2009 ANNUAL REPORT

BLUE RIBBON FUND MANAGEMENT LTD.

BLUE RIBBON INCOME FUND

RBN.UN,
RBN.WT

Actively managed, broadly diversified portfolio of income-producing securities.

Management Report of Fund Performance

March 24, 2010

This annual management report of fund performance for Blue Ribbon Income Fund (the "Fund"), formerly Citadel Diversified Investment Trust, contains financial highlights but does not contain the audited annual financial statements of the Fund. The audited annual financial statements follow this report. You may obtain a copy of the interim or annual financial statements, at no cost, by calling 866-642-6001 or by sending a request to Investor Relations, Brompton Funds, Bay Wellington Tower, Brookfield Place, 181 Bay Street, Suite 2930, P.O. Box 793, Toronto, Ontario, M5J 2T3, or by visiting our website at www.bromptongroup.com or SEDAR at www.sedar.com. Unitholders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, independent review committee's report, or quarterly portfolio disclosure.

In accordance with investment fund industry practice, all figures presented in this management report of fund performance are based on the Fund's calculation of its weekly Net Asset Value ("Net Asset Value"), which is exempted from the application of Canadian Institute of Chartered Accountants ("CICA") Section 3855, except for the figures presented in the Net Assets per Unit table, which can be found under Financial Highlights. In accordance with National Instrument ("NI") 81-106, the figures in this table must be derived from the financial statements.

The Fund

Blue Ribbon Income Fund is a closed-end investment trust managed by Blue Ribbon Fund Management Ltd. (the "Administrator"). The Administrator is a joint venture of Brompton Funds Management Limited ("Brompton") and Bloom Investment Counsel, Inc. ("Bloom"). Under an agreement, Brompton is the sub-administrator of the Fund and provides administrative services to the Fund on behalf of the Administrator. The units and warrants of the Fund trade on the Toronto Stock Exchange ("TSX") under the symbols RBN.UN and RBN.WT, respectively. The Fund's portfolio is actively managed by Bloom Investment Counsel, Inc. The Fund is RRSP, DPSP, RRIF, RESP and TFSA eligible.

Investment Objectives and Strategies

The Fund's investment objectives are to provide unitholders with a high level of monthly distributions and low management fees, together with the opportunity for capital appreciation. The Fund's investments comprise income trusts and other income-producing securities.

Recent Developments

Reorganization, Merger and Fund Management Change

On June 3, 2009, 1472278 Alberta Ltd., otherwise known as Citadel Fund Administrator ("CFA"), became the Administrator of the Fund.

On September 30, 2009, a merger of the Fund with seven other funds was proposed by CFA ("CFA Proposal") but was not approved by the Fund's unitholders. Blue Ribbon Fund Management Ltd. had also put forward a proposal at this September meeting to take over the administration of the Fund and four other funds. A majority of unitholders voted in favour of the proposal, with 68% support for the Fund and 74% for Series S-1 Income Fund. Notwithstanding the strong show of support, the resolutions did not achieve the very high threshold of 75% required for the resolutions to be passed. No costs associated with these meetings were charged to the funds; all costs of this proposal were borne by Blue Ribbon Fund Management Ltd.

On October 13, 2009, CFA and Blue Ribbon Fund Management Ltd. entered into an agreement whereby CFA agreed to hold unitholder meetings of the Fund and Series S-1 Income Fund to approve the Blue Ribbon Proposal. The Blue Ribbon Proposal included appointing Blue Ribbon Fund Management Ltd. as Administrator and making changes to the Fund as described below. At meetings for both funds held on November 17, 2009, the Blue Ribbon Proposal was approved with the support of over 94% of units voted at the meetings. No costs associated with these meetings were charged to the funds; all costs were borne by Blue Ribbon Fund Management Ltd.

On November 20, 2009, CFA was terminated and Blue Ribbon Fund Management Ltd. was appointed as Administrator of the Fund and Series S-1 Income Fund. In accordance with the CFA administration agreement, a termination fee of $7.8 million was paid by the Fund to CFA.

During 2009, under the previous administrators, the Fund incurred termination fees as described above, director fees, trustee fees, legal fees, unitholder reporting costs, other administrative expenses, severance and other costs relating to the change in administrator from Citadel Group of Funds to CFA and, subsequently, to Blue Ribbon Fund Management Ltd. The Fund also incurred costs related to the CFA Proposal which was not approved by the unitholders of the Fund. Total costs related to these matters amounted to approximately $11.2 million.

Pursuant to the Blue Ribbon Proposal, the declaration of trust was further amended and restated on November 20, 2009, to, among other things:

i) change the name of the Fund from "Citadel Diversified Investment Trust" to "Blue Ribbon Income Fund";

ii) create provisions allowing for the merger of Series S-1 Income Fund into the Fund, which occurred on December 31, 2009;

iii) establish an annual redemption right in November at 100% of Net Asset Value per unit less any direct costs;

iv) lower the combined annual administration and investment management fee from 1.5% of Net Asset Value per annum to 1.0% of Net Asset Value per annum;

v) provide improved governance features including: (1) no future mergers or fundamental changes to the Fund without unitholder approval and no dilutive offerings; (2) management may be terminated without payment of a break fee; and (3) the Fund may not be delisted from the TSX without unitholder approval; and

vi) amend the investment objectives, investment policies and investment restrictions of the Fund to accommodate the upcoming changes to the income trust tax rules.

On December 31, 2009, the Fund completed the merger with Series S-1 Income Fund and issued 12,867,782 units to the unitholders of Series S-1 Income Fund in exchange for $125.5 million of Net Assets. Unitholders of Series S-1 Income Fund were considered to have disposed of their units on December 31, 2009 at the fair market value of the units received. The estimated proceeds of disposition of each Series S-1 Income Fund unit was $7.09 (calculated as the closing market value of the units of the Fund on December 31, 2009 multiplied by the exchange ratio of 0.770898). The potential tax consequences of the merger for all unitholders are set out in the information circular dated October 21, 2009; Canada Revenue Agency may not agree with the Fund's estimation of the proceeds of disposition.

Distributions

In January 2010, the monthly distribution rate was increased to $0.07 from $0.055. This was consistent with the indication in the above-noted Blue Ribbon Proposal of October 2009 to provide an initial distribution rate of about 10% based on the July 30, 2009 Net Asset Value. The current distribution rate represents 8.3% yield as of January 14, 2010, after an increase of 21.3% in Net Asset Value since July 30, 2009.

Warrants

Subsequent to year-end, on March 9, 2010, the Fund issued 12.8 million TSX-listed warrants to unitholders on the basis of one-half of one warrant for each whole unit held. Each whole warrant entitles the holder to subscribe for one unit of the Fund at a subscription price of $9.62 prior to June 25, 2010. The offering was designed to provide the Fund with additional capital that can be used to take advantage of attractive investment opportunities, while also increasing the trading liquidity of the units and reducing the ongoing management expense ratio ("MER") of the Fund.

Risks

Risks associated with an investment in the units of the Fund are discussed in the Fund's 2009 annual information form, which is available on the Fund's website at www.bromptongroup.com or on SEDAR at www.sedar.com. A change to the Fund subsequent to year-end that has materially affected the risks associated with an investment in the units of the Fund is set out below.

Warrants

The issuance of warrants in March 2010 could result in a risk of dilution to existing unitholders. As disclosed in the prospectus of the warrant offering, if a unitholder does not exercise or elects to sell the warrants, then the value of the units held by that unitholder may be diluted as a result of the exercise of warrants by others. Additionally, the exercise of warrants may have a dilutive impact on the Fund's distributable income.

RESULTS OF OPERATIONS

As the merger of the Fund with Series S-1 Income Fund was not completed until December 31, 2009, the results of operations in this report are based only on the results of the Fund.

