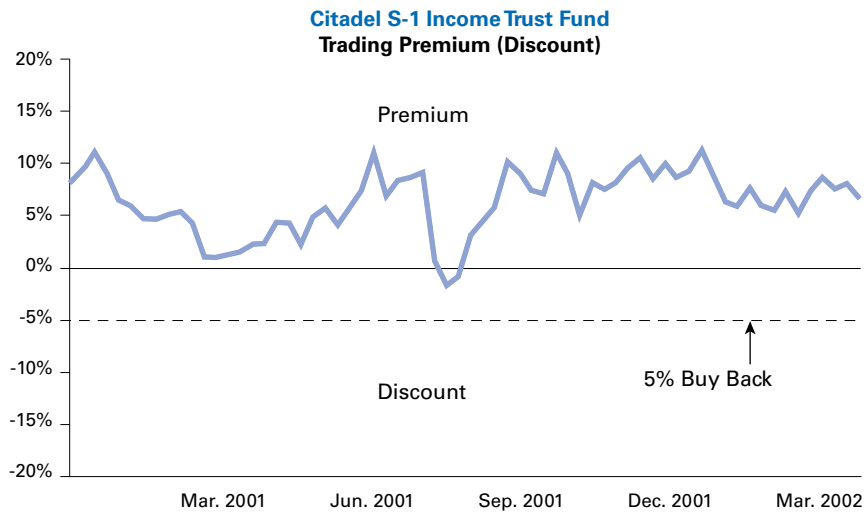
As at December 31, 2001, the Fund's portfolio based on market values is shown in the chart below.



Trading Premium / Discount to Net Asset Value

Since inception, Citadel S-1's market price has consistently traded above its initial offering price of \$25.00 per unit and its net asset value per unit as can be seen in the following chart. As a result, the Fund has repurchased no units for cancellation in 2001 or 2000 under the Fund's mandatory repurchase program. Under this program, Citadel S-1 is obligated to repurchase units offered for sale at a discount to net asset value of greater than 5%.

At December 31, 2001, Citadel S-1's net asset value per unit and market price were \$26.28 and \$29.00 respectively, a 10.4% premium to net asset value (2000 – 7.9%). The Fund maintained an average premium to net asset value of 6.1% during 2001.



Stability Rating

Standard & Poor's provides a rating scale to assist investors in understanding the risk profile of an investment in an income fund. Standard & Poor's Stability Ratings characterize the stability of the cash distribution stream of an income fund in terms of variability and sustainability in the medium to longer term. The rating continuum ranges from SR-1 at the highest to SR-7 at the lowest.

Prior to establishing the Fund, CSML retained and worked with Standard & Poor's to establish investment guidelines which, if met, would result in the Fund achieving and maintaining a SR-1 stability rating (previously S-1) over the life of the Fund. The Fund continued to maintain its SR-1 stability rating throughout 2001 and expects to again maintain the rating in 2002.

Outlook for 2002

The exceptional results of 2001 will be difficult to repeat, however with a recovering economy and low interest rates, Citadel S-1 should achieve its targeted return for its unitholders. Based upon the Fund's current portfolio and analysts' estimates of distributions from the portfolio, Citadel S-1's fiscal 2002 distributions are estimated to be \$2.50 per unit with approximately 50% of those distributions being tax deferred.

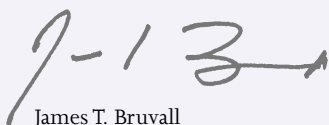
Management's Responsibility Statement

The financial statements of Citadel S-1 Income Trust Fund have been prepared by Citadel S1 Management Ltd ("CSML") and approved by the Board of Directors of CSML. CSML is responsible for the information and representations contained in these financial statements and the other sections of the annual report.

CSML maintains appropriate procedures to ensure that relevant and reliable financial information is produced. These statements have been prepared in accordance with accounting principles generally accepted in Canada and include certain amounts that are based on estimates and judgements. The significant accounting policies applicable to the Fund are described in Note 2 to the financial statements.

The Board of Directors of CSML is responsible for ensuring that management fulfills its responsibilities for financial reporting and has reviewed and approved these financial statements. The Board carries out this responsibility through the Audit Committee, which is comprised of the non-executive directors of the Board.

CSML, with the approval of its Board of Directors, has appointed the external audit firm of PricewaterhouseCoopers LLP. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to unitholders their opinion on the financial statements. The auditors have full and unrestricted access to the Audit Committee to discuss their findings.



James T. Bruvall
Chief Executive Officer
Citadel S1 Management Ltd.



Darren K. Duncan
Chief Financial Officer
Citadel S1 Management Ltd.

Auditors' Report to Unitholders

To the Unitholders of Citadel S-1 Income Trust Fund

We have audited the statements of net assets of Citadel S-1 Income Trust Fund as at December 31, 2001 and 2000, the statement of investments as at December 31, 2001 and the statements of operations and changes in net assets for the year ended December 31, 2001 and the period from August 11, 2000, the date of the inception of the Fund, to December 31, 2000. These financial statements are the responsibility of management of the Fund's Administrator. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets of the Fund as at December 31, 2001 and 2000, its investments as at December 31, 2001 and the results of its operations and the changes in its net assets for the year then ended and the period from August 11, 2000, the date of the inception of the Fund, to December 31, 2000 in accordance with Canadian generally accepted accounting principles.



PricewaterhouseCoopers LLP
Chartered Accountants
Calgary, Alberta
March 26, 2002

Citadel S-1 Income Trust Fund
Statement of Net Assets

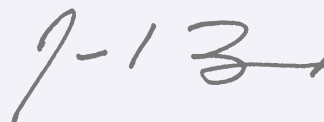
As at December 31,	2001	2000
Assets		
Investments, at market (cost: 2001 – \$47,965,358; 2000 – \$39,963,127)	\$ 53,761,572	\$ 41,396,605
Cash and term deposits	621,912	8,112,158
Prepaid expenses (note 4)	577,450	480,469
Distributions receivable	516,951	684,575
	55,477,885	50,673,807
Liabilities		
Accounts payable and accrued liabilities (note 4)	30,079	85,475
Distributions payable	435,450	429,080
	465,529	514,555
Net Assets representing Unitholders' Equity	\$ 55,012,356	\$ 50,159,252
Units outstanding (note 3)	2,093,510	2,062,885
Net asset value per unit	\$ 26.28	\$ 24.32

see accompanying notes

Signed on behalf of the Board,



Harold P. Milavsky
 Chairman of the Board



James T. Bruvall
 Director and Chief Executive Officer

Citadel S-1 Income Trust Fund
Statement of Operations

	Year Ended Dec. 31, 2001	For the Period Aug. 11, 2000 to Dec. 31, 2000
Income		
Interest, dividend and other income	\$ 5,550,780	\$ 1,329,591
	5,550,780	1,329,591
Expenses		
Administrative and investment manager fees (note 4)	653,175	154,648
General and administration costs	271,972	86,823
	925,147	241,471
Net investment income	4,625,633	1,088,120
Net realized gain on sale of investments (note 5)	321,923	–
Net change in unrealized gain on investments	4,362,736	1,433,478
Total results of operations	\$ 9,310,292	\$ 2,521,598
Results of operations per unit ⁽¹⁾		
Net investment income	\$ 2.23	\$ 0.54
Net realized gain on sale of investments	0.16	–
Net change in unrealized gain on investments	2.11	0.71
	\$ 4.50	\$ 1.25

