2012 ANNUAL REPORT

BLUE RIBBON INCOME FUND

RBN.UN

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

Management Report of Fund Performance

March 18, 2013

This annual management report of fund performance for Blue Ribbon Income Fund (the "Fund") 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 annual or interim financial statements, at no cost, by calling 1-866-642-6001 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.blueribbonincomefund.com or SEDAR at www.sedar.com. Unitholders may also contact us by 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 in this management report of fund performance, unless otherwise noted, are based on the Fund's calculation of its Net Asset Value, which is in accordance with the terms of the Fund's declaration of trust.

The Fund

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

Investment Objectives and Strategies

The Fund's investment objectives are to provide unitholders with high monthly distributions and low management fees, together with the opportunity for capital appreciation.

Risks

Risks associated with an investment in the units of the Fund are discussed in the Fund's 2012 annual information form, which is available on the Fund's website at www.blueribbonincomefund.com or on SEDAR at www.sedar.com. There were no changes to the Fund over the period that materially affected the risks associated with an investment in the units of the Fund.

Recent Developments

On December 19, 2012 the Fund completed a treasury offering of 3,865,000 units for total gross proceeds of approximately $44.2 million. The units were offered at a price of $11.43. The offering price of the units was determined so as to be non-dilutive to the most recently calculated net asset value per unit of existing unitholders prior to the filing of the final prospectus. The net proceeds were used to purchase securities in accordance with the Fund's investment objectives.

Results of Operations

Distributions and Net Change in Assets from Operations

During the 12 months ended December 31, 2012, the Fund declared $0.81 per unit in cash distributions, a $0.15 per unit increase over 2011. This reflected the decision to increase the monthly cash distribution to $0.07 per unit from $0.055 in October 2012 and to pay a special distribution of $0.10 per unit in December in anticipation of additional capital gains in excess of planned distributions. Higher regular monthly payments represented a yield of 7.5% on the Fund's Net Asset Value at December 31, 2012. Since inception in September 1997, the Fund has paid total cash distributions of $14.40 per unit.

Total revenue from the Fund's portfolio was $0.66 per unit for the 12 months ended December 31, 2012, compared to $0.71 per unit in 2011. Expenses for 2012 amounted to $0.21 per unit, compared to $0.20 per unit in 2011.

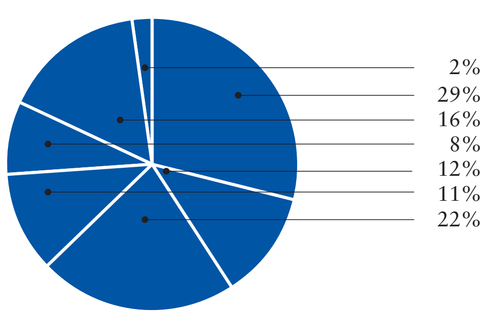
Net Asset Value

The Net Asset Value per unit of the Fund was $10.96 at December 31, 2012, 3.1% or $0.35 lower than at December 31, 2011, due to weak performance in the portfolio's oil and gas sector investments. The aggregate Net Asset Value of the Fund was $266.7 million at year end, a $30.0 million increase compared to December 31, 2011. The increase reflected the addition of $42.1 million of capital raised through a treasury offering completed on December 19, 2012, and an increase of $9.7 million in net assets from operations, partially offset by $16.9 million in cash distributions, $2.9 million in redemptions and $2.4 million for unit repurchases.

Investment Portfolio

At year end, the Fund owned 27 dividend-paying equities and income trusts, compared to 28 as at December 31, 2011. The Fund had a net realized and unrealized gain of $0.6 million in 2012 with industrial and real estate making the largest contributions. At year end, the portfolio also held $53.9 million in cash largely from the December 19, 2012 treasury offering pending deployment. The portfolio's investment weighting (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.

Portfolio Sectors



Net Gains (Losses) By Sector (millions)	Realized	Unrealized	Total
Financial	0.0	0.2	0.2
Oil and gas	1.1	(10.2)	(9.1)
Real estate	2.2	2.3	4.5
Consumer staples and discretionary	0.0	1.9	1.9
Material	0.5	(1.7)	(1.2)
Industrial	1.6	4.0	5.6
Pipes, power, utilities and infrastructure	5.2	(6.5)	(1.3)
Healthcare	0.0	0.0	0.0
Total	**10.6**	**(10.0)**	**0.6**

Liquidity

To provide liquidity for unitholders, units of the Fund are listed on the TSX under the symbol RBN.UN. The Fund's normal course issuer bid program allows it 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 at the time of purchase. During 2012, 220,100 units were purchased at an average price per unit of $11.06.