Distributions

During the year ended December 31, 2009, the Fund declared monthly cash distributions to unitholders which totaled $0.72 per unit, down from $1.02 per unit for 2008. This reflects the reduction in the monthly distribution rate from $0.085 per unit to $0.055 per unit announced in March 2009, which was due to distribution cuts by income trusts in the underlying portfolio. As noted in Recent Developments, the Fund's monthly distribution rate was increased to $0.07 in January 2010. Since inception in September 1997, the Fund has paid total cash distributions of $12.10 per unit.

Revenues and Expenses

Total revenue from the Fund's portfolio declined to $0.69 per unit in the year ended December 31, 2009, from $1.03 per unit the previous year, primarily for the reason noted under Distributions.

Total expenses of the Fund for the year increased from $0.19 per unit in 2008 to $0.59 per unit in 2009. This increase was due to a number of extraordinary one-time expenses totaling $0.43 per unit, including termination fees, director fees, trustee fees, legal fees, unitholder reporting costs, other administration expenses, severance and other costs relating to CFA's agreements and proposals of September 2009. These costs were incurred by previous administrators and are discussed in Recent Developments. When excluding these one-time costs, expenses per unit were $0.16 in 2009.

Net Asset Value

The Net Asset Value per unit of the Fund increased by 30.4% to $9.78 at December 31, 2009, from $7.50 at December 31, 2008. The improvement was due to a rise in the price of securities in the Fund's portfolio, reflecting improvements in the equity market over the course of the year. The aggregate Net Asset Value of the Fund was $251.8 million at December 31, 2009, up by $41.2 million from $210.6 million at December 31, 2008. This increase was due to the rise in the value of securities in the Fund's portfolio, as redemptions of $125.3 million in 2009 were offset by assets of $125.9 million acquired with the merger with Series S-1 Income Fund in December 2009.

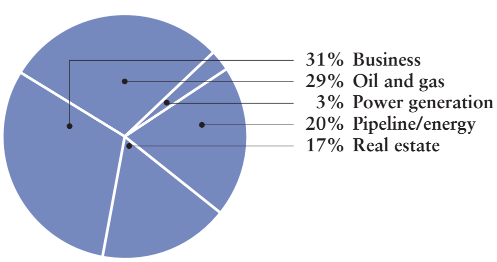
Investment Portfolio

As of December 31, 2009, the Fund's portfolio included a total of 36 income trusts and dividend-paying equities, down from 37 the previous year. During the year, the weighting of real estate investment trusts ("REITs") in the portfolio increased from 11% to 17%, and power generation investments increased from 2% to 3%, while oil and gas royalty trusts declined from 34% to 29%, pipeline/energy investments declined from 22% to 20%, and business trusts remained unchanged at 31%. The breakdown of the portfolio (excluding cash and short-term investments) is shown in the accompanying pie chart, and a detailed listing of the Fund's security holdings is provided in the financial statements.

Since taking over as Administrator in November 2009, Blue Ribbon Fund Management Ltd. has implemented all of the features in the Blue Ribbon Proposal, including maintaining Bloom Investment Counsel, Inc. as the Fund's Investment Manager, implementing stronger corporate governance features, instituting an annual redemption at Net Asset Value per unit, filing a prospectus for the issuance of warrants, setting a new monthly distribution rate and merging Series S-1 Income Fund ("SRC") into the Fund to enhance liquidity and reduce overall costs per unit. The Fund has performed extremely well since Blue Ribbon took over as Administrator on November 20, 2009, as the Net Asset Value per unit appreciated by 9.3% to December 31, 2009, compared to 1.3% for the S&P/TSX Composite Index.

With the improvement in securities prices in the Fund's portfolio, the Fund recorded net gains (realized and unrealized) of $68.1 million for the year ended December 31, 2009.

Portfolio Sectors



Liquidity and Capital Resources

To provide liquidity, units and warrants of the Fund are listed on the TSX under the symbols RBN.UN and RBN.WT, respectively. The Fund received approval from the TSX to implement a normal course issuer bid program from December 2, 2009, allowing the Fund to purchase its units on the TSX for cancellation if they trade below Net Asset Value per unit. As a result, purchases under the issuer bid are accretive to the Net Asset Value per unit. This program was implemented in December 2009 by the Administrator, and purchases under this program began in January 2010.

Prior to the Fund's reorganization on November 20, 2009, the Fund had a mandatory repurchase program, whereby units offered for sale at a discount of greater than 5% to the Fund's Net Asset Value per unit were repurchased for cancellation, subject to a maximum of 1.25% in a calendar quarter of the total number of units outstanding at the beginning of that calendar quarter. A total of 1,186,210 units were purchased under this program at an average price of $6.70 per unit between January 1, 2009 and November 20, 2009, when the program was cancelled. During that period, units of the Fund traded at an average discount to their Net Asset Value per unit of 16.8%. In the period between reorganization of the Fund on November 20, 2009, when Blue Ribbon Fund Management Ltd. became Administrator, and year-end at December 31, 2009, units of the Fund traded at an average discount to their Net Asset Value of 5.6%.

Effective November 2009, with the Fund's reorganization, investors may also redeem their units in accordance with the Fund's redemption provisions.

Related Party Transactions

Related party transactions consist of services provided by the Administrator and the Investment Manager pursuant to administration and investment management agreements. See the Administration and Investment Management Fees section below.

Administration and Investment Management Fees

Prior to June 3, 2009, Citadel Diversified Management Ltd. ("CDML") was the administrator of the Fund. On June 3, 2009, CFA became the administrator of the Citadel Group of Funds. Bloom Investment Counsel, Inc. was and is the Investment Manager of the Fund. Pursuant to the administrative service agreement in place prior to reorganization on November 20, 2009, total administrative and investment management fees were equal to 1.5% of the Net Asset Value of the Fund. The Administrator is also reimbursed for all general and administrative expenses that relate to the operation of the Fund.

Effective with the reorganization on November 20, 2009, Blue Ribbon Fund Management Ltd. was appointed the Administrator of the Fund, and the combined annual administration and investment management fee was lowered to 1.0% of the Net Asset Value of the Fund. The Fund also pays to the Administrator a service fee equal to 0.40% per annum of the Net Asset Value of the Fund. The service fee is in turn paid by the Administrator to the investment dealers based on the proportionate number of units held by clients of each dealer at the end of each calendar quarter.

On June 3, 2009, as a result of the change in Administrator of the Fund from CDML to CFA, the two previous administrators, the Fund incurred $0.6 million of severance and other costs.

On November 20, 2009, as discussed in Recent Developments, the Fund paid a termination fee of $7.8 million to CFA, the previous administrator, in accordance with the CFA administration agreement; this termination fee equalled approximately 3.0% of the Net Asset Value of the Fund at the time of termination.

During the year ended December 31, 2009, administration and service fees amounted to $3.3 million and $0.1 million, respectively. All of the administration fee is used by the Administrator to cover its general administration expenses, the cost of investment management services and for profit.

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help readers understand the Fund's financial performance for the fiscal periods indicated. This information is derived from the Fund's audited annual financial statements. *The information in the following tables is presented in accordance with NI 81-106 and, as a result, does not act as a continuity of opening and closing Net Assets per unit.* The increase (decrease) in Net Assets from operations is based on average units outstanding during the period, and all other numbers are based on actual units outstanding at the relevant point in time.