⁽¹⁾ Based on the weighted average number of units outstanding.
see accompanying notes

Statement of Changes in Net Assets

	Year Ended Dec. 31, 2001	For the Period Aug. 11, 2000 to Dec. 31, 2000
Net Assets – beginning of period	\$ 50,159,252	\$ –
Operations:		
Net investment income	4,625,633	1,088,120
Net realized gain on sale of investments	321,923	–
Net change in unrealized gain on investments	4,362,736	1,433,478
	9,310,292	2,521,598
Unitholder Transactions:		
Proceeds from issuance of trust units, net	797,524	48,066,734
Distributions to Unitholders: (note 6)	(5,254,712)	(429,080)
Net increase in Net Assets	4,853,104	50,159,252
Net Assets – end of period	\$ 55,012,356	\$ 50,159,252
Distributions per unit	\$ 2.538	\$ 0.208

see accompanying notes

Statement of Investments

As at December 31, 2001

Number of Units		Cost	Market	% of Market
Fixed Income Investments				
19,900	Alberta Energy Co. Ltd. 8.50%	\$ 500,306	\$ 526,952	
22,600	Branscan Corporation 8.35%	565,000	557,090	
41,000	Enbridge Inc. 7.60%	1,000,400	1,045,500	
180,000	Magna Int'l Inc. Series A 8.65%	4,489,750	4,752,000	
147,200	Shaw Communications 8.875%	3,590,035	3,643,200	
30,000	Suncor Energy Inc. 9.05%	791,400	829,500	
145,000	Transalta Corporation 8.15%	3,620,250	3,900,500	
48,000	Transalta Corporation 7.75%	1,200,000	1,200,000	
		15,757,141	16,454,742	30.3%
Oil & Gas Royalty Trusts				
290,000	ARC Energy Trust	3,362,494	3,509,000	
100,340	Enerplus Resources Fund	2,575,450	2,483,415	
40,000	Pengrowth Energy Trust	758,626	568,800	
45,000	Shiningbank Energy Income Fund	623,250	628,650	
		7,319,820	7,189,865	13.2%
Real Estate Investment Trusts				
160,000	Cdn Hotel Income Property Reit	1,479,496	1,363,200	
80,000	Firm Capital Mortgage Investment Trust	720,911	760,000	
340,000	Riocan Reit	3,049,693	4,124,200	
		5,250,100	6,247,400	11.5%
Income Funds				
80,000	NorthWest Company Fund	793,474	1,298,400	
126,900	Rogers Sugar Income Fund	620,146	545,670	
175,000	Superior Propane Income Fund	2,508,913	2,964,500	
		3,922,533	4,808,570	8.8%
Utility & Infrastructure				
50,000	Algonquin	496,250	520,000	
150,000	Clean Power Income Fund	1,498,800	1,546,500	
115,000	Fort Chicago Energy Partners L.P.	1,014,250	1,063,750	
175,900	KMS Power Income Fund	1,404,910	1,415,995	
310,000	Koch Pipelines Canada L.P.	1,690,525	2,123,500	
300,000	Northland Power Income Fund	2,543,140	3,480,000	
300,000	Pembina Pipelines Income Fund	2,340,000	3,393,000	
120,000	Transalta Power L.P.	815,236	1,104,000	
107,000	TransCanada Power L.P.	3,199,074	3,397,250	
180,000	Westshore Terminals Fund	713,579	1,017,000	
		15,715,764	19,060,995	35.1%
	Investments	47,965,358	53,761,572	98.9%
	Cash and Term Deposits	621,912	621,912	1.1%
	Total	\$ 48,587,270	\$ 54,383,484	100.0%

Citadel S-1 Income Trust Fund
Notes to Financial Statements

December 31, 2001 and December 31, 2000

1. Structure of the Fund

Citadel S-1 Income Trust Fund (the "Fund" or "Citadel S-1") is a closed-end investment trust established under the laws of Alberta pursuant to a Declaration of Trust dated as of August 11, 2000. The Fund commenced operations on October 6, 2000, when it completed an issue of 1,850,000 units at \$25.00 per unit through an initial public offering. The term of the Fund continues until December 31, 2010.

2. Significant Accounting Policies

These financial statements, prepared in accordance with Canadian generally accepted accounting principles, include estimates and assumptions by management that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the period.

(a) *Valuation of investments*

Investments are stated at market values based on closing market quotations. Average cost is used to compute realized and unrealized gains or losses on investments. Investment transactions are recorded on the trade date.

(b) *Canadian income taxes*

The Fund qualified as a unit trust within the meaning of the Income Tax Act (Canada). Provided the Fund distributes to its unitholders its net income for tax purposes, the Fund will not generally be liable for income tax under Part 1 of the Income Tax Act (Canada).

(c) *Dividend, interest and other income*

Dividend income is recorded on the ex-dividend date and interest and other income are recognized as earned.

3. Unitholders' Contribution

Through the Fund's initial public offering, trust units were issued on October 6, 2000 at a price of \$25.00 per unit.

Authorized

The authorized capital of the Fund consists of an unlimited number of trust units which are transferable non-redeemable units of beneficial interest.

<i>Issued and issuable</i>	2001		2000	
	Number	Amount	Number	Amount
Trust units – beginning of year	2,062,885	\$ 48,066,734	–	\$ –
Issued for cash:				
Initial public offering	–	–	1,850,000	46,250,000
Over-allotment provision	–	–	187,260	4,681,500
Issued for services (note 4)	30,625	769,934	25,625	640,625
Agents' fees and issue costs		27,590		(3,505,391)
Trust units – end of year	2,093,510	\$ 48,864,258	2,062,885	\$ 48,066,734

The Fund has a mandatory repurchase program whereby units offered for sale at a discount to the Fund's net asset value per unit of greater than 5% are repurchased for cancellation, subject to a maximum of 1.25% of the total number of units outstanding at the beginning of each calendar quarter. Citadel S-1 repurchased no trust units under this repurchase program during 2001 or 2000.