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

Pursuant to an administration agreement, the Administrator provides management and administrative services to the Fund, for which it is paid an administration fee equal to 0.50% per annum of the Net Asset Value of the Fund, plus applicable taxes. The Administrator is also reimbursed for all general and administrative expenses that relate to the operation of the Fund. These expenses amounted to $658,307 in 2012 and $406,244 in 2011. The administration fee is used by the Administrator to cover its costs to obtain the Fund's assets, the cost to administer the Fund and for profit. 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. Bloom Investment Counsel, Inc. is the Investment Manager of the Fund, and is paid an investment management fee of 0.50% per annum of the Net Asset Value of the Fund. During the 12 months ended December 31, 2012, administration and investment management fees amounted to $2.5 million and service fees were $0.9 million.

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 and unaudited interim financial statements. *The information in the following tables is presented in accordance with National Instrument ("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	**2012**	2011	2010	2009	2008
Net Assets per unit, beginning of year[(2)]	$ **11.28**	$ 11.09	$ 9.75	$ 7.50	$ 11.08
Increase (decrease) from operations:[(3)]					
Total revenue	**0.66**	0.71	0.66	0.69	1.03
Total expenses	**(0.21)**	(0.20)	(0.18)	(0.59)	(0.19)
Realized gains (losses)	**0.50**	0.35	0.35	0.14	0.03
Unrealized gains (losses)	**(0.49)**	(0.04)	1.52	2.30	(3.46)
Total increase (decrease) in Net Assets from operations	$ **0.46**	$ 0.82	$ 2.35	$ 2.54	$ (2.59)
Distributions to unitholders:					
From net investment income	**0.23**	0.47	0.40	—	0.84
From capital gains	**0.52**	—	—	—	0.03
Return of capital	**0.06**	0.19	0.44	0.72	0.15
Total distributions to unitholders	$ **0.81**	$ 0.66	$ 0.84	$ 0.72	$ 1.02
Net Assets per unit, end of year	$ **10.93**	$ 11.28	$ 11.09	$ 9.75	$ 7.50

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

(3) 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)

	2012	2011	2010	2009	2008
Net Asset Value (000's)	$ **266,686**	$ 236,652	$ 256,514	$ 250,971	$ 210,523
Number of units outstanding	**24,324,241**	20,915,178	23,091,289	25,753,149	28,075,895
Management expense ratio ("MER")[(1)]	**2.80%**	1.84%	2.21%	7.23%	1.80%
Trading expense ratio[(2)]	**0.05%**	0.05%	0.05%	0.17%	0.08%
Portfolio turnover rate[(3)]	**12.92%**	4.94%	9.38%	78.96%	20.50%
Net Asset Value per unit	$ **10.96**	$ 11.31	$ 11.09	$ 9.78	$ 7.55
Closing Market price	$ **11.27**	$ 10.79	$ 10.64	$ 9.78	$ 5.27

(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 extra ordinary expenses associated with the reorganization of the Fund. Please see the Expense Ratio section following this table for further discussion of the calculation.

(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.

Expense Ratio

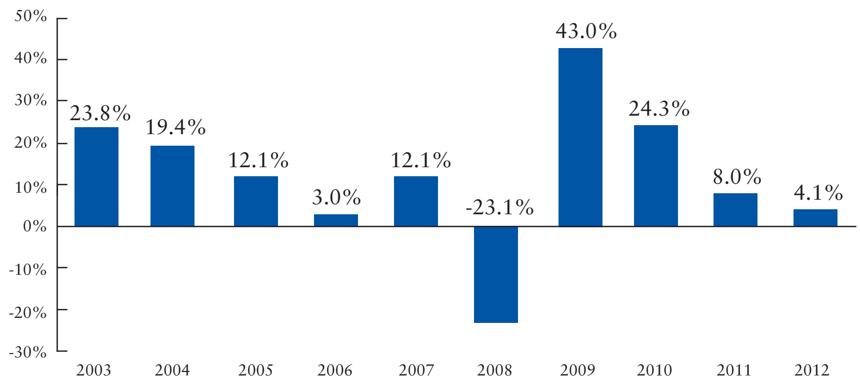
The Fund's MER was 2.80% for the 12 months ended December 31, 2012, compared to 1.84% for the year ended December 31,2011, reflecting one-time unit issuance costs and agent fees of $2.0 million related to the December 19, 2012 treasury offering. Excluding these one-time costs, MER in 2012 was 1.93% compared to 1.75% in 2011. The year-over-year increase in the MER excluding one-time costs reflected higher operating expenses within 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 approximately 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, 2003 to December 31, 2012. 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 Composite Index ("Composite Index"). The Composite Index tracks the performance, on a market weight basis and a total return basis, of a broad index of large-capitalization issuers listed on the TSX including common stocks, REITs and income trust units. Since the Fund is actively managed, the sector weightings differ from those of the Composite Index. In addition, the Fund's portfolio contains predominantly high dividend paying securities, whereas the Composite Index does not necessarily focus on this type of investment. For these reasons it is not expected that the Fund's performance will mirror that of the Composite Index. Further, the Composite Index is calculated without the deduction of management 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	**4.1%**	11.8%	8.2%	11.4%	12.2%
S&P/TSX Composite Index	**7.2%**	4.8%	0.8%	9.2%	6.2%

(1) Period from September 16, 1997 (commencement of operations) to December 31, 2012.

