2014 INTERIM REPORT

BLUE RIBBON
FUND MANAGEMENT LTD.

BLUE RIBBON
INCOME FUND

RBN.UN

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

Management Report of Fund Performance

August 13, 2014

This interim management report of fund performance for Blue Ribbon Income Fund (the ''Fund'') contains financial highlights but does not contain the interim financial statements of the Fund. The interim 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 Brompton Funds 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 Fund 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.

RECENT DEVELOPMENTS

Adoption of International Financial Reporting Standards ("IFRS")

The Fund adopted IFRS in 2014 as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously, the Fund prepared its financial statements in accordance with Canadian generally accepted accounting principles as defined in Part V of the CPA Canada Handbook ("Canadian GAAP"). The main effect of the Fund's transition to IFRS was to measure its investments that are traded in active markets based on the last traded prices on the measurement date. Prior to the transition, the Fund measured its long investments at bid prices and short investments at ask prices. The Fund also classified its redeemable units as liabilities whereas they were accounted for as equity under Canadian GAAP.

RISKS

Risks associated with an investment in the units of the Fund are discussed in the Fund's 2013 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 during the period ended June 30, 2014 that materially affected the risks associated with an investment in the units of the Fund.

RESULTS OF OPERATIONS

Distributions and Changes in Net Assets from Operations

During the first six months of 2014, the Fund declared $0.42 per unit in cash distributions, unchanged from 2013 as the Fund continued to pay at a monthly rate of $0.07 per unit. Since inception in September 1997, the Fund has paid total cash distributions of $15.66 per unit.

Total revenue from the Fund's portfolio was $0.31 per unit in the first six months of 2014, compared to $0.32 per unit in 2013. Expenses were $0.11 per unit in the first six months of 2014, up from $0.10 per unit in 2013. Although net investment income for the period was lower than distributions paid, the Fund generated $0.91 per unit of gains in the interim period of 2014.

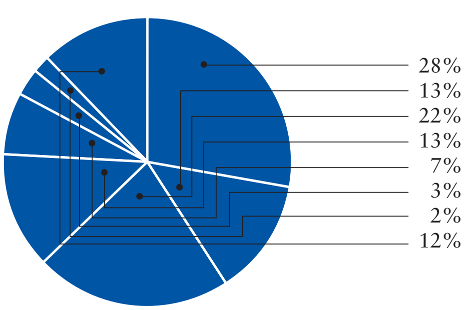
Net Asset Value

The Net Asset Value per unit of the Fund was $12.59 at June 30, 2014, up 7.8% from $11.68 at December 31, 2013, due to an increase in the value of the Fund's portfolio. The aggregate Net Asset Value of the Fund was $325.9 million at June 30, 2014, up $20.7 million from $305.2 million at year-end 2013. The increase reflected $29.3 million in gains from the portfolio, and $5.2 million of net income, partially offset by the payment of cash distributions of $10.9 million, and unit repurchases of $2.8 million under the Fund's issuer bid program.

Investment Portfolio

At June 30, 2014, the Fund owned 34 dividend-paying equities and REITs, compared to 33 at December 31, 2013. Boralex Inc., Loblaw Companies Ltd. and Teck Resources Ltd. were added while Manitoba Telecom Services Inc. and Canadian Imperial Bank of Commerce were divested from the portfolio during the period. The Fund had a net realized and unrealized gain of $29.3 million during the first six months of 2014. The largest gains were recorded in oil and gas where Vermilion Energy Inc. led the way with gains of $3.0 million, and pipes, power, utilities and infrastructure sectors where the best performer was Veresen Inc. with a $4.4 million gain. The portfolio's investment weighting 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
Oil and gas	$ —	$ 11.5	$ 11.5
Materials	0.1	1.1	1.2
Pipes, power, utilities and infrastructure	2.3	9.0	11.3
Industrial	1.3	(1.0)	0.3
Consumer staples and discretionary	—	1.1	1.1
Financial	1.3	(0.4)	0.9
Healthcare	—	0.6	0.6
Real estate	—	2.3	2.3
Telecom and media	0.1	—	0.1
Total	**$ 5.1**	**$ 24.2**	**$ 29.3**

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 program are accretive to the Net Asset Value per unit at the time of purchase. During the first six months of 2014, 237,700 units were purchased for cancellation at an average cost of $11.85 per unit.

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 1.00% 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. For the first six months of 2014, these expenses amounted to $285,693 (2013 – $299,719). The administration fee is used by the Administrator to cover 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, which 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. During the first six months of 2014, management and administrative fees amounted to $1.7 million and service fees were $0.6 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 unaudited interim and audited annual 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

		December 31			
For the period ended	**June 30, 2014**	2013[1]	2012[1]	2011[1]	2010[1]
Net Assets per unit, beginning of period[2]	**$ 11.68**	$ 10.96	$ 11.28	$ 11.09	$ 9.75
Increase (decrease) from operations:[3]					
Total revenue	**0.31**	0.62	0.66	0.71	0.67
Total expenses	**(0.11)**	(0.20)	(0.21)	(0.20)	(0.18)
Realized gains (losses)	**0.19**	0.03	0.50	0.35	0.35
Unrealized gains (losses)	**0.93**	1.15	(0.49)	(0.04)	1.52
Total increase (decrease) in Net Assets from operations	**$ 1.32**	$ 1.60	$ 0.46	$ 0.82	$ 2.36
Distributions to unitholders:[2][4]					
From net investment income	**N/A**	0.27	0.23	0.47	0.40
From capital gains	**N/A**	0.01	0.52	—	—
Return of capital	**N/A**	0.56	0.06	0.19	0.44
Total distributions to unitholders	**$ 0.42**	$ 0.84	$ 0.81	$ 0.66	$ 0.84
Net Assets per unit, end of period[2]	**$ 12.59**	$ 11.68	$ 10.93	$ 11.28	$ 11.09

(1) Prior to 2013, 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. Figures for 2013 have been restated due to IFRS transition.