4. Administrative and Investment Manager Fees

Citadel S1 Management Ltd. ("CSML") is the administrator of the Fund. Bloom Investment Counsel, Inc. is the investment manager of the Fund. Pursuant to the administrative services and investment management agreements, aggregate administration and investment management fees are based upon 1.25% of the average weekly net asset value of the Fund, payable in units and subject to annual adjustment. In October 2001, CSML and Bloom Investment Counsel, Inc. were issued 15,563 units (2000 – 12,719) and 12,733 units (2000 – 10,406) respectively for the next twelve months of services. Directors of CSML received a total of 2,329 units in 2001 (2000 – 2,500 units) as payment for their annual retainers. During 2001, the Fund recorded an expense of \$653,175 (2000 – \$154,648) in respect of the units earned during the year. As at December 31, 2001 included in accounts payable were amounts owed to CSML of \$30,079 (2000 – \$85,475).

5. Investments

The net realized gain on the sale of investments was determined as follows:

	2001	2000
Proceeds from the sale of securities	\$ 4,957,371	\$ –
Less cost of securities sold:		
Investments at cost – beginning of year	39,963,127	–
Investments purchased during year	12,637,679	–
Investments at cost – end of year	(47,965,358)	–
Cost of investments disposed of during year	4,635,448	–
Net realized gain on sale of investments	\$ 321,923	\$ –

6. Cash Distributions

The Fund pays out monthly cash distributions targeted at \$0.208 per unit based upon cash distributions received by the Fund less estimated expenses.

	2001	2000
Net investment income for the year	\$ 4,625,633	\$ 1,088,120
Addback: fees paid by issuance of units	715,683	170,273
Less: cash not distributed in period	86,604	829,313
Cash distributions	\$ 5,254,712	\$ 429,080
Cash distributions per unit	\$ 2.538	\$ 0.208

7. Income Taxes

As all taxable income was allocated to the unitholders in 2001 and 2000, no provision for income taxes has been made in these financial statements.

8. Financial Instruments

The fair values of the Fund's financial instruments which are comprised of cash and term deposits, distributions receivable, accounts payable and accrued liabilities and distributions payable approximate their carrying amount due to the short-term maturity of these instruments.

Citadel HYTES Fund

Citadel HYTES Fund (the “Fund” or “Citadel HYTES”) is a closed-end investment trust which became listed on The Toronto Stock Exchange upon closing of its initial public offering on April 11, 2001. The Fund has a life of approximately 5 years with a termination date of December 31, 2006, or such earlier or later date as the unitholders may determine in accordance with the provisions of the Fund’s Declaration of Trust.

Citadel HYTES’ investment objectives are to provide its unitholders with stable, sustainable and predominantly tax-deferred distributions and to return the invested capital at the end of the Fund’s life. In order to achieve these objectives, the Fund’s investment manager, Bloom Investment Counsel, Inc., actively manages a diversified portfolio of oil & gas royalty trusts, real estate investment trusts, income funds, limited partnerships, Canadian high yielding investment grade debt and income yielding equity securities.

Pursuant to the Fund’s distribution policy, Citadel HYTES pays monthly cash distributions targeted at \$0.26 per trust unit, representing an annualized yield of 12.5% based upon its initial issue price of \$25.00 per unit. During 2001, the Fund paid total monthly distributions of \$1.82 per unit, which were 67.1% tax deferred. This represents a total unitholder return (unit price appreciation plus distribution reinvestment) of 14.8% over less than a nine month period.

Investment Highlights

	2001		
	Q4	Q3	Q2
Net Asset Value per Unit ⁽¹⁾	\$ 24.65	\$ 22.66	\$ 23.83
Market Price per Unit ⁽¹⁾	\$ 27.00	\$ 24.00	\$ 25.20
Trading Premium	9.5%	5.9%	5.7%
Quarterly Distributions per Unit ⁽²⁾	\$ 0.78	\$ 0.78	\$ 0.26
Market Capitalization (\$ millions)	\$ 149.0	\$ 132.1	\$ 138.3

⁽¹⁾ Net asset value and market price per unit are based on quarter end values.

⁽²⁾ Only one monthly distribution paid during the quarter ended June 30, 2001.

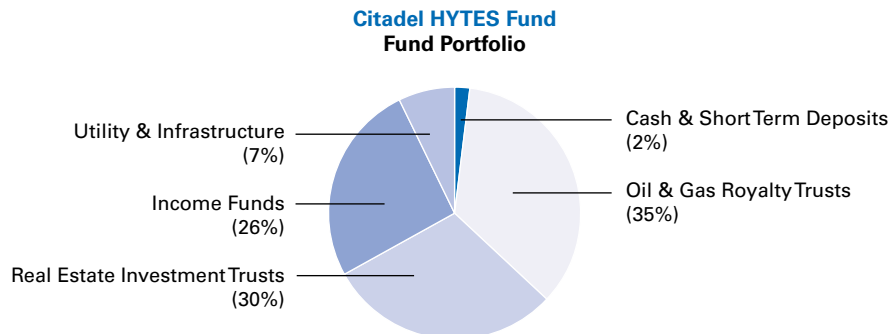
Stock Symbol:	CHF.un (TSE)
2001 High / Low:	\$27.00 - \$22.76
2001 Tax Distributions:	\$1.82
2001 Tax-Deferred %:	67.1%
2001 Total Return:	14.8%

Management's Discussion & Analysis

Financial Results

Upon closing of Citadel HYTES's initial public offering on April 11, 2001 and the exercise of an over-allotment option on May 8, 2001, net proceeds after agents' fees and issue costs of \$128.9 million were available for investment. The funds were selectively deployed into a diversified portfolio of oil & gas royalty trusts, real estate investment trusts, income funds and limited partnerships, in accordance with the investment guidelines of the Fund.

By November 2001, Citadel HYTES had deployed all of its initial net proceeds and commenced borrowing pursuant to its term facility in accordance with the Fund's investment strategy of maintaining leverage of 10% of its total assets. By November 2001, Citadel HYTES had drawn \$13.5 million under its term facility and a further \$3.7 million in February 2002 under its operating facility in order to enhance its yield to unitholders. The chart below reflects the Fund's portfolio based on market values as at year end.