Net Assets per Unit(1)

For the years ended December 31		2009		2008		2007		2006		2005
Net Assets, beginning of year(2)(3)	$	**7.50**	$	11.08	$	11.25	$	12.13	$	11.66
Increase (decrease) from operations(4)										
Total revenue		**0.69**		1.03		1.12		1.05		1.03
Total expenses		**(0.59)**		(0.19)		(0.23)		(0.21)		(0.21)
Realized gains (losses) for the year		**0.14**		0.03		1.02		(0.04)		0.04
Unrealized gains (losses) for the year		**2.30**		(3.46)		(0.83)		(0.51)		0.62
Total increase (decrease) in Net Assets from operations	$	**2.54**	$	(2.59)	$	1.08	$	0.29	$	1.48
Distributions to unitholders(3)										
From net investment income	$	**—**	$	0.84	$	0.89	$	0.98	$	1.00
From capital gains		**—**		0.03		0.38		—		0.04
Return of capital		**0.72**		0.15		—		0.04		—
Total distributions to unitholders	$	**0.72**	$	1.02	$	1.27	$	1.02	$	1.04
Net Assets, end of year(2)(3)	$	**9.75**	$	7.50	$	11.08	$	11.25	$	12.13

(1) This information is derived from the Fund's audited annual financial statements. The Net Assets per unit presented in the financial statements differs from the Net Asset Value calculated for weekly Net Asset Value purposes. The difference is primarily a result of investments being valued at bid prices for financial statement purposes and closing prices for weekly Net Asset Value purposes.

(2) The Net Assets from the beginning of 2007 are for financial reporting purposes. The Net Assets per unit for prior periods are based on the prior period financial statements and have not been adjusted for the new accounting standards adopted in 2007.

(3) Net Assets per unit and distributions per unit are based on the actual number of units outstanding at the relevant time.

(4) The increase (decrease) in Net Assets from operations per unit is based on the weighted average number of units outstanding over the fiscal period.

Ratios and Supplemental Data (Based on Net Asset Value)

As at December 31		2009		2008		2007		2006		2005
Net Asset Value (in 000s)	$	**250,971**	$	210,523	$	328,028	$	351,384	$	337,572
Number of units outstanding (in 000s)		**25,753,149**		28,075,895		29,598,297		31,247,143		27,834,377
Management expense ratio ("MER")(1)		**7.23%**		1.80%		1.83%		1.75%		1.78%
Trading expense ratio(2)		**0.17%**		0.08%		0.10%		0.11%		0.05%
Portfolio turnover rate(3)		**78.96%**		20.50%		27.66%		24.68%		15.97%
Closing market price	$	**9.78**	$	5.27	$	8.96	$	9.67	$	11.52

(1) MER is based on the requirements of NI 81-106 and includes the total expenses (excluding commissions and other portfolio transaction costs) of the Fund for the stated period, including interest expense and issuance costs, and is expressed as an annualized percentage of the average Net Asset Value of the period. For 2009, the MER includes the one-time extraordinary expenses associated with the reorganization of the Fund (see discussion in Expense Ratio section below).

(2) The trading expense ratio represents total commissions expressed as an annualized percentage of daily average Net Asset Value of the Fund during the period.

(3) The Fund's portfolio turnover rate indicates how actively the Fund's Investment Manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund. Portfolio turnover rate is calculated by dividing the lesser of the cost of purchases and the proceeds of sales of portfolio securities for the period, excluding cash and short-term investments maturing in less than one year, by the average market value of investments during the period. The portfolio turnover rate in 2009 was higher than previous years due to the sale transactions required in order to raise money to fund the first-time redemption in 2009.

Expense Ratio

The MER of the Fund increased to 7.23% for the year ended December 31, 2009, from 1.80% for 2008, reflecting the one-time extraordinary expenses associated with the reorganization of the Fund during 2009 under the administration of the previous administrators, as discussed in Results of Operations.

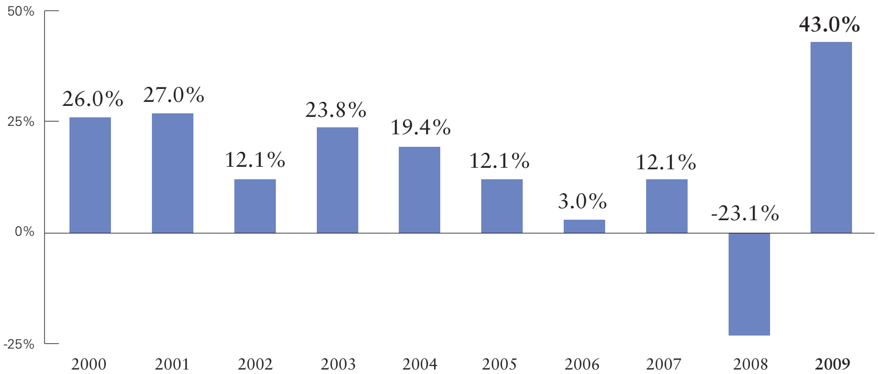
Excluding the one-time extraordinary costs of about 3.69% for termination fees paid to CFA and 1.58% of other reorganization costs incurred by previous administrators on behalf of the Fund, the MER was 1.96%, up from 1.80% in 2008 due to the higher proportion of fixed costs on a lower average Net Asset Value in 2009 compared to the previous year. This latter ratio is more representative of the ongoing efficiency of the administration of the Fund.

PAST PERFORMANCE

The following chart and table show the past performance of the Fund. Past performance does not necessarily indicate how the Fund will perform in the future. The information shown is based on Net Asset Value per unit and assumes that cash distributions made by the Fund and deemed distributions based on the intrinsic value of the rights/warrants at the exercise date of the rights/warrants in the periods shown were reinvested at Net Asset Value per unit in additional units of the Fund.

The bar chart shows the Fund's return for each period since January 1, 2000 to December 31, 2009. The chart shows, in percentage terms, how an investment held on the first day of each fiscal period would have changed by the last day of the fiscal period.

Year-by-Year Returns



The following table shows the Fund's compound return for each period indicated, compared with the S&P/TSX Capped Income Trust Index ("Income Trust Index") and the S&P/TSX Composite Index ("Composite Index"). The Income Trust Index is a broad-based composite index which may encompass any or all Global Industry Classification Standard sectors of the income trust marketplace. Income trusts that qualify for inclusion must derive their distribution income from actual operating entities. The Composite Index tracks the performance, on a market weight basis, of approximately 300 large stocks listed on the TSX. The Income Trust Index and the Composite Index are calculated without the deduction of fees and fund expenses, whereas the performance of the Fund is calculated after deducting such fees and expenses.

Annual Compound Returns

	1 Year	3 Year	5 Year	10 Year	Since Inception[1]
Blue Ribbon Income Fund	43.0%	5.2%	6.7%	15.1%	12.2%
S&P/TSX Composite Index	35.1%	(0.2%)	7.7%	5.6%	9.5%
S&P/TSX Capped Income Trust Index	42.2%	3.9%	7.4%	16.1%	11.8%

[1] Period from September 16, 1997 (commencement of operations) to December 31, 2009.

The Fund provided a high return of approximately 43.0% over the year ending December 31, 2009, and outperformed both the Composite Index and the Income Trust Index due to careful stock selection which focuses on the value of each investment as well as its income streams. Since inception the Fund has provided a very high rate of return of 12.2%, outperforming both benchmark indices.

Since taking over as Administrator in November 2009, Blue Ribbon Fund Management Ltd. has implemented all of the features in Blue Ribbon Proposal, including maintaining Bloom Investment Counsel, Inc. as the Fund's Investment Manager, implementing stronger corporate governance features, instituting an annual redemption at Net Asset Value, filing a prospectus for the issuance of warrants, setting a new monthly distribution rate and merging Series S-1 Income Fund ("SRC") into the Fund to enhance liquidity and reduce overall costs per unit. The Fund has performed extremely well since Blue Ribbon took over as Administrator on November 20, 2009, as the Net Asset Value per unit appreciated by 9.3% to December 31, 2009, compared to 1.3% for the S&P/TSX Composite Index.