Since inception and for the three, five and ten-year periods, the Fund has consistently outperformed the Composite Index even after taking into account administration costs, due to the value of investing in high-income equities, coupled with careful security selection by the Investment Manager. The Fund's portfolio differs from the Composite Index in that the Fund's portfolio tends to pay distributions and dividends at a higher rate than the Composite Index and the portfolio sector weightings of the portfolio may vary from the Composite Index. In 2012, the Fund underperformed the benchmark on a one-year basis due to an overweighting in the energy sector(including oil and gas and pipes, power, utilities and infrastructure sectors). At 53% of the portfolio at year-end 2012, the Fund holds a higher weighting in the energy sector than the Composite Index weighting of 25%. In 2012, the energy sector in the Composite Index declined 8.2%.

Summary of Investment Portfolio

As at December 31, 2012

Total Net Asset Value	$ 266,685,785

Portfolio Composition	**% of Portfolio**	**% of Net Asset Value**
Oil and gas	22.3%	22.4%
Cash and short-term investments	20.1%	20.2%
Pipes, power, utilities and infrastructure	16.5%	16.6%
Real estate	12.0%	12.0%
Materials	9.4%	9.4%
Industrial	8.9%	8.9%
Consumer staples and discretionary	6.5%	6.5%
Healthcare	3.0%	3.0%
Financial	1.3%	1.3%
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**
Cash and short-term investments	20.1%	20.2%
TransForce Inc	5.6%	5.6%
Vermilion Energy Inc.	4.9%	4.9%
Chemtrade Logistics Income Fund	4.8%	4.8%
Noranda Income Fund	4.6%	4.6%
ARC Resources Ltd.	4.6%	4.6%
Keyera Corp.	4.4%	4.4%
AltaGas Ltd	4.0%	4.0%
Veresen Inc.	4.0%	4.0%
Huntingdon Capital Corp.	3.4%	3.4%
Crescent Point Energy Corp.	3.4%	3.4%
Bonavista Energy Corp.	3.3%	3.3%
Superior Plus Corp.	3.3%	3.3%
Baytex Energy Corp.	3.2%	3.2%
Extendicare Inc.	3.0%	3.0%
Pengrowth Energy Corporation	3.0%	3.0%
Morguard REIT	2.7%	2.7%
EnerCare Inc.	2.6%	2.6%
Colabor Group Inc.	2.5%	2.5%
Innergex Renewable Energy Inc.	1.9%	1.9%
Innvest REIT	1.9%	1.9%
True North Apartment REIT	1.5%	1.5%
Whistler Blackcomb Holdings Inc.	1.4%	1.4%
Inter Pipeline Fund	1.4%	1.4%
Toronto Dominion Bank	1.3%	1.3%

The investment portfolio may change due to ongoing portfolio transactions of the investment fund. Quarterly updates are available on the Fund's website at www.blueribbonincomefund.com within 60 days of each quarter end.

2012 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 units 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 (Investment Income and Non-Investment Income) in Box 26, Foreign Non-Business Income in Box 25, Capital Gains in Box 21 and Eligible Dividend Income in 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 2012 on a per unit basis.

Record Date	Payment Date	Return of Capital	Eligible Dividend	Capital Gains	Total Distributions
Jan. 31, 2012	Feb. 14, 2012	$ 0.00379	$ 0.01589	$ 0.03532	$ 0.05500
Feb. 29, 2012	Mar. 14, 2012	0.00379	0.01589	0.03532	0.05500
Mar. 30, 2012	Apr. 16, 2012	0.00379	0.01589	0.03532	0.05500
Apr. 30, 2012	May 14, 2012	0.00379	0.01589	0.03532	0.05500
May 31, 2012	Jun. 14, 2012	0.00379	0.01589	0.03532	0.05500
Jun. 29, 2012	Jul. 16, 2012	0.00379	0.01589	0.03532	0.05500
Jul. 31, 2012	Aug. 15, 2012	0.00379	0.01589	0.03532	0.05500
Aug. 31, 2012	Sep. 17, 2012	0.00379	0.01589	0.03532	0.05500
Sep. 28, 2012	Oct. 15, 2012	0.00379	0.01589	0.03532	0.05500
Oct. 31, 2012	Nov. 14, 2012	0.00482	0.02022	0.04496	0.07000
Nov. 30, 2012	Dec. 14, 2012	0.00482	0.02022	0.04496	0.07000
Nov. 30, 2012	Dec. 14, 2012	0.00689	0.02888	0.06423	0.10000
Dec. 31, 2012	Jan. 15, 2013	0.00482	0.02022	0.04496	0.07000
		$ 0.05546	$ 0.23255	$ 0.51699	$ 0.80500