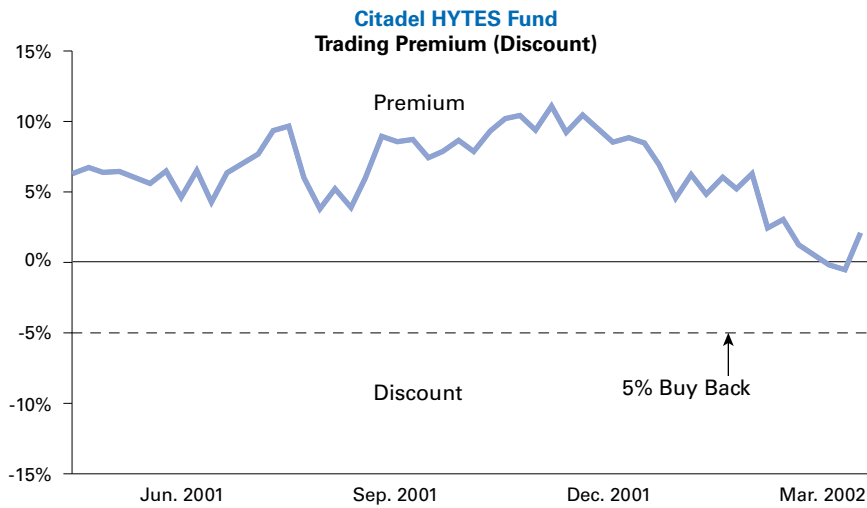


Citadel HYTES's total income for the stub period of April 11, 2001 to December 31, 2001 was \$11.6 million, which after deducting total expenses of \$1.8 million, resulted in net investment income of \$9.8 million. During 2001, the Fund paid seven monthly distributions of \$0.26 per unit each or \$1.82 per unit for a total of \$10.0 million. Strong demand in the income trust sector generated buoyant market prices, increasing the Fund's net asset value per unit from \$23.55 at inception to \$24.65 at December 31, 2001.

Trading Premium / Discount to Net Asset Value

Citadel HYTES's market price has consistently traded above its net asset value and as a result, the Fund has repurchased no units for cancellation under the mandatory repurchase program in 2001. Under the mandatory repurchase program, Citadel HYTES is obligated to repurchase units offered for sale at a discount to net asset value of greater than 5%.

At December 31, 2001 Citadel HYTES's net asset value per unit and market price were \$24.65 and \$27.00 respectively, representing a 9.5% premium to net asset value. This performance is illustrated in the following chart.



Outlook for 2002

Despite an expectation of lower distributions from the Fund's royalty trust holdings in 2002 compared to 2001, the Fund remains confident that it can continue to meet its investment objectives in 2002. The economic recovery, improved oil and gas prices and low interest rates should enable the Fund to continue to meet its targeted monthly distributions of \$0.26 per unit. Based upon the Fund's current portfolio, the expected capital gains to be realized from the portfolio and analysts' estimates of distributions from the portfolio, Citadel HYTES's fiscal 2002 distributions are estimated to be \$3.12 per unit with approximately 65% of those distributions being tax deferred.

Management's Responsibility Statement

The financial statements of Citadel HYTES Fund have been prepared by Citadel TEF Management Ltd ("CTEF") and approved by the Board of Directors of CTEF. CTEF is responsible for the information and representations contained in these financial statements and the other sections of the annual report.

CTEF maintains appropriate procedures to ensure that relevant and reliable financial information is produced. These statements have been prepared in accordance with accounting principles generally accepted in Canada and include certain amounts that are based on estimates and judgements. The significant accounting policies applicable to the Fund are described in Note 2 to the financial statements.

The Board of Directors of CTEF is responsible for ensuring that management fulfills its responsibilities for financial reporting and has reviewed and approved these financial statements. The Board carries out this responsibility through the Audit Committee, which is comprised of the non-executive directors of the Board.

CTEF, with the approval of its Board of Directors, has appointed the external audit firm of PricewaterhouseCoopers LLP. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to unitholders their opinion on the financial statements. The auditors have full and unrestricted access to the Audit Committee to discuss their findings.



James T. Bruvall
Chief Executive Officer
Citadel TEF Management Ltd.



Darren K. Duncan
Chief Financial Officer
Citadel TEF Management Ltd.

Auditors' Report to Unitholders

To the Unitholders of Citadel HYTES Fund

We have audited the statements of net assets and investments of Citadel HYTES Fund as at December 31, 2001, and the statements of operations and changes in net assets for the period February 27, 2001, the date of the inception of the Fund, to December 31, 2001. These financial statements are the responsibility of management of the Fund's Administrator. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets and investments of the Fund as at December 31, 2001 and the results of its operations and the changes in its net assets for the period February 27, 2001, the date of the inception of the Fund, to December 31, 2001 in accordance with Canadian generally accepted accounting principles.



PricewaterhouseCoopers LLP
Chartered Accountants
Calgary, Alberta
March 26, 2002

Citadel HYTES Fund
Statement of Net Assets

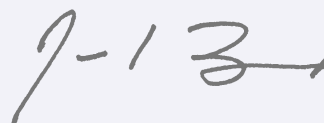
As at December 31,	2001
Assets	
Investments, at market (cost: 2001 – \$140,867,631)	\$ 146,912,260
Cash and term deposits	2,151,038
Prepaid expenses	340,400
Distributions receivable	1,705,322
	<u>151,109,020</u>
Liabilities	
Accounts payable and accrued liabilities (note 4)	170,679
Distributions payable	1,434,598
Loan payable (note 7)	13,500,000
	<u>15,105,277</u>
Net Assets representing Unitholders' Equity	\$ 136,003,743
Units outstanding (note 3)	5,517,684
Net asset value per unit	\$ 24.65

see accompanying notes

Signed on behalf of the Board,



Harold P. Milavsky
 Chairman of the Board



James T. Bruvall
 Director and Chief Executive Officer

Statement of Operations

	For the Period February 27, 2001 to December 31, 2001
Income	
Interest, dividend and other income	\$ 11,657,727
	11,657,727
Expenses	
Administrative and investment manager fees (note 4)	1,136,420
Trailer fee (note 5)	385,187
General and administration costs	251,288
Loan interest	64,955
	1,837,850
Net investment income	9,819,877
Net realized gain on sale of investments	134,714
Net change in unrealized gain on investments	6,044,629
Total results of operations	\$ 15,999,220
Results of operations per unit ⁽¹⁾	
Net investment income	\$ 1.80
Net realized gain on sale of investments	0.02
Net change in unrealized gain on investments	1.11
	\$ 2.93

⁽¹⁾ Based on the weighted average number of units outstanding.

see accompanying notes

Statement of Changes in Net Assets

	For the Period February 27, 2001 to December 31, 2001
Net Assets – beginning of period	\$ –
Operations:	
Net investment income	9,819,877
Net realized gain on sale of investments	134,714
Net change in unrealized gain on investments	6,044,629
	15,999,220
Unitholder Transactions:	
Proceeds from issuance of trust units, net	130,019,165
Distributions to Unitholders: (note 6)	(10,014,642)
Net Assets – end of period	\$ 136,003,743
Distributions per unit	\$ 1.82