Summary of Investment Portfolio

As at December 31, 2009

Total Net Asset Value	$ 251,758,705

Portfolio Composition	**% of Portfolio**	**% of Net Asset Value**
Business	29.8%	29.9%
Oil and gas	27.9%	28.0%
Pipeline/energy	19.6%	19.7%
Real estate	16.2%	16.2%
Cash and short-term investments	3.8%	3.8%
Power generation	2.7%	2.7%
Total investment portfolio	100.0%	100.3%
Other net liabilities		(0.3%)
Total Net Asset Value		100.0%

Top 25 Holdings	**% of Portfolio**	**% of Net Asset Value**
Extendicare REIT	4.7%	4.7%
Baytex Energy Trust	4.5%	4.5%
Chemtrade Logistics Income Fund	4.4%	4.4%
ARC Energy Trust	4.3%	4.4%
NAL Oil & Gas Trust	4.3%	4.3%
Bonavista Energy Trust	4.2%	4.3%
Progress Energy Resources Corp.	4.2%	4.2%
Keyera Facilities Income Fund	3.8%	3.8%
Cash and short-term investments	3.8%	3.8%
Crescent Point Energy Corp.	3.8%	3.8%
Superior Plus Corp.	3.7%	3.7%
Medical Facilities Corp.	3.5%	3.5%
H&R REIT	3.2%	3.3%
TransForce Inc.	3.2%	3.2%
Just Energy Income Fund	3.2%	3.2%
AltaGas Income Trust	3.1%	3.1%
Fort Chicago Energy Partners L.P.	3.0%	3.0%
Morguard REIT	2.8%	2.9%
Noranda Income Fund	2.8%	2.8%
Inter Pipeline Fund	2.8%	2.8%
Vermilion Energy Trust	2.6%	2.6%
Colabor Group Inc.	2.5%	2.6%
Armtec Infrastructure Income Fund	2.1%	2.1%
Ag Growth International Inc.	2.1%	2.1%
IESI-BFC Ltd.	2.0%	2.0%

The investment portfolio may change due to ongoing portfolio transactions of the investment fund. Quarterly updates are available within 60 days of each quarter end.

2009 Tax Information

The following information is applicable to holders who, for the purpose of the Income Tax Act (Canada), are resident in Canada and hold shares as capital property outside of an RRSP, DPSP, RRIF, RESP or TFSA. Unitholders should receive a T3 slip from their investment dealer providing this information.

T3 supplementary slips for holdings of the Fund will indicate Other Income in Box 26, Foreign Non-Business Income in Box 25, Capital Gains in Box 21 and Dividend Income in Box 23 and Box 49. Dividend income is subject to the standard gross-up and federal dividend tax credit rules.

The return of capital component is a non-taxable amount that serves to reduce the adjusted cost base of Fund units and is reported on the T3 supplementary slips in Box 42.

The following table outlines the breakdown in the Fund's distributions declared in 2009 on a per unit basis.

Record Date	Payment Date	Return of Capital	Total Distribution
Jan. 31, 2009	Feb. 17, 2009	$ 0.0850	$ 0.0850
Feb. 28, 2009	Mar. 15, 2009	0.0850	0.0850
Mar. 31, 2009	Apr. 15, 2009	0.0550	0.0550
Apr. 30, 2009	May 15, 2009	0.0550	0.0550
May 31, 2009	Jun. 15, 2009	0.0550	0.0550
Jun. 30, 2009	Jul. 15, 2009	0.0550	0.0550
Jul. 31, 2009	Aug. 14, 2009	0.0550	0.0550
Aug. 31, 2009	Sep. 15, 2009	0.0550	0.0550
Sep. 30, 2009	Oct. 15, 2009	0.0550	0.0550
Oct. 31, 2009	Nov. 15, 2009	0.0550	0.0550
Nov. 30, 2009	Dec. 15, 2009	0.0550	0.0550
Dec. 31, 2009	Jan. 15, 2010	0.0550	0.0550
Total		**$ 0.7200**	**$ 0.7200**

This information is of a general nature only and does not constitute legal or tax advice to any particular investor. Accordingly, investors are advised to consult their own tax advisors with respect to their individual circumstances.

Investment Manager

Bloom Investment Counsel, Inc. ("Bloom") has considerable experience and a strong track record of managing portfolios of high-yielding income trusts and dividend-paying equities. Paul Bloom was recognized in September 2009 as one of the 50 TopGun Canadian Equity Portfolio Managers by Brendan Wood International. Bloom was established in 1985 and specializes in the management of segregated investment portfolios for wealthy individuals, corporations, institutions and trusts. In addition to its conventional investment management business, Bloom currently manages specialty high-yield equity portfolios comprised of royalty trusts, income trusts, real estate investment trusts and other structured securities. Within the last five years, Bloom has managed portfolios in this specialty area with a market value of over $2.5 billion.

BLOOM
INVESTMENT
COUNSEL, INC.

Investment Manager's Report

The Canadian Economy

After failing to top the Bank of Canada's growth forecast in the third quarter, gross domestic product ("GDP") appears to be on pace to beat the Bank of Canada's early fourth quarter estimate of 3.3% growth. Statistical reports are lagged by two months, but September provided a 0.4% expansion and now the recently released October report has continued to show positive momentum, delivering 0.2% growth. These reports plus the normally strong Christmas sales period should provide for an overall strong fourth quarter. The momentum might carry into the first quarter of 2010, but softness could set in once the restocking of US inventory levels has been completed. This restocking has been a significant contributor to GDP growth over the last few months. If it has been completed, the resulting drag from cross-border trade could hamper Canada's GDP growth for at least the earlier part of 2010, perhaps warranting continued economic support through the maintenance of low interest rates.

Canada's job market figures were throwing off conflicting signals over the last few months of 2009. The latest data from the November Labour Force Survey was positive, delivering a strong gain of 79,100 jobs and a slight dip in the unemployment rate to 8.5%. Perhaps this is indicative of a labour market that is slowly recovering, having posted gains in three out of the last four months. Surprisingly, despite all of the negative headlines over the past year, Canada's unemployment rate only reached a high of 8.7%, well below levels seen in the last two recessions and slightly below the 30-year long-term average. The worst post-WWII unemployment level occurred following the 1982 recession, topping out at 13%.

Canadian housing prices made a startling recovery over that last couple of months of 2009, nearly recouping all of the "recessionary" declines from earlier in the year. The consensus view seems to worry about a housing bubble especially given the hawkish comments being made by the Bank of Canada regarding the rising debt levels of Canadian consumers. However, strength may continue into the new year as consumers gain more confidence that a recovery is in the making and so will want to take advantage of the low mortgage rates being made available by the Canadian banks. Perhaps "moral suasion" will be enough to curb the marketplace, but it should be no surprise if Bank of Canada Governor Mark Carney decides to raise interest rates in the second half of 2010.

During the last quarter, the price of oil, measured by the Western Canadian Select price per barrel, appreciated by 17.8%. The Canadian AECO natural gas 12-month strip price, used to smooth out the seasonality of spot gas prices, rose by 2.1%. US crude oil inventories continue to remain plentiful, only decreasing by 1.5 million bbls during the week of December 25, 2009. With 326.0 million bbls of crude oil now in storage, levels are 7.3 million bbls above the previous year and 17.8 million bbls above the five-year average. Gas prices remain sluggish as demand from manufacturing continues to be depressed despite indications that the recession is over. On the supply side, significant new discoveries of shale gas and the threat of offshore liquified natural gas coming to North American shores continue to take their toll.

The Canadian dollar strengthened slightly during the last quarter, rising by 1.8%. For the full year, Canada's trade-weighted dollar generally tracked commodity prices higher, though much of the 13.7% gain was made earlier in the year. The Bank of Canada continues, for now, to avoid taking any direct steps towards influencing the currency markets.

Blue Ribbon Income Fund

Due to the merger of the Blue Ribbon Income Fund (formerly Citadel Diversified Income Fund) and Series S-1 Income Fund on December 31, 2009, all references to historical performance reflect that of the Blue Ribbon Income Fund.

The Fund's performance for all of 2009 exceeded that of the S&P/TSX Income Trust Total Return Index. The Fund returned a one-year compound rate of return of 43.0% after fees versus the index total return of 42.2%. The 10-year annual compound rate of return of the Fund has been 15.1%, and 12.2% since the Fund's inception. The Fund's cash weighting peaked at 53% in November in preparation for a large redemption before year-end, negatively impacting its performance.