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 Investment Counsel, Inc. ("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 dividend-paying common equity securities, income trusts, real estate investment trusts and limited partnerships. Bloom has managed more than ten TSX-listed closed-end portfolios in this specialty area since 1997, with an aggregate market value of over $2.5 billion.

BLOOM
INVESTMENT COUNSEL, INC.

Investment Manager's Report

January 4, 2013

The Canadian Economy

Canadian Real GDP rose 0.1% in October, the most recent data available, which was in line with consensus expectations. Year-over-year, output is now tracking towards a 1.1% rate, well below the Bank of Canada's 2.0% target. Manufacturing fell for the third consecutive month after a solid summer period primarily impacted by weak machinery and food processing results. Overall, the goods-producing sector has fallen 0.1% year-over-year and it is the services-producing sectors that are carrying the economic load, delivering a positive 1.7% year-over-year. The outlook for 2013 appears to be another period of moderate growth, especially now that the housing market is starting to show some signs of weakness.

Headline Canadian CPI for the month of November, the latest statistic available, fell to 0.8% and Core CPI readings fell by 0.2% to sit at 1.2%, both much weaker than the consensus expectations. These weak numbers were last seen in 2009 and are well below the Q4 expectations of a 1.5% average and also well below the Bank of Canada's 2.0% annualized target. The weak inflation numbers result from declines across multiple sectors. Household shelter costs fell by 0.1%, health and personal care costs were flat and transportation costs fell by 1.2% primarily due to lower gasoline prices. Food price inflation fell by 1.7%.

November existing home sales data was weak in Canada after a brief fall recovery that was not sustained. National sales were down 1.7% for the month and down 11.9% year-over-year. However, national home prices continue to remain steady, though increases in value were very modest. The MLS Home Price Index eased off for the month but is still up 3.5% from last year. Vancouver saw the largest drop, 6.3% from last year. The results suggest that the Federal Government policy changes invoked in July are having the expected softening effect on the housing market.

Consensus expectations for the Canadian unemployment rate turned out to be much too dire as the December figures improved to 7.1%, significantly better than the 7.3% consensus. December job gains increased dramatically by 40K, well above the 4K expected. Normally these results would be attributed to seasonal hires for the holiday season but the hiring was focused on full-time private paid work across all sectors. Construction and factory employment was very strong, followed by retail and wholesale trade, transportation and healthcare. The energy sector had weaker results coming off from strong results in the prior month. Wages continued a positive trend, up 2.5%, but still not enough to trigger fears of inflation. These results, therefore, are considered to be very robust and bode well for 2013.

During the last quarter, the price of oil, as measured by the one year forward strip for WTI in Canadian dollars, fell by 7.5% from $100.81 to $93.24. The Canadian AECO natural gas 12-month forward strip price was stronger last quarter, rising by 7.7% from $2.77 to $2.99. Canadian spot oil and gas prices at quarter-end stood at $91.40/barrel and $2.97/GL respectively.

Market Performance

For the full 2012 year, the S&P/TSX Equity Income Index on a total return basis provided a return of 7.6% while the broad market S&P/TSX Composite Index on the same basis returned 7.2%.

Outlook

While there may be periods of strength during the year our outlook for the Canadian equity markets for all of 2013 remains somewhat subdued. Total investment returns that include dividend income should, however, provide for a positive overall return. Our relatively strong currency continues to hinder our economic growth despite signs of improvement south of the border. The housing market is clearly showing the impact of last summer's changes in mortgage lending rules with declining prices and demand occurring in many parts of the country. Perhaps this is not a disappointing result considering the levels of debt being carried by the Canadian consumer.