see accompanying notes

Statement of Investments

As at December 31, 2001

Number of Units		Cost	Market	% of Market
Real Estate Investment Trusts				
425,000	Cdn Hotel Income Property Reit	\$ 3,728,970	\$ 3,621,000	
110,000	Cominar Reit	1,127,500	1,320,000	
150,000	CPL Long Term Care Reit	2,140,305	2,130,000	
325,000	H & R Reit	3,993,817	4,485,000	
200,000	Legacy Hotels Reit	1,720,000	1,690,000	
542,500	Morguard Reit	4,557,415	4,448,500	
450,000	O & Y Reit	4,500,000	4,882,500	
1,185,000	Riocan Reit	11,843,108	14,374,050	
400,000	Royal Host Reit	2,419,310	2,400,000	
300,000	Summit Reit	4,020,000	4,530,000	
		40,050,425	43,881,050	29.4%
Oil & Gas Royalty Trusts				
200,000	Advantage Energy Income Fund	1,545,070	1,624,000	
200,000	APF Energy Fund Trust	2,300,000	1,970,000	
1,000,000	ARC Energy Trust	12,303,828	12,100,000	
400,000	Enerplus Resource Fund	10,776,868	9,900,000	
200,000	Freehold Royalty Trust	1,911,152	1,840,000	
250,000	NAL Oil & Gas Trust	2,250,000	2,275,000	
390,000	Pengrowth Energy Trust	7,805,525	5,545,800	
1,050,000	PrimeWest Energy Trust	8,936,272	6,678,000	
300,000	Shiningbank Energy Income Fund	4,657,314	4,191,000	
1,020,000	Viking Energy Royalty Trust	6,273,450	6,423,600	
		58,759,479	52,547,400	35.3%
Income Funds				
550,000	Atlas Cold Storage Income Trust	5,003,898	5,995,000	
270,000	Chemtrade Logistics Income Fund	2,700,000	3,172,500	
235,000	Connor Brothers Income Fund	2,350,000	2,808,250	
200,000	Davis & Henderson Income Fund	2,000,000	2,128,000	
405,000	Energy Savings Income Fund	4,050,000	7,472,250	
392,800	Halterm Income Fund	3,417,006	3,433,072	
686,800	Superior Propane Income Fund	10,340,558	11,634,392	
487,600	Westshore Terminals Income Fund	2,456,802	2,754,940	
		32,318,264	39,398,404	26.4%
Utility & Infrastructure				
194,300	Algonquin Power Income Fund	1,957,970	2,020,720	
313,000	Fort Chicago Energy Partners L.P.	2,708,353	2,895,250	
135,200	Koch Pipelines Canada L.P.	848,668	926,120	
463,600	Pembina Pipelines Income Fund	4,224,472	5,243,316	
		9,739,463	11,085,406	7.4%
	Investments	140,867,631	146,912,260	98.5%
	Cash and Term Deposits	2,151,038	2,151,038	1.5%
	Total	\$ 143,018,669	\$ 149,063,298	100.0%

Notes to Financial Statements

December 31, 2001

1. Structure of the Fund

Citadel HYTES Fund (the "Fund" or "Citadel HYTES") is a closed-end investment trust established under the laws of Alberta pursuant to a Declaration of Trust dated as of February 27, 2001. The Fund commenced operations on April 11, 2001, when it completed an issue of 5,000,000 units at \$25.00 per unit through an initial public offering. The term of the Fund continues until December 31, 2006.

2. Significant Accounting Policies

These financial statements, prepared in accordance with Canadian generally accepted accounting principles, include estimates and assumptions by management that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the period.

(a) Valuation of investments

Investments are stated at market values based on closing market quotations. Average cost is used to compute realized and unrealized gains or losses on investments. Investment transactions are recorded on the trade date.

(b) Canadian income taxes

The Fund qualified as a unit trust within the meaning of the Income Tax Act (Canada). Provided the Fund distributes to its unitholders its net income for tax purposes, the Fund will not generally be liable for income tax under Part 1 of the Income Tax Act (Canada).

(c) Dividend, interest and other income

Dividend income is recorded on the ex-dividend date and interest and other income are recognized as earned.

3. Unitholders' Contribution

Through the Fund's initial public offering, trust units were issued on April 11, 2001 at a price of \$25.00 per unit.

Authorized

The authorized capital of the Fund consists of an unlimited number of trust units which are transferable non-redeemable units of beneficial interest.

Issued and issuable -	2001	
	Number	Amount
Trust units – beginning of period	–	\$ –
Issued for cash:		
Initial public offering	5,000,000	125,000,000
Over-allotment provision	472,701	11,817,525
Issued for services (note 4):	44,983	1,124,575
Agents' fees and issue costs		(7,922,935)
Trust units – end of period	5,517,684	\$ 130,019,165

The Fund has a mandatory repurchase program whereby units offered for sale at a discount to the Fund's net asset value per unit of greater than 5% are repurchased for cancellation, subject to a maximum of 1.25% of the total number of units outstanding at the beginning of each calendar quarter. During 2001, Citadel HYTES repurchased no trust units under this program.

4. Administrative and Investment Manager Fees

Citadel TEF Management Ltd. (“CTEF”) is the administrator of the Fund. Bloom Investment Counsel, Inc. is the investment manager of the Fund. Pursuant to the administrative services and investment management agreements, aggregate administration and investment management fees are based upon 1.1% of the aggregate of the average weekly net asset value of the Fund and the amount outstanding under the Fund’s term facility, payable in units monthly in arrears. Directors of CTEF received a total of 2,500 units in 2001 as payment for their annual retainers. During 2001, the Fund recorded an expense of \$1,136,420 in respect of the administration and investment management fees during the period. As at December 31, 2001 included in accounts payable were amounts owed to CTEF of \$23,773.

5. Trailer Fee

Citadel HYTES pays a trailer fee to investment dealers calculated and payable quarterly in arrears at an annual rate of 0.40% of the net asset value of the Fund held by unitholders in accounts with investment dealers. During 2001, the Fund recorded an expense of \$385,187 relating to the trailer fee.

6. Cash Distributions

The Fund pays out targeted monthly cash distributions of \$0.26 per unit based upon cash distributions received by the Fund less estimated expenses.

	2001
Net investment income for the period	\$ 9,819,877
Addback: fees paid by issuance of units	1,183,295
Less: cash not distributed in period	988,530
Cash distributions	\$ 10,014,642
Cash distributions per unit	\$ 1.82

7. Loan Payable

The Fund maintains a credit facility with a Canadian chartered bank for up to a maximum amount of \$23.5 million of which \$13.5 million relates to a term facility and \$10.0 million relates to an operating facility. The term facility was fully drawn as at December 31, 2001 and is due and payable on the earlier of December 31, 2006 or termination of the Fund. The operating facility is available until December 31, 2006. Borrowings are collateralized by a general security agreement which provides a first floating charge over the Fund’s assets. The term and operating credit facilities bear interest at the bank’s prime lending rate or at rates slightly below prime if incurred by way of bankers’ acceptances.

8. Income Taxes

As all taxable income was allocated to the unitholders in 2001, no provision for income taxes has been made in these financial statements.

9. Financial Instruments

The fair values of the Fund’s financial instruments which are comprised of cash and term deposits, distributions receivable, accounts payable and accrued liabilities, distributions payable and loan payable approximate their carrying amount due to the short-term maturity of these instruments.