As of December 31, 2009, the new combined portfolio (including cash), Blue Ribbon Income Fund, had a 28% sector exposure to oil and gas trusts. This compared to a 53% oil and gas weight in the S&P/TSX Income Trust Total Return Index. The largest sector exposure was to business trusts (including power, pipes and infrastructure) at 52%. By extrapolation (as there is no specific business trust index) business trusts represented 32% of the index. Real estate (REIT) exposure was slightly overweight that of the index at 16% versus 15% for the index. Cash, typically a drag on performance during a rising market, represented 4% of the portfolio at year-end but was substantially higher during the last quarter to meet redemptions.

Outlook

While we are somewhat negative on the overall Canadian equity market due to valuations being stretched, we are positive on the prospects for the income trust market as it prepares to complete its conversion into the high-income equity market by the end of this year. Other than REITs, which do not need to convert to a corporate structure, we believe most other trusts will have converted by January 1, 2011. There continues to be much misinformation and misunderstanding in the marketplace about the upcoming conversion of income trusts. This particularly encourages us to believe that substantial profits are to be made by more informed investors over the coming 12 months and beyond as the high-income equity sector develops.

Forward-Looking Statements

Some of the statements contained herein including, without limitation, financial and business prospects and financial outlook may be forward-looking statements which reflect management's expectations regarding future plans and intentions, growth, results of operations, performance and business prospects and opportunities. Words such as "may," "will," "should," "could," "anticipate," "believe," "expect," "intend," "plan," "potential," "continue" and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to, changes in general economic and market conditions and other risk factors. Although the forward-looking statements contained herein are based on what management believes to be reasonable assumptions, we cannot assure that actual results will be consistent with these forward-looking statements. Investors should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and we assume no obligation to update or revise them to reflect new events or circumstances.

Management Responsibility Statement

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

The Administrator maintains appropriate procedures to ensure that relevant and reliable financial information is produced. 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 the Administrator 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 a majority of independent directors.

The Administrator, with the approval of its Board of Directors, has appointed the external firm of PricewaterhouseCoopers LLP as the auditors of the Fund. They have audited the financial statements of the Fund 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.

Signed

Mark A. Caranci
President
Blue Ribbon Fund Management Ltd.

Signed

Craig T. Kikuchi
Chief Financial Officer
Brompton Funds Management Limited

March 24, 2010

Auditors' Report

To the Unitholders of Blue Ribbon Income Fund:

We have audited the statement of investments of Blue Ribbon Income Fund (the "Fund") as at December 31, 2009, the statements of Net Assets as at December 31, 2009 and 2008 and the statements of operations and retained earnings (deficit), and changes in Net Assets for the years then ended. These financial statements are the responsibility 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 the Fund's Administrator, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2009 and 2008 and the results of its operations, and changes in its Net Assets for the years then ended in accordance with Canadian generally accepted accounting principles.

Signed

PricewaterhouseCoopers LLP
Chartered Accountants, Licensed Public Accountants
Toronto, Ontario

March 24, 2010

Statements of Net Assets

As at December 31	2009	2008
Assets		
Investments at fair value	**$ 242,057,625**	$ 186,443,141
Cash and short-term investments	**9,604,003**	20,946,540
Income receivable	**1,851,648**	2,265,181
Other receivables	**—**	302,503
Prepaid expenses	**—**	2,972,226
Total assets	**253,513,276**	212,929,591
Liabilities		
Accounts payable and accrued liabilities	**581,455**	20,381
Distributions payable to unitholders (note 6)	**1,960,591**	2,386,451
Total liabilities	**2,542,046**	2,406,832
Unitholders' equity		
Unitholder's capital (note 4)	**255,556,417**	283,452,526
Contributed surplus (note 4)	**22,223,970**	2,100,816
Deficit	**(26,809,157)**	(75,030,583)
Net Assets representing unitholders' equity (note 3)	**$ 250,971,230**	$ 210,522,759
Number of units outstanding (note 4)	**25,753,149**	28,075,895
Net Assets per unit	**$ 9.75**	$ 7.50

Approved on behalf of Blue Ribbon Income Fund by the Board of Directors of Blue Ribbon Fund Management Ltd., the Administrator.

Signed

Mark A. Caranci
Director

Signed

M. Paul Bloom
Director

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

Statements of Operations and Retained Earnings (Deficit)

For the years ended December 31	2009	2008
Income		
Distribution income	$ 17,516,744	$ 28,694,183
Interest income	194,000	802,898
Securities lending income	214,996	349,717
	17,925,740	29,846,798
Expenses		
Administration and investment management (note 7)	3,299,313	4,698,789
Service fees (note 7)	58,183	—
Audit fees	35,979	24,220
Director fees	126,095	68,819
Independent review committee fees	33,075	18,755
Trustee fees	52,755	25,419
Custodial fees	20,154	28,742
Legal fees	945,282	28,508
Unitholder reporting costs	1,336,001	59,803
Other administrative expenses	993,138	417,505
Severance and other costs	601,347	—
Termination fees	7,803,285	—
	15,304,607	5,370,560
Net investment income	2,621,133	24,476,238
Transaction costs (note 2)	(352,051)	(246,069)
Net realized gain (loss) on sale of investments	4,106,719	735,194
Change in unrealized appreciation (depreciation) of investments	60,028,336	(99,771,139)
Increase (decrease) in Net Assets from operations	66,404,137	(74,805,776)
Retained earnings (deficit), beginning of year	(75,030,583)	29,077,945
Distribution to unitholders	(18,182,711)	(29,302,752)
Deficit, end of year	$ (26,809,157)	$ (75,030,583)
Increase in Net Assets from operations per unit[1]	$ 2.54	$ 2.59

[1] Based on the weighted average number of units outstanding during the period.

Statements of Changes in Net Assets

For the years ended December 31	2009	2008
Net Assets, beginning of period	$ 210,522,759	$ 328,028,204
Operations:		
Increase (decrease) in Net Assets from operations	66,404,137	(74,805,776)
Unitholder transactions:		
Distributions to unitholders		
Net investment income	—	(24,230,169)
Capital gains	—	(735,194)
Return of capital	(18,182,711)	(4,337,389)
Total	(18,182,711)	(29,302,752)
Issuance of trust units (note 4)	—	51,852
Issuance of units upon Fund merger (note 1)	125,466,536	—
Repurchase of units (note 4)	(7,945,569)	(13,448,769)
Redemption of units (note 4)	(125,293,922)	—
Total unitholder transactions	(7,772,955)	(13,396,917)
Increase (decrease) in Net Assets during the period	40,448,471	(117,505,445)
Net Assets, end of period	$ 250,971,230	$ 210,522,759