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 Fund (the "Fund") have been prepared by Blue Ribbon Fund Management Limited (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"*

Mark A. Caranci
President
Blue Ribbon Fund Management Limited

//signed// *"Craig T. Kikuchi"*

Craig T. Kikuchi
Chief Financial Officer
Blue Ribbon Fund Management Limited

March 18, 2013

Independent Auditor's Report

To the Unitholders of Blue Ribbon Income Fund (the "Fund"):

We have audited the accompanying financial statements of the Fund, which comprise the statement of investments as at December 31, 2012, the statements of net assets as at December 31, 2012 and 2011 and the statements of operations and retained earnings and changes in net assets for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2012 and 2011 and the results of its operations and the changes in its net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

//signed// *"PricewaterhouseCoopers LLP"*

PricewaterhouseCoopers LLP
Chartered Accountants, Licensed Public Accountants
Toronto, Ontario

March 18, 2013

Statements of Net Assets

As at December 31	**2012**	2011
Assets		
Investments at fair value	**$ 213,083,867**	$ 233,748,996
Cash and short-term investments	**53,870,587**	2,434,529
Income receivable	**1,269,950**	1,379,026
Total assets	**268,224,404**	237,562,551
Liabilities		
Accounts payable and accrued liabilities	**655,560**	388,883
Distributions payable to unitholders (note 7)	**1,702,697**	1,150,335
Total liabilities	**2,358,257**	1,539,218
Unitholders' equity		
Unitholders' capital (note 4)	**243,487,626**	205,793,814
Contributed surplus (note 4)	**11,298,847**	11,901,598
Retained earnings	**11,079,674**	18,327,921
Net Assets representing unitholders' equity (note 3)	**$ 265,866,147**	$ 236,023,333
Number of units outstanding (note 4)	**24,324,241**	20,915,178
Net Assets per unit	**$ 10.93**	$ 11.28

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"*

Mark A. Caranci
Director

//signed// *"M. Paul Bloom"*

M. Paul Bloom
Director

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

Statements of Operations and Retained Earnings

For the years ended December 31	2012	2011
Income		
Distribution and dividend income	**$ 13,397,285**	$ 15,791,777
Interest income	**219,338**	167,971
Securities lending income	**211,579**	180,779
	13,828,202	16,140,527
Expenses		
Administration and investment management fees (note 8)	**2,547,012**	2,796,978
Service fees (note 8)	**946,434**	1,003,625
Audit fees	**37,614**	25,685
Independent review committee fees	**31,296**	30,904
Trustee fees	**7,663**	3,116
Custodial fees	**23,005**	16,548
Legal fees	**15,151**	12,384
Unitholder reporting costs	**6,585**	17,711
Other administrative expenses	**880,230**	592,699
	4,494,990	4,499,650
Net investment income	**9,333,212**	11,640,877
Transaction costs	**(120,968)**	(130,226)
Net realized gain on sale of investments (note 9)	**10,645,258**	8,025,971
Change in unrealized gain (loss) on investments (note 9)	**(10,180,010)**	(851,237)
Increase in Net Assets from operations	**9,677,492**	18,685,385
Retained earnings, beginning of year	**18,327,921**	14,730,833
Issuance of warrants (note 5)	**—**	(113,001)
Distribution to unitholders	**(16,925,739)**	(14,975,296)
Retained earnings, end of year	**$ 11,079,674**	$ 18,327,921
Increase in Net Assets from operations per unit[1]	**$ 0.46**	$ 0.82

[1] Based on the weighted average number of units outstanding during the year (note 4).

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

Statements of Changes in Net Assets

For the years ended December 31	2012	2011
Net Assets, beginning of year	**$ 236,023,333**	$ 256,120,928
Operations:		
Increase in Net Assets from operations	**9,677,492**	18,685,385
Unitholder transactions:		
Distributions to unitholders		
Net investment income	**(4,888,687)**	(10,634,816)
Capital gains	**(10,869,730)**	—
Return of capital	**(1,167,322)**	(4,340,480)
Total	**(16,925,739)**	(14,975,296)
Proceeds from issuance of units upon exercise on warrants, net (note 5)	**—**	359,929
Proceeds from issuance of units upon treasury offering, net (note 4)	**42,149,873**	—
Proceeds from distribution reinvestment plan (note 7)	**263,646**	—
Repurchase of units (note 4)	**(2,434,564)**	(2,994,395)
Redemption of units (note 4)	**(2,887,894)**	(21,173,218)
Total unitholder transactions	**37,091,061**	(23,807,684)
Increase (decrease) in Net Assets during the year	**29,842,814**	(20,097,595)
Net Assets, end of year	**$ 265,866,147**	$ 236,023,333
Distributions per unit (note 7)	**$ 0.81**	$ 0.66