Citadel SMaRT Fund

Citadel SMaRT Fund (the “Fund” or “Citadel SMaRT”) is a mutual fund investment trust which became listed on The Toronto Stock Exchange under the symbol “CRT.un” on September 14, 2001. The Fund has a life of approximately 12 years with a termination date of December 31, 2013 or such earlier or later date as the unitholders may determine in accordance with the provisions of the Fund’s Declaration of Trust. Citadel SMaRT has been structured to provide investors with monthly cash distributions derived from a managed portfolio of royalty trust units as selected by and actively managed by, the Fund’s investment manager, combined with capital protection of 70% of the original investment obtained through a forward sale of securities purchased with approximately 34% of the proceeds of the Fund’s initial public offering.

Pursuant to the Fund’s distribution policy, Citadel SMaRT pays monthly cash distributions targeted at \$0.208 per trust unit, representing an annualized yield of 10.0% based upon its issue price of \$25.00 per unit. Citadel SMaRT’s initial public offering and exercise of an over-allotment option raised net proceeds of \$201.8 million. As at year end, Citadel SMaRT had deployed approximately 94% of the initial net proceeds and had distributed two monthly distributions of \$0.208 per unit.

Investment Highlights:

	2001	
	Q4	Q3
Net Asset Value per Unit ⁽¹⁾	\$ 24.65	\$ 23.22
Market Price per Unit ⁽¹⁾	\$ 23.00	\$ 24.69
Trading Premium (Discount)	(6.7%)	6.3%
Quarterly Distributions per Unit ⁽²⁾	\$ 0.416	n/a
Market Capitalization (\$ millions)	\$ 196.7	\$ 187.6

⁽¹⁾ Net asset value and market price per unit are based on quarter end values.

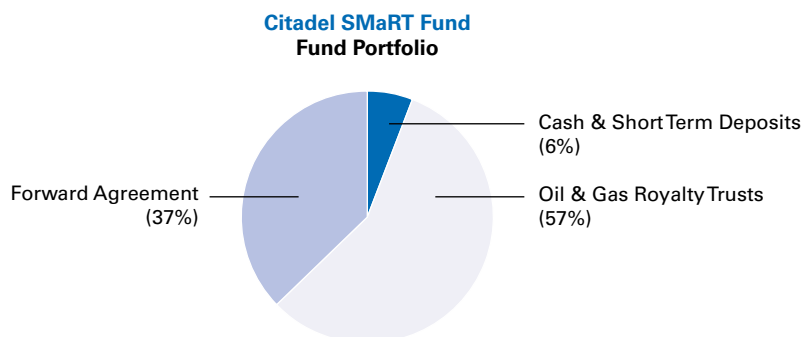
⁽²⁾ Only two monthly distributions paid during the period ended Dec. 31, 2001.

Stock Symbol:	CRT.un (TSE)
2001 High / Low:	\$24.95 - \$22.65
2001 Tax Distributions:	\$0.416
2001 Tax-Deferred %:	42.5%
2001 Total Return:	(7.2%)

Management's Discussion & Analysis

Financial Results

Upon closing of Citadel SMaRT's initial public offering on September 14, 2001 and exercise of an over allotment option on October 10, 2001, net proceeds of \$201.8 million were available for investment. Approximately 34% of the proceeds were used to purchase securities contracted for later sale under the forward agreements with the balance being available for investment in a basket of oil and gas royalty trusts. At December 31, 2001, Citadel SMaRT had deployed 94% of the net proceeds, leaving \$12.0 million in cash available for investment. The chart below reflects the Fund's portfolio based on market values as at year end.

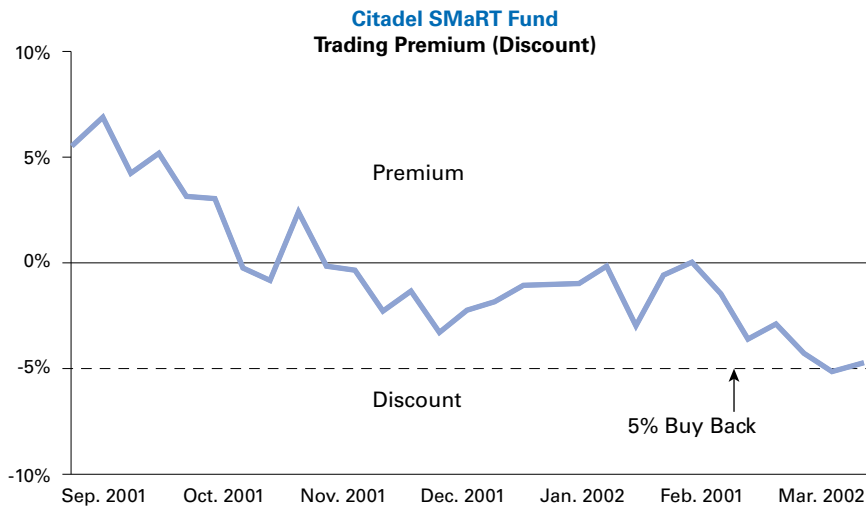


Citadel SMaRT's total income for the stub period of September 14, 2001 to December 31, 2001 was \$6.9 million, which after deducting total expenses of \$1.3 million resulted in net investment income of \$5.6 million. During 2001, the Fund paid two monthly distributions totalling \$3.6 million or \$0.416 per unit. The distributions for 2001 were 42.5% tax-deferred. Capital gains realized on the sale of securities within the Fund's fixed portfolio resulted in higher taxability than anticipated.

Trading Premium / Discount to Net Asset Value

As a result of the after effects of the September 11, 2001, tragedy and concerns over the sustainability of oil and gas prices, Citadel SMaRT's market price traded at a discount to net asset value for the period from inception to year end. Despite poor market sentiment for royalty trusts during this period, the net asset value of the Fund remained relatively strong, growing from \$23.59 at inception to \$24.65 at December 31, 2001.

Citadel SMaRT's market price at times did trade below the Fund's mandatory repurchase threshold. However, these trades occurred without the units being offered at those prices and as a result, the Fund repurchased no units for cancellation under the program in 2001. Under the mandatory repurchase program, Citadel SMaRT is obligated to repurchase units offered for sale at a discount to net asset value of greater than 5%. The Fund's trading premium (discount) to net asset value since inception is reflected in the following chart.



Outlook for 2002

With softening oil and gas prices during the period following Citadel SMaRT's inception, the Fund's royalty trust portfolio was constructed at a time of relatively depressed royalty trust market prices. The 1st Quarter of 2002 has provided stronger oil and gas prices and renewed market interest in the royalty trust sector which has propelled the Fund's net asset value to \$26.28 per unit at April 25, 2002. Provided the current commodity price environment continues for the balance of 2002, the Fund should continue to meet its targeted monthly distribution of \$0.208 per unit or 10% annual yield based upon its initial offering price of \$25.00 per unit. With the Fund's current portfolio, the expected capital gains to be realized from the portfolio and analysts' estimates of distributions from the portfolio, Citadel SMaRT's fiscal 2002 distributions are estimated to be \$2.50 per unit with approximately 60% of those distributions being tax deferred.