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

Statement of Investments

As at December 31, 2009		Cost	Fair Value	% of Portfolio
No. of Units	**Business**			
150,000	AG Growth International Inc.	$ 3,818,493	$ 5,220,000	
206,500	Armtec Infrastructure Income Fund	2,615,276	5,216,190	
1,000,000	Chemtrade Logistics Income Fund	10,128,409	10,980,000	
580,700	Colabor Group Inc.	5,964,104	6,422,542	
849,500	Consumers' Waterheater Income Fund (The)	3,491,445	3,550,910	
300,000	IESI-BFC Ltd.	6,046,779	5,031,000	
502,200	Livingston International Income Fund	2,183,326	4,755,834	
981,400	Medical Facilities Corp.	9,972,675	8,842,414	
370,000	Morneau Sobeco Income Fund	3,365,228	3,629,700	
200,000	New Flyer Industries Inc.	2,007,836	1,998,000	
2,811,000	Noranda Income Fund, Class 'A'	12,366,729	7,083,720	
297,400	Northstar Healthcare Inc.	3,546,925	282,530	
800,000	Rogers Sugar Income Fund	3,904,000	3,888,000	
973,900	TransForce Inc.	7,344,030	8,122,326	
		76,755,255	**75,023,166**	**31.0%**
No. of Units	**Oil and Gas**			
550,000	ARC Energy Trust	10,989,000	10,967,000	
380,000	Baytex Energy Trust	11,331,600	11,221,400	
480,000	Bonavista Energy Trust	12,566,453	10,689,600	
240,000	Crescent Point Energy Corp.	9,412,800	9,468,000	
790,000	NAL Oil & Gas Trust	9,900,694	10,791,400	
750,000	Progress Energy Resources Corp.	10,251,460	10,575,000	
200,000	Vermilion Energy Trust	3,841,773	6,480,000	
		68,293,780	**70,192,400**	**29.0%**
No. of Units	**Power Generation**			
300,000	Innergex Power Income Fund	3,078,000	3,084,000	
300,000	Northland Power Income Fund	3,573,000	3,564,000	
		6,651,000	**6,648,000**	**2.7%**
No. of Units	**Pipeline/Energy**			
420,000	AltaGas Income Trust	8,424,960	7,883,400	
750,000	Fort Chicago Energy Partners L.P.	7,472,743	7,477,500	
660,000	Inter Pipeline Fund, Class 'A'	6,315,785	7,134,600	
563,900	Just Energy Income Fund	4,626,027	8,120,160	
393,855	Keyera Facilities Income Fund	8,337,437	9,586,431	
630,000	Superior Plus Corp.	9,147,600	9,204,300	
		44,324,552	**49,406,391**	**20.4%**
No. of Units	**Real Estate**			
1,250,000	Extendicare REIT	12,108,319	11,850,000	
375,000	Firm Capital Mortgage Investment Fund	3,933,750	3,915,000	
530,000	H&R REIT	8,466,840	8,162,000	
2,643,500	Huntingdon REIT	6,091,768	1,282,098	
647,000	InnVest REIT	3,429,100	3,435,570	
550,000	Morguard REIT	5,398,551	7,183,000	
250,000	RioCan REIT	5,012,465	4,960,000	
		44,440,793	**40,787,668**	**16.9%**
Total		**$ 240,465,380**	**$ 242,057,625**	**100.0%**

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

Notes to the Financial Statements

December 31, 2009 and 2008

1. OPERATIONS

Blue Ribbon Income Fund (the "Fund"), formerly Citadel Diversified Investment Trust, is a closed-end investment trust created under the laws of the Province of Ontario on July 11, 1997, pursuant to an amended and restated declaration of trust. Computershare Trust Company of Canada is the Trustee and Blue Ribbon Fund Management Ltd. (the "Administrator") is responsible for managing the affairs of the Fund. Bloom Investment Counsel, Inc. manages the Fund's portfolio. CIBC Mellon Global Securities Services Company is the custodian of the Fund's assets and prepares the weekly valuations of the Fund. The Fund is listed on the Toronto Stock Exchange and commenced operations on September 17, 1997.

On June 3, 2009, Citadel Fund Administrator (1472278 Alberta Ltd.)("CFA"), an entity in which Crown Hill Fund held a beneficial interest, became the Administrator of the Fund.

On August 27, 2009, CFA announced that Valiant Trust Company, a wholly-owned subsidiary of Canadian Western Bank, would replace Computershare Trust Company of Canada as Trustee for the Fund, effective immediately.

On September 30, 2009, a merger of the Fund with seven other funds was proposed by CFA but was not approved by the Fund's unitholders.

On October 13, 2009, CFA and Blue Ribbon Fund Management Ltd. entered into an agreement pursuant to which Citadel Fund Administrator agreed to put forth a proposal (the "Blue Ribbon Proposal") on behalf of the Administrator to unitholders of the Fund and unitholders of Series S-1 Income Fund. At a meeting of unitholders held on November 17, 2009, the Blue Ribbon Proposal was approved by unitholders of both funds with the support of over 94% of units voted at each meeting. Pursuant to the proposal, on November 20, 2009, CFA was terminated and Blue Ribbon Fund Management Ltd. was appointed as Administrator of the Fund. Similarly, CFA was terminated and Blue Ribbon Fund Management Ltd. was appointed as administrator of Series S-1 Income Fund. Blue Ribbon Fund Management Ltd. engaged Brompton Funds Management Limited to be the sub-administrator of the Fund. Computershare Trust Company of Canada was reappointed Trustee of the Fund. No costs associated with the November 2009 meetings were charged to the Fund; all costs were borne by Blue Ribbon Management Ltd.

During 2009, under the previous administrators, the Fund incurred termination fees (see Note 7), director fees, trustee fees, legal fees, unitholder reporting costs, other administrative expenses, severance and other costs relating to the change in administrator from Citadel Group of Funds to CFA and subsequently to Blue Ribbon Fund Management Ltd. The Fund also incurred costs related to a merger proposal by CFA which was not approved by the unitholders of the Fund. Total costs related to these matters amounted to approximately $11.2 million.

Pursuant to the unitholders approving the Blue Ribbon Proposal, the declaration of trust was further amended and restated on November 20, 2009 to, among other things:

i) change the name of the Fund from "Citadel Diversified Investment Trust" to "Blue Ribbon Income Fund";

ii) create provisions allowing for the merger of Series S-1 Income Fund into the Fund, which occurred on December 31, 2009;

iii) establish an annual redemption right in November at 100% of Net Asset Value less any direct costs;

iv) amend the investment objectives, investment policies and investment restrictions of the Fund;

v) remove the fixed termination date and provide for certain other termination events, including termination of the Administrator without the payment of any termination fees on the approval of unitholders by Extraordinary Resolution; and

vi) provide certain other improved governance features.

On December 31, 2009, the Fund issued 12,867,782 units with a fair value of $125,466,536 to the unitholders of Series S-1 Income Fund as a result of the merger which was approved at the November 17, 2009 unitholder meeting.

The following table summarizes the fair values of assets acquired and liabilities assumed.

	2009
Assets	
Investments	$ 121,223,478
Cash and short-term investments	5,819,618
Total assets acquired	127,043,096
Liabilities	
Accounts payable and accrued liabilities	324,665
Distributions payable to unitholders	1,251,895
Total liabilities assumed	1,576,560
Net Assets acquired	$ 125,466,536

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and they include estimates and assumptions made by management that affect the reported amounts of assets and liabilities at the date of these financial statements and the reported amounts of income and expenses during the periods for which the financial statements report. Actual results could differ from these estimates.

a) Adoption of New Accounting Standards

Basis of Fair Value Measurement

Effective January 1, 2009, the Fund adopted the amendments to the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3862, "Financial Instruments – Disclosures," which require additional disclosure about the estimated fair value of financial instruments.

The amendments to Section 3862 require the Fund to classify its investments into three categories based on the nature of the inputs used to determine their fair value. The categories and the nature of the inputs used in each category are as follows:

Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs, other than quoted prices, that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3: Inputs that are unobservable. There is little if any market activity. Inputs into the determination of fair value require significant management judgement or estimation.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

EIC-173 – Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

On January 20, 2009, the Canadian Accounting Standards Board ("AcSB") issued Emerging Issues Committee Abstract 173: Credit Risk and the Fair Value of Financial Assets and Financial Liabilities ("EIC-173"). EIC-173 supplements CICA Handbook Section 3855 wherein it states that fair value takes into account the credit quality of a financial instrument. The EIC affirms that an entity's own credit risk (in the case of financial liabilities) and a counterparty's credit risk (in the case of financial assets) should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments.