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

Statement of Investments

As at Decemeber 31, 2012		Cost	Fair Value	% of Portfolio
No. of Units/ Shares	**Consumer Staples and Discretionary**			
850,000	Colabor Group Inc.	$ 8,153,104	$ 6,562,000	
850,000	EnerCare Inc.	3,803,663	6,927,500	
312,000	Whistler Blackcomb Holdings Inc.	3,626,581	3,818,880	
		15,583,348	**17,308,380**	**8.1%**
	Financial			
42,000	Toronto-Dominion Bank (The)	3,288,734	3,513,300	
		3,288,734	**3,513,300**	**1.6%**
	Healthcare			
1,050,000	Extendicare Inc.	10,170,988	8,032,500	
		10,170,988	**8,032,500**	**3.8%**
	Industrial			
866,700	Superior Plus Corp.	10,625,301	8,849,007	
750,000	TransForce Inc.	5,655,635	14,880,000	
		16,280,936	**23,729,007**	**11.1%**
	Materials			
788,300	Chemtrade Logistics Income Fund	8,078,636	12,801,992	
2,594,100	Noranda Income Fund, Class ‘A’	12,830,442	12,166,329	
		20,909,078	**24,968,321**	**11.7%**
	Oil and Gas			
500,000	ARC Resources Ltd.	9,981,538	12,155,000	
200,000	Baytex Energy Corp.	5,964,000	8,574,000	
600,000	Bonavista Energy Corp.	13,515,730	8,862,000	
240,000	Crescent Point Energy Corp.	9,412,800	9,000,000	
1,600,000	Pengrowth Energy Corp.	14,152,117	7,872,000	
250,000	Vermilion Energy Inc.	5,479,271	12,955,000	
		58,505,456	**59,418,000**	**28.0%**
	Pipe, Power, Utilities, and Infrastructure			
320,000	AltaGas Ltd.	6,323,420	10,720,000	
500,000	Innergex Renewable Energy Inc.	3,550,703	5,155,000	
160,000	Inter Pipeline Fund, Class ‘A’	1,531,099	3,756,800	
229,400	Just Energy Group Inc.	1,956,438	2,177,006	
240,000	Keyera Corp.	5,105,185	11,772,000	
900,000	Veresen Inc.	9,499,152	10,584,000	
		27,965,997	**44,164,806**	**20.7%**
	Real Estate			
140,000	H&R REIT	2,236,524	3,374,000	
722,944	Huntingdon Capital Corp.	8,133,586	9,123,553	
1,200,000	InnVest REIT	6,000,000	4,956,000	
400,000	Morguard REIT	3,926,219	7,256,000	
120,000	RioCan REIT	2,405,983	3,300,000	
1,000,000	True North Apartment REIT	4,270,000	3,940,000	
		26,972,312	**31,949,553**	**15.0%**
	Total Canadian Equities	**$179,676,849**	**$213,083,867**	**100.0%**

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

Notes to the Financial Statements

December 31, 2012 and 2011

1. OPERATIONS

Blue Ribbon Income Fund (the "Fund"), 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.

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) Valuation of Investments

Investments are deemed held for trading in accordance with the Canadian Institute of Chartered Accountants ("CICA") Handbook 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.

b) 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.

c) 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.

d) Transaction Costs

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

e) 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.

f) 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 income and expenses denominated in foreign currencies are translated at the rate of exchange prevailing on the date of such transactions.

g) Warrants

Warrants are accounted for as equity in the financial statements. The fair value of warrants, net of the related warrant issue costs, is categorized as a separate component of unitholders' equity and reclassified to unitholders' capital as the warrants are exercised. Any portion of the warrant capital related to warrants that expire is transferred to contributed surplus upon the expiry of the related warrants.

While the warrants are outstanding, diluted Net Assets per unit is calculated when the closing price of the Fund's units on a valuation date is greater than the subscription price. To calculate diluted Net Assets per unit, Net Assets are increased by the net proceeds received from the exercise of all warrants, and units are increased by the number of units issued from the exercise of all warrants.

Diluted increase (decrease) in Net Assets from operations per unit is calculated using the treasury stock method. As at December 31, 2012 and 2011, there were no warrants outstanding.

h) 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.

Notes to the Financial Statements (continued)

December 31, 2012 and 2011

i) Future Accounting changes

The adoption of *International Financial Reporting Standards (*"IFRS") for investment companies will be mandatory for periods beginning on or after January 1, 2014.

In October 2012, the International Accounting Standards Board ("IASB") approved the proposed amendments to IFRS 10 – Consolidated Financial Statements which define criteria for an entity to qualify as an investment entity and exempts such entity from consolidation requirements. The amendments define an investment entity and introduce an exception to consolidating particular subsidiaries for investment entities. These amendments require an investment entity to measure those subsidiaries at fair value through profit or loss in accordance with "Financial Instruments" ("IAS 39") and expand disclosures to help users evaluate the nature and financial effect of its investment activities. The amendment will be effective January 1, 2014. Based on the Manager's assessment, the Fund currently meets the proposed criteria for an investment entity and as such will be exempt from consolidation requirements.