Management's Responsibility Statement

The financial statements of Citadel SMaRT Fund have been prepared by Citadel CPRT Management Ltd ("CPRT") and approved by the Board of Directors of CPRT. CPRT is responsible for the information and representations contained in these financial statements and the other sections of the annual report.

CPRT maintains appropriate procedures to ensure that relevant and reliable financial information is produced. These statements have been prepared in accordance with accounting principles generally accepted in Canada and include certain amounts that are based on estimates and judgements. The significant accounting policies applicable to the Fund are described in Note 2 to the financial statements.

The Board of Directors of CPRT is responsible for ensuring that management fulfills its responsibilities for financial reporting and has reviewed and approved these financial statements. The Board carries out this responsibility through the Audit Committee, which is comprised of the non-executive directors of the Board.

CPRT, with the approval of its Board of Directors, has appointed the external audit firm of PricewaterhouseCoopers LLP. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to unitholders their opinion on the financial statements. The auditors have full and unrestricted access to the Audit Committee to discuss their findings.



James T. Bruvall
Chief Executive Officer
Citadel CPRT Management Ltd.



Darren K. Duncan
Chief Financial Officer
Citadel CPRT Management Ltd.

Auditors' Report to Unitholders

To the Unitholders of Citadel SMaRT Fund

We have audited the statements of net assets and investments of Citadel SMaRT Fund as at December 31, 2001, and the statements of operations and changes in net assets for the period July 19, 2001, the date of the inception of the Fund, to December 31, 2001. These financial statements are the responsibility of management of the Fund's Administrator. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets and investments of the Fund as at December 31, 2001 and the results of its operations and the changes in its net assets for the period July 19, 2001, the date of the inception of the Fund, to December 31, 2001 in accordance with Canadian generally accepted accounting principles.



PricewaterhouseCoopers LLP
Chartered Accountants
Calgary, Alberta
March 26, 2002

Citadel SMaRT Fund
Statement of Net Assets

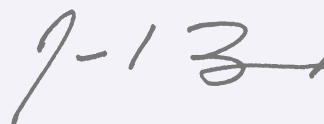
As at December 31,	2001
Assets	
Investments, at market (cost: 2001 – \$192,940,000)	\$ 198,939,742
Cash and term deposits	12,043,201
Distributions receivable	2,222,300
	<u>213,205,243</u>
Liabilities	
Accounts payable and accrued liabilities (note 5)	649,552
Distributions payable	1,778,400
	<u>2,427,952</u>
Net Assets representing Unitholders' Equity	\$ 210,777,291
Units outstanding (note 3)	8,550,000
Net asset value per unit	\$ 24.65

see accompanying notes

Signed on behalf of the Board,



Harold P. Milavsky
 Chairman of the Board



James T. Bruvall
 Director and Chief Executive Officer

Statement of Operations

	For the Period July 19, 2001 to December 31, 2001
Income	
Interest and other income	\$ 6,898,798
	6,898,798
Expenses	
Administrative and investment manager fees (note 5)	697,250
Trailer & service fees (note 6)	416,830
General and administration costs	178,499
	1,292,579
Net investment income	5,606,219
Net realized gain on sale of investments	951,146
Net change in unrealized gain on investments	2,306,987
Net change in unrealized gain on forward agreement	3,692,755
Total results of operations	\$ 12,557,107
Results of operations per unit ⁽¹⁾	
Net investment income	\$ 0.67
Net realized gain on sale of investments	0.11
Net change in unrealized gain on investments	0.28
Net change in unrealized gain on forward agreement	0.44
	\$ 1.50

⁽¹⁾ Based on the weighted average number of units outstanding.
see accompanying notes

Statement of Changes in Net Assets

	For the Period July 19, 2001 to December 31, 2001
Net Assets – beginning of period	\$ —
Operations:	
Net investment income	5,606,219
Net realized gain on sale of investments	951,146
Net change in unrealized gain on investments	2,306,987
Net change in unrealized gain on forward agreement	3,692,755
	12,557,107
Unitholder Transactions:	
Proceeds from issuance of trust units, net	201,776,984
Distributions to Unitholders (note 7)	(3,556,800)
Net Assets – end of period	\$ 210,777,291
Distributions per unit	\$ 0.416

see accompanying notes

Statement of Investments

		As at December 31, 2001		
Number of Units		Cost	Market	% of Market
Oil & Gas Royalty Trusts				
1,480,000	Advantage Energy Income Fund	\$ 11,104,140	\$ 12,017,600	
1,139,000	APF Energy Fund Trust	10,881,650	10,970,765	
1,195,600	ARC Energy Trust	13,370,232	14,466,760	
500,000	Enerplus Resource Fund	12,791,148	12,375,000	
617,400	NAL Oil & Gas Trust	5,470,950	5,618,340	
550,000	Pengrowth Energy Trust	7,898,340	7,821,000	
1,750,000	PrimeWest Energy Trust	12,425,000	11,130,000	
1,020,000	Provident Energy Trust	9,306,078	8,353,800	
1,230,000	Shiningbank Energy Income Fund	15,578,700	17,183,266	
700,000	Ultima Energy Trust	2,450,000	2,506,694	
3,000,000	Viking Energy Royalty Trust	17,700,000	18,840,000	
		118,976,238	121,283,225	57.5%
	Forward Agreement (note 4)	73,963,762	77,656,517	36.8%
	Investments	192,940,000	198,939,742	94.3%
	Cash and Term Deposits	12,043,201	12,043,201	5.7%
	Total	\$ 204,983,201	\$ 210,982,943	100.0%

Notes to Financial Statements

December 31, 2001

1. Structure of the Fund

Citadel SMaRT Fund (the "Fund" or "Citadel SMaRT") is an open-end investment trust established under the laws of Alberta pursuant to a Declaration of Trust dated as of July 19, 2001. The Fund commenced operations on September 14, 2001, when it completed an issue of 7,600,000 units at \$25.00 per unit through an initial public offering. The term of the Fund continues until December 31, 2013.

2. Significant Accounting Policies

These financial statements, prepared in accordance with Canadian generally accepted accounting principles, include estimates and assumptions by management that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the period.

(a) Valuation of investments

Investments are stated at market values based on closing market quotations. Average cost is used to compute realized and unrealized gains or losses on investments. Investment transactions are recorded on the trade date. The Forward Agreement is recorded at its fair value on the valuation date.

(b) Canadian income taxes

The Fund qualified as a unit trust within the meaning of the Income Tax Act (Canada). Provided the Fund distributes to its unitholders its net income for tax purposes, the Fund will not generally be liable for income tax under Part 1 of the Income Tax Act (Canada).