The Administrator has reviewed its policies over valuation of assets and liabilities and believes that the fair values ascribed to financial assets and financial liabilities in these financial statements incorporate appropriate levels of credit risk.

b) Valuation of Investments

Investments are deemed held for trading in accordance with Section 3855. The Fund's investments are valued at estimated fair value. Investments held long that are publicly traded are valued at their bid price on the valuation date. Investments with no available bid price are valued at their closing price. Short-term investments and bonds are valued at the average bid quotations from recognized investment dealers. Securities for which quotations are not readily available are valued at their fair value primarily based on the results of valuation techniques using observable market inputs. The cost of investments is based on their average cost.

c) Cash and Short-term Investments

Cash and short-term investments consist of cash on hand and short-term debt investments with maturities of less than three months on acquisition. Cash and short-term investments are deemed held for trading and therefore are carried at fair value.

d) Investment Transactions and Income Recognition

Investment transactions are recorded on trade date and any realized gains or losses are recognized using the average cost of the investments. Interest income is recognized on an accrual basis. Distributions from income trusts are recognized on the ex-distribution date. Dividend income is recognized on the ex-dividend date. Net realized gains or losses on investments include net realized gains or losses from foreign currency changes.

e) Transaction Costs

Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities are expensed and are recognized in the Statement of Operations and Retained Earnings (Deficit).

f) Income Taxes

The Fund qualifies as a mutual fund trust under the Income Tax Act (Canada). Provided the Fund makes distributions in each year of its net income and net realized capital gains, the Fund will not generally be liable for income tax. It is the intention of the Fund to distribute all of its net income and net realized capital gains on an annual basis. Accordingly, no income tax provision has been recorded.

g) Foreign Exchange

The fair values of investments and other assets and liabilities that are denominated in foreign currencies are translated into Canadian dollars at the 11 a.m. rate of exchange on each valuation date. Investments and loan transactions, and income and expenses denominated in foreign currencies are translated at the rate of exchange prevailing on the date of such transactions.

Notes to the Financial Statements (continued)

h) Securities Lending

The Fund may enter into securities lending transactions. These transactions involve the temporary exchange of securities as collateral with a commitment to deliver the same securities on a future date. Income is earned from these transactions in the form of fees paid by the counterparty and, in certain circumstances, interest paid on securities held as collateral. Income earned from these transactions is recognized on an accrual basis and included in the Statement of Operations and Retained Earnings (Deficit).

i) Other Assets and Liabilities

For the purposes of categorization in accordance with Section 3855, income receivable is designated as loans and receivables and recorded at cost or amortized cost. Similarly, accounts payable and accrued liabilities and distributions payable to unitholders are designated as financial liabilities and reported at cost or amortized cost. Cost or amortized cost approximates fair value for these assets and liabilities due to their short-term nature.

j) Future Accounting Changes

The AcSB has confirmed its plan to adopt all International Financial Reporting Standards ("IFRS"), as published by the International Accounting Standards Board, on or by January 1, 2011. In accordance with Canadian GAAP and AcSB's plan, the Fund will adopt IFRS.

The Fund has developed a plan to meet the timetable published by the CICA for changeover to IFRS. Key elements of the plan include the determination of the qualitative impact and the quantitative impact, if any, on the Fund's financial statements in accordance with IFRS. The Fund has presently determined that there will be no impact to Net Assets per unit from the changeover to IFRS. The impact of IFRS on accounting policies and implementation decisions will mainly be in the area of additional note disclosures and, potentially, different presentation of unitholders' equity in the financial statements of the Fund.

k) Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

3. RECONCILIATION OF NET ASSETS TO NET ASSET VALUE

In accordance with National Instrument ("NI") 81-106, a reconciliation is required between the Net Assets for financial reporting purposes (the "Net Assets") and the Net Asset Value for reporting other than in the financial statements (the "Net Asset Value"). The reconciliation is as follows:

As at December 31		2009		2008
	Total	**Per Unit**	Total	Per Unit
Net Asset Value	**$ 251,758,705**	**$ 9.78**	$ 211,948,909	$ 7.55
Section 3855 adjustment	**(787,475)**	**(0.03)**	(1,426,150)	(0.05)
Net Assets	**$ 250,971,230**	**$ 9.75**	$ 210,522,759	$ 7.50

4. UNITS OF THE FUND

Authorized

The Fund is authorized to issue an unlimited number of transferable, redeemable units of beneficial interest, each of which represents an equal, undivided interest in the Net Asset Value of the Fund. Each unit entitles the holder to one vote and to participate equally with respect to any and all distributions made by the Fund. Beginning in 2010, units may be redeemed at the option of unitholders by tendering units of the Fund by the last business day of October for redemptions on the second last business day of November ("Redemption Valuation Date"). Redemption of tendered units will be settled based on the Net Asset Value per unit on the Redemption Valuation Date less associated costs of the redemption, including brokerage costs. Units tendered for redemption will be redeemed effective the Redemption Valuation Date of each year and will be settled on or before the tenth business day in December, subject to the Administrator's right to suspend redemptions in certain circumstances. For purposes of calculating the Net Asset Value per unit, the value of the securities that make up the portfolio will be equal to the weighted average trading price of such securities over the last three business days of November. In 2009, the Fund had a special redemption on November 20, 2009.

The Fund received approval from the Toronto Stock Exchange for a normal course issuer bid program. The Fund renewed its issuer bid for the period from December 2, 2009 to December 1, 2010. Pursuant to this issuer bid, the Fund is permitted to purchase up to 1,286,500 units for cancellation. The Fund may only repurchase units when the Net Asset Value per unit exceeds its trading price.

The Fund had 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% were repurchased for cancellation, subject to a maximum of 1.25% in each calendar quarter of the total number of units outstanding at the beginning of such quarter. This program was discontinued as of November 20, 2009. Units are now repurchased pursuant to the issuer bid program described above.

Issued

	2009		2008	
	Number of Units	**Amount**	Number of Units	Amount
Units, beginning of year	**28,075,895**	**$ 283,452,527**	29,598,297	$ 298,828,279
Issuance of units upon Fund merger, net	**12,867,782**	**125,466,536**	—	—
Issued for service	—	—	5,698	51,852
Repurchase of units	**(1,186,200)**	**(11,975,803)**	(1,528,100)	(15,427,605)
Redemption of units	**(14,004,328)**	**(141,386,843)**	—	—
Units, end of year	**25,753,149**	**$ 255,556,417**	28,075,895	$ 283,452,526

On December 31, 2009, the Fund completed the merger with Series S-1 Income Fund by issuing units of the Fund in exchange for Net Assets of Series S-1 Income Fund. As a result of the merger, the Fund issued 12,867,782 units based on the exchange ratio for a total of $125,466,536.

On November 20, 2009, 14,004,328 units were redeemed at $8.95 per unit.

During the year ended December 31, 2009, a total of 1,186,200 units were repurchased for cancellation at an average cost of $6.70 per unit (2008 – 1,528,100 units at an average cost of $8.80 per unit).

As at December 31, 2009, the Fund had accumulated contributed surplus of $22,223,970 (2008 – $2,100,816). Contributed surplus is recorded when units of the Fund are redeemed or repurchased at prices per unit which are below the average cost per unit of unitholders' capital.

The weighted average number of units outstanding for the year ended December 31, 2009, was 26,095,899 (2008 – 28,849,376).

5. CAPITAL MANAGEMENT

The Fund's objectives in managing its capital are to provide unitholders with monthly cash distributions and the opportunity to participate in gains in the value of the investment portfolio. The Fund's capital includes unitholders' equity. The Fund manages its capital taking into consideration the risk characteristics of its holdings. In order to manage its capital structure, the Fund may adjust the amount of distributions paid to unitholders, return capital to unitholders, increase or decrease its level of borrowing, issue warrants or purchase units for cancellation.

6. DISTRIBUTIONS PAYABLE TO UNITHOLDERS

Distributions, as declared by the Administrator, are made on a monthly basis to unitholders of record on the last business day of each month. The distributions are payable by the tenth business day of the following month. For the year ended December 31, 2009, the Fund declared total distributions of $0.72 (2008 – $1.02) per unit, which amounted to $18,182,711 (2008 – $29,302,752). Under the Fund's distribution reinvestment plan, unitholders may elect to reinvest monthly distributions in additional units of the Fund, which may be issued from treasury or purchased in the open market. For the years ended December 31, 2009 and 2008, no units in respect of distributions were issued by the Fund.