The Manager has developed a plan for the changeover to IFRS. The key elements of the plan include an assessment of differences between Canadian Generally Accepted Accounting Standards ("Canadian GAAP") and IFRS, changes required to financial statement disclosure and impact on the current process for financial reporting purposes.

Based on the Manager's assessment of the accounting differences between Canadian GAAP and IFRS, the following main differences were identified:

(a) IFRS 13, Fair Value Measurements, was published in May 2011. The standard provides guidance on the measurement of fair value and allows for the use of closing market prices to value investments. Under Canadian GAAP the fair value of investments for financial statement reporting purposes, was required to be measured at closing bid price for long positions and closing ask price for short positions The Manager has assessed the guidance that will apply under IFRS and has determined that the use of closing market prices is appropriate in valuing investments.

(b) A Statement of Cash Flow will be required for IFRS reporting purposes.

In addition, the Manager has presently determined other minor impacts of IFRS will also include additional note disclosure and modifications to existing presentation. The Manager does not expect that the net asset value or net asset value per unit will be impacted by the changeover to IFRS.

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		**2012**		2011
	Total	**Per Unit**	Total	Per Unit
Net Asset Value	**$ 266,685,785**	**$ 10.96**	$ 236,652,433	$ 11.31
Section 3855 adjustment[(1)]	**(819,638)**	**(0.03)**	(629,100)	(0.03)
Net Assets	**$ 265,866,147**	**$ 10.93**	$ 236,023,333	$ 11.28

(1) The section 3855 adjustment relates to the valuation of an investment at bid price for Net Assets and at closing price for Net Asset Value.

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. Units may be redeemed at the option of unitholders by tendering units of the Fund by the last business day of October for redemption 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.

The Fund received approval from the Toronto Stock Exchange for a normal course issuer bid program for the period from December 2, 2011 to December 1, 2012. Pursuant to this issuer bid, the Fund is permitted to purchase up to 3,279,400 units for cancellation. The Fund renewed the issuer bid program from December 3, 2012 to December 2, 2013 which allows the Fund to purchase up to 2,060,500 units per cancellation. The Fund may only repurchase units when the Net Asset Value per unit exceeds its trading price.

Issued

	2012		2011	
	Number of Units	**Amount**	Number of Units	Amount
Units, beginning of year	**20,915,178**	**$ 205,793,814**	23,091,289	$ 227,190,775
Issuance of units upon exercise of warrants (note 5)	**—**	**—**	46,708	472,930
Issuance of units upon treasury offering	**3,865,000**	**42,149,873**	—	—
Units issued under the distribution reinvestment plan	**23,735**	**263,646**	—	—
Repurchase of units	**(220,100)**	**(2,165,662)**	(281,800)	(2,772,576)
Redemption of units	**(259,572)**	**(2,554,045)**	(1,941,019)	(19,097,315)
Units, end of year	**24,324,241**	**$ 243,487,626**	20,915,178	$ 205,793,814

On December 19, 2012, the Fund completed a treasury offering for 3,865,000 units for proceeds, net of $2,027,078 of agents' fees and issuance costs, of $42,149,873. During the year ended December 31, 2012, no units were issued upon the exercise of warrants (see note 5) (2011 – 46,708 units for the net proceeds of $521,261) and a total of 220,100 units were repurchased for cancellation at an average cost of $11.06 per unit (2011 – 281,800 units at an average cost of $10.63 per unit). On November 29, 2012, 259,572 (2011 – 1,941,019) units were redeemed at $11.13 (2011 – $10.91) per unit.

As of December 31, 2012, the Fund had accumulated contributed surplus of $11,298,847 (2011 – $11,901,598). 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, 2012 was 20,919,335 (2011 – 22,844,941).

5. WARRANTS

There were no warrants issued during the year ended December 31, 2012.

Unitholders received warrants on the basis of two warrants for every five units held on April 15, 2011. A whole warrant entitled the holder to subscribe for one unit of the Fund at a subscription price of $11.33. Warrants not exercised prior to August 25, 2011 were void and of no value. Upon the exercise of a warrant, the Fund paid a fee equal to $0.17 per warrant to the dealer whose client was exercising the warrant.

The Fund issued 9,228,635 warrants to unitholders of record on April 15, 2011. During the year ended December 31, 2011, 46,708 warrants were exercised for net proceeds of $521,261. The remaining warrants expired. The fair value of each warrant on the date of issuance was $0.035 per warrant. Costs associated with the issuance of these warrants amounted to $161,332.