(c) Dividend, interest and other income

Dividend income is recorded on the ex-dividend date and interest and other income are recognized as earned.

3. Unitholders' Contribution

Through the Fund's initial public offering, trust units were issued on September 14, 2001 at a price of \$25.00 per unit.

Authorized

The authorized capital of the Fund consists of an unlimited number of trust units which are transferable redeemable units of beneficial interest.

Issued and issuable	2001	
	Number	Amount
Trust units – beginning of period	–	\$ –
Issued for cash:		
Initial public offering	7,600,000	190,000,000
Over-allotment provision	950,000	23,750,000
Agents' fees and issue costs		(11,973,016)
Trust units – end of period	8,550,000	\$ 201,776,984

The Fund has a mandatory repurchase program whereby units offered for sale at a discount to the Fund's net asset value per unit of greater than 5% are repurchased for cancellation, subject to a maximum of 1.25% of the total number of units outstanding at the beginning of each calendar quarter. During 2001, Citadel SMaRT repurchased no trust units under this repurchase program.

Units may be surrendered at any time for redemption but the entitlement will be determined on a quarterly valuation date. Unitholders whose units are redeemed on the December valuation date will be entitled to receive a redemption price per unit equal to the Fund's net asset value per unit. Unitholders whose units are redeemed on any other valuation date will be entitled to receive a redemption price per unit equal to the Fund's net asset value per unit less the lessor of (i) 4% of such net asset value per unit and (ii) \$1.00 per unit.

4. Forward Agreement

The Fund has entered into Forward Agreements with Merrill Lynch Canada Inc. ("ML") and Bank of Montreal ("BMO") pursuant to which ML and BMO will pay the Fund an amount which equals \$17.50 for each unit currently outstanding (70% of initial capital) on the termination date in exchange for the Fund delivering to ML and BMO the equity securities in a fixed portfolio. The securities in the fixed portfolio had a cost of \$74.0 million at December 31, 2001 and are comprised of common shares of Biovail Corp. (135,799 shares), Celestica Inc. (224,042 shares), Cognos Inc. (453,058 shares), Cott Corporation (171,003 shares), Inco Ltd. (410,967 shares), Methanex Corp. (1,017,158 shares), Precision Drilling Corp. (97,720 shares), Premdor Inc. (285,024 shares), Royal Group Technologies (159,381 shares), Tembec Inc. (310,643 shares) and Zarlink Semiconductor Inc. (491,699 shares).

Securities in the fixed portfolio have been pledged to ML and BMO as security for the obligations of the Fund under the Forward Agreements. The Forward Agreements are each a direct obligation of ML and BMO, respectively, both companies with credit ratings of Moody's – Aa3. The Forward Agreements may be physically or cash settled at the option of the Fund. The Forward Agreements may be settled in whole or in part in respect of any valuation date by the Fund tendering to ML or BMO securities of the fixed portfolio at a price equal to the current market value of the Forward Agreements.

5. Administrative and Investment Manager Fees

Citadel CPRT Management Ltd. ("CPRT") is the administrator for the Fund. Bloom Investment Counsel, Inc. is the investment manager of the Fund. Pursuant to the administrative services and investment management agreements, the administration and investment management fees are based upon 1.1% of the average daily net asset value of the Fund, payable in cash monthly in arrears. Directors of CPRT are paid a total of \$62,500 in cash as payment for their annual retainers. During 2001, the Fund recorded an expense of \$697,250 in respect of administration and investment management fees earned during the period. As at December 31, 2001 included in accounts payable were amounts owed to CPRT of \$101,182.

6. Trailer and Service Fees

Citadel SMaRT pays a trailer fee to investment dealers calculated and payable quarterly in arrears at an annual rate of 0.40% of the net asset value of the Fund held by unitholders in accounts with investment dealers. A service fee of approximately 0.43% is payable by the Fund to ML and BMO on the guaranteed value of the Forward Agreements. An additional service fee of 0.25% and 0.10% is payable to ML and BMO, respectively, relating to costs incurred by them under the Forward Agreements. During 2001, the Fund recorded an expense of \$205,200 relating to the trailer fee and \$211,630 relating to the service fees.

7. Cash Distributions

The Fund pays out monthly cash distributions targeted at \$0.208 per unit based upon cash distributions received by the Fund less estimated expenses.

	2001
Net investment income for the period	\$ 5,606,219
Less: cash not distributed in period	2,049,419
Cash distributions	\$ 3,556,800
Cash distributions per unit	\$ 0.416

8. Income Taxes

As all taxable income was allocated to the unitholders in 2001, no provision for income taxes has been made in these financial statements.

9. Financial Instruments

The fair values of the Fund's financial instruments which are comprised of cash and term deposits, distributions receivable, accounts payable and accrued liabilities and distributions payable approximate their carrying amount due to the short-term maturity of these instruments.

MYDAS Fund

MYDAS Fund (the “Fund” or “MYDAS”) is a closed-end investment trust which became listed on The Toronto Stock Exchange under the symbol “MYF.un” on February 14, 2002. The Fund has a life of approximately 5 years with a termination date of June 30, 2007. MYDAS has been structured to provide investors with monthly cash distributions derived from a diversified portfolio of income producing investments consisting, in varying amounts, of publicly traded units of Canadian income funds and Canadian high yielding investment grade debt as selected by and actively managed by the Fund’s Investment Manager.

The Fund’s initial public offering and the exercise of an over-allotment option on March 14, 2002 generated net proceeds of \$234.0 million. The Fund’s Investment Manager expects to take two to three months in order to prudently deploy the proceeds. As at April 25, 2002, MYDAS had deployed 58% of the net proceeds of its initial public offering and its net asset value was \$23.85 per unit.

Pursuant to the Fund’s distribution policy, MYDAS will pay monthly cash distributions targeted at \$0.1875 per trust unit, representing an annualized yield of 9.0% based upon the issue price of \$25.00 per unit. The first distribution of \$0.1875 per unit is set for the April 30, 2002 record date and payable May 15, 2002.

Corporate Information

Administrators

Citadel Diversified Management Ltd.

Citadel S1 Management Ltd.

Citadel TEF Management Ltd.

Citadel CPRT Management Ltd.

MYDAS Management Inc.

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SDL.un

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Trustee

CTD.un, CHF.un, CRT.un & MYF.un

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Auditors

PricewaterhouseCoopers LLP

1200, 425 - 1st Street S.W.

Calgary, Alberta T2P 3V7

Stock Exchange Listings

The Toronto Stock Exchange

Citadel Diversified Investment Trust units: **CTD.un**

Citadel S-1 Income Trust Fund units: **SDL.un**

Citadel HYTES Fund units: **CHF.un**

Citadel SMaRT Fund units: **CRT.un**

MYDAS Fund units: **MYF.un**



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