7. MANAGEMENT AND SERVICE FEES AND OTHER RELATED PARTY EXPENSES

Prior to June 3, 2009, Citadel Diversified Management Ltd. ("CDML") was the administrator of the Fund. On June 3, 2009, Citadel Funds Administrator became the administrator of the Citadel Group of Funds. Pursuant to the administrative services agreement until November 20, 2009, total annual administrative and investment management fees were equal to 1.5% of the aggregate average weekly Net Asset Value of the Fund.

Effective November 20, 2009, Blue Ribbon Fund Management Ltd. was appointed the Administrator of the Fund. Pursuant to a management agreement, the Administrator provides management and administrative services to the Fund, for which it is paid an Administrator fee equal to 0.50% per annum of the Net Asset Value of the Fund, plus applicable taxes. The Fund also pays to the Administrator a service fee equal to 0.40% per annum of the Net Asset Value of the Fund. The service fee is in turn paid by the Administrator to the investment dealers in proportion to the number of units held by clients of each dealer at the end of each calendar quarter. Bloom Investment Counsel, Inc. continues to be the Investment Manager of the Fund and is paid an investment management fee equal to 0.50% per annum of the Fund plus applicable taxes.

Severance and other costs include severance payments of $456,419 made on June 3, 2009 to the departing employees of an affiliate of CDML. In connection with the termination of CFA by the Fund, CFA was paid a termination fee of $7,803,285 by the Fund in accordance with the CFA administration agreement.

Notes to the Financial Statements (continued)

8. Investment Transactions

	2009	2008
Proceeds from sale of investments	**$ 156,655,195**	$ 69,303,283
Less cost of investments sold:		
Investments at cost, beginning of year	**244,879,232**	251,609,624
Investments purchased during the year	**26,911,146**	61,837,697
Investments transferred in upon the merger	**121,223,478**	—
Investments at cost, end of year	**(240,465,380)**	(244,879,232)
Cost of investments sold during the year	**152,548,476**	68,568,089
Net realized gain (loss) on sale of investments	**$ 4,106,719**	$ 735,194

For the years ended December 31, 2009 and 2008, there were no soft dollar amounts paid.

9. Securities Lending

The Fund has entered into a securities lending program with its custodian, CIBC Mellon Global Securities Services Company. The Fund will receive collateral of at least 105% of the value of the securities on loan. Collateral will generally be comprised of cash and obligations of, or guaranteed by, the Government of Canada or a province thereof, or the United States Government or its agencies. The market values of the securities on loan and the related collateral at December 31, 2009, were $24.0 million (2008 – $40.4. million) and $25.3 million (2008 – $43.4 million), respectively.

10. Loans Payable

The Fund had a revolving credit facility with a Canadian chartered bank for up to a maximum amount of $15,000,000. In July 2009, the loan facility was cancelled. Borrowings were collateralized by a demand debenture in the amount of $55,000,000, which provided a first floating charge over the Fund's assets. There were no borrowings in 2009.

11. Financial Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Statement of Investments presents the securities held by the Fund as at December 31, 2009. Significant risks that are relevant to the Fund are discussed below.

The Administrator attempts to minimize potential adverse effects of these risks on the Fund's performance by employing a professional, experienced Investment Manager who diversifies the investment portfolio within the constraints of the investment objectives. To assist in managing risks, the Administrator also maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and restrictions, internal guidelines, and securities regulations.

The investment portfolio is primarily comprised of income trusts and Canadian equities.

a) Other Price Risk

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

The Fund is exposed to other price risk from its investment in income trusts and equity securities. As at December 31, 2009, had the prices on the respective stock exchanges for these securities increased or decreased by 10%, with all other variables held constant, Net Assets would have increased or decreased by approximately $24.2 million or 9.64% of total Net Assets (2008 – approximately $18.6 million or 8.86% of total Net Assets). In practice, the actual trading results may differ, and the difference could be material.

b) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The carrying amount of the Fund's other assets represents the maximum credit risk exposure, as they will be settled in the short term.

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. The trade will fail if either party fails to meet its obligation.

The Fund has entered into a securities lending program with its custodian; see note 9. Credit risk associated with these transactions is considered minimal as all counterparties have a sufficient, approved credit and the value of cash or securities held as collateral must be at least 105% of the fair value of the securities loaned.

c) Liquidity Risk

Liquidity risk is the risk that the Fund may not be able to settle or meet its obligations on time or at a reasonable price. The Fund is exposed to liquidity risk through its annual redemptions. For the annual redemption, the Fund receives notice at least 20 business days prior to the date of redemption and has up to 10 business days following the date of redemption to settle the redemptions, which provides the Investment Manager time to sell securities, although there may not be sufficient time to sell the securities at a reasonable price.

All of the Fund's financial liabilities had maturities of less than three months.

12. FAIR VALUE DISCLOSURES

The Fund's assets and liabilities recorded at fair value have been categorized in accordance with the amendments to Section 3862 (see note 2) as follows:

As at December 31, 2009	Level 1	Level 2	Level 3	Total
Equities	$ 242,057,625	$ —	$ —	$ 242,057,625
Total investments	**$ 242,057,625**	**$ —**	**$ —**	**$ 242,057,625**

There were no transfers among the levels during the year.

13. SUBSEQUENT EVENT

The Fund issued 12,845,931 warrants on the basis of one-half of one warrant for each unit outstanding on March 9, 2010. A whole warrant entitles the holder to subscribe for one unit of the Fund at a subscription price of $9.62. Warrants not exercised prior to June 25, 2010 will be void and of no value. Upon the exercise of a warrant, the Fund will pay a fee equal to $0.15 per warrant to the dealer whose client is exercising the warrant.

Corporate Information

Independent Review Committee

James W. Davie, BComm, MBA

Arthur R.A. Scace, QC, CM

Ken S. Woolner, BSc, PEng

Directors of Blue Ribbon Fund Management Ltd.

M. Paul Bloom, BA (Hons)
Executive Vice President
and Chairman

Mark A. Caranci, BComm, CA
President and Director

Officers of Brompton Funds Management Limited

Peter A. Braaten, BA, MBA
Director

Raymond R. Pether, BA, MBA
Director

Mark A. Caranci, BComm, CA
Director, President and
Chief Executive Officer

Craig T. Kikuchi, BA, CA, CFA
Chief Financial Officer

David E. Roode, BA, CA, MBA
Senior Vice President

Moyra E. MacKay, BA
Vice President and Corporate Secretary

Lorne J. Zeiler, BA, MBA, CFA
Vice President

Ann P. Wong, BA, MAcc, CA,
CPA (Delaware), CFA
Vice President and Controller

Christopher Cullen, BASc, MBA, CFA
Vice President

Officers of Bloom Investment Counsel, Inc.

M. Paul Bloom, BA (Hons)
Director, President and Secretary

Niall C.T. Brown, BA (Hons), CFA
Vice President

Sara N. Gottlieb, BA (Hons), CFA
Vice President

Continuous Disclosure Manager

Contact: **David E. Roode**
Phone: 416-642-6008
Email: roode@bromptongroup.com

Transfer Agent

Computershare Investor Services Inc.

Custodian

CIBC Mellon Global Securities
Services Company

Auditors

PricewaterhouseCoopers LLP

Website

www.bromptongroup.com

Mailing Address
Bay Wellington Tower, Brookfield Place
181 Bay Street
Suite 2930, P.O. Box 793
Toronto, ON M5J 2T3

General Inquiries: 416-642-6000
Investor Relations: 416-642-9051
Fax: 416-642-6001
Toll Free: 866-642-6001
Website: www.bromptongroup.com