6. 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.

7. 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, 2012, the Fund declared total distributions of $0.81 (2011 – $0.66) per unit, which amounted to $16,925,739 (2011 – $14,975,296). 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 year ended December 31, 2012, 23,735 units (December 31, 2011 – nil) in respect of distributions were issued by the Fund.

8. MANAGEMENT AND SERVICE FEES AND OTHER RELATED PARTY EXPENSES

Pursuant to a management agreement, the Administrator provides management and administrative services to the Fund, for which it is paid an administration fee equal to 0.50% per annum of the Net Asset Value of the Fund, plus applicable taxes. The Administrator is also reimbursed for all general and administrative expenses that relate to the operations of the Fund. These expenses amounted to $658,307 in 2012 and $406,244 in 2011. 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. is the Investment Manager of the Fund and is paid an investment management fee equal to 0.50% per annum of the Net Asset Value of the Fund, plus applicable taxes.

Notes to the Financial Statements (continued)

December 31, 2012 and 2011

9. Investment Transactions

For the year ended December 31	2012	2011
Proceeds from sale of investments	$ 48,757,142	$ 38,439,651
Less cost of investments sold:		
Investments at cost, beginning of year	190,161,968	208,584,882
Investments purchased during the year	27,626,765	11,990,766
Investments at cost, end of year	(179,676,849)	(190,161,968)
Cost of investments sold during the year	38,111,884	30,413,680
Net realized gain on sale of investments	$ 10,645,258	$ 8,025,971

For the years ended December 31, 2012 and 2011, there were no soft dollar amounts paid.

10. 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, 2012 were $85.4 million (2011 – $93.2 million) and $90.2 million (2011 – $98.3 million), respectively.

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, 2012, and groups the securities by market segment. The following comparative summary presents the market segments held by the fund as at December 31, 2011. Significant risks that are relevant to the Fund are discussed below.

Investment Sector	% of Portfolio
Consumer staples and discretionary	4.0%
Industrial	9.8%
Material	12.0%
Oil and gas	34.7%
Pipe, power, utilities, and infrastructure	22.6%
Real estate	16.9%
Total	100.0%

The Administrator attempts to minimize the 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, 2012, 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 $21.3 million or 8.0% of total Net Assets (2011 – approximately $23.4 million or 9.9% 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 income receivable and amounts receivable for securities sold represents the maximum credit risk exposure, as they will be settled in the short term.

All transactions in 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 Fund 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 10. Credit risk associated with these transactions is considered minimal as all counterparties have 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 CICA Handbook Section 3862, "Financial Instruments – Disclosure."

Section 3862 requires the Fund to classify its investments and derivative assets/liabilities 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. Short-term notes of $53.7 million (2011 – $2.4 million) included in cash and short-term investments are classified as level 1.

As at December 31, 2012	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	$ 213,083,867	$ —	$ —	$ 213,083,867
Total investments	**$ 213,083,867**	**$ —**	**$ —**	**$ 213,083,867**

There were no transfers among the levels during the year ended December 31, 2012.

As at December 31, 2011	Level 1	Level 2	Level 3	Total
Equities	$ 233,748,996	$ —	$ —	$ 233,748,996
Total investments	$ 233,748,996	$ —	$ —	$ 233,748,996

There were no transfers among the levels during the year ended December 31, 2011.

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

Adina Bloom Somer, BA (Hons), MBA, CIM
Director

Directors and Officers of Brompton Funds Management Limited

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Raymond R. Pether, BA, MBA
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Chief Executive Officer

Craig T. Kikuchi, BA, CA, CFA
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Christopher Cullen, BASc, MBA, CFA
Senior Vice President

Laura Lau, BASc (Hons), CFA, DMS
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Michael Clare, BComm (Hons), CA, CFA
Vice President and Portfolio Manager

Jason Goletz, BA
Vice President, Sales and Marketing

Neil Lipman, CIM
Regional Vice President, Sales and Marketing

Moyra E. MacKay, BA
Vice President and Corporate Secretary

Michelle L. Tiraborelli, BSc, MBA
Vice President

Ann P. Wong, BA, MAcc, CA,
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Vice President and Controller

Kathryn A.H. Banner, BA, MA
Assistant Vice President and
Assistant Corporate Secretary

Directors and Officers of Bloom Investment Counsel, Inc.

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Portfolio Manager

Adina Bloom Somer, BA (Hons), MBA, CIM
Director, Vice President and
Portfolio Manager

Beverly Lyons, FCA, ICD.D, BComm
Independent Director

Fiona E. Mitra, CA
Chief Financial Officer

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

Trustee

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Custodian

CIBC Mellon Global Securities
Services Company

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