(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.

(4) Allocations for the period ended June 30, 2014 are not determinable until year end.

Ratios and Supplemental Data (Based on Net Asset Value)

		December 31			
As at	**June 30, 2014**	2013	2012	2011	2010
Net Asset Value (000s)	**$ 325,940**	$ 305,194	$ 266,686	$ 236,652	$ 256,514
Number of units outstanding	**25,887,164**	26,124,864	24,324,241	20,915,178	23,091,289
Management expense ratio ("MER")[1]	**1.78%**	2.21%	2.80%	1.84%	2.21%
Trading expense ratio[2]	**0.04%**	0.03%	0.05%	0.05%	0.05%
Portfolio turnover rate[3]	**4.76%**	3.11%	12.92%	4.94%	9.38%
Closing market price	**$ 12.48**	$ 11.43	$ 11.27	$ 10.79	$ 10.64

(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. 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

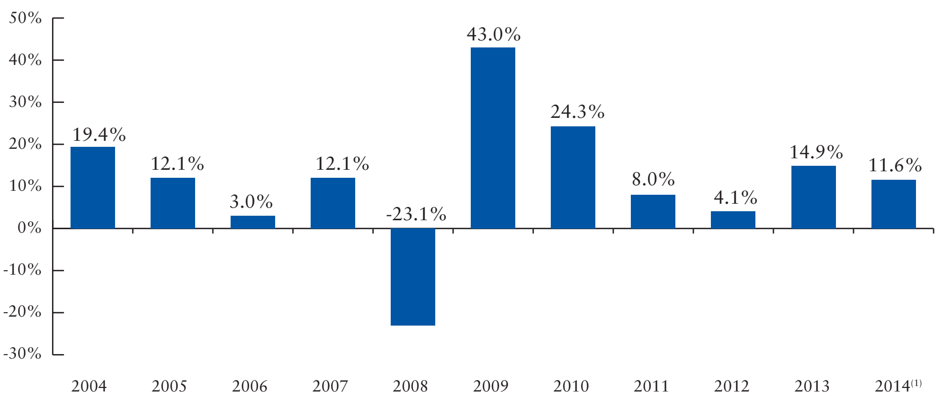
The Fund's MER was 1.78% for the first six months of 2014, down from 2.21% for 2013. The MER in 2013 included $1.2 million of agents' fees and issuance costs for a treasury offering, borne by subscribers of new units. Excluding these costs, the MER in both 2014 and 2013 was 1.78%.

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, 2004 to June 30, 2014. 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



(1) Period from January 1, 2014 to June 30, 2014.

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

	Six Months Ended June 30, 2014	Since Inception(1)
Blue Ribbon Income Fund	**11.6%**	12.7%
S&P/TSX Composite Index	**12.9%**	7.2%

(1) Period from September 16, 1997 (commencement of operations) to June 30, 2014.

Since inception, 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. During the interim period of 2014, the Fund performed in line with the Composite Index before taking into account the Fund's expenses.

Summary of Investment Portfolio

As at June 30, 2014

Total Net Asset Value	$ 325,939,729

Portfolio Composition	**% of Portfolio**	**% of Net Asset Value**
Oil and gas	27.0%	27.3%
Pipes, power, utilities and infrastructure	21.7%	22.0%
Industrial	12.3%	12.4%
Real Estate	11.9%	12.0%
Materials	12.2%	12.3%
Consumer staples and discretionary	7.2%	7.3%
Financial	2.9%	3.0%
Cash and short-term investments	2.5%	2.5%
Healthcare	2.3%	2.4%
Total investment portfolio	100.0%	101.2%
Other net liabilities		(1.2%)
Total Net Asset Value		100.0%

Top 25 Holdings	**% of Portfolio**	**% of Net Asset Value**
Vermilion Energy Inc.	5.6%	5.7%
Keyera Corp.	5.1%	5.2%
Veresen Inc.	5.1%	5.2%
Chemtrade Logistics Income Fund	5.1%	5.1%
TransForce Inc.	5.0%	5.1%
ARC Resources Ltd.	4.9%	5.0%
AltaGas Ltd.	4.8%	4.8%
Baytex Energy Corp.	4.7%	4.7%
Bonavista Energy Corp.	4.2%	4.3%
Noranda Income Fund	4.1%	4.2%
Crescent Point Energy Corp.	3.8%	3.8%
Superior Plus Corp.	3.7%	3.8%
Pengrowth Energy Corp.	3.7%	3.8%
EnerCare Inc.	3.1%	3.2%
InnVest REIT	2.9%	2.9%
Loblaw Companies Ltd.	2.9%	2.9%
Innergex Renewable Energy Inc.	2.6%	2.7%
Cash and short-term investments	2.5%	2.5%
Extendicare Inc.	2.3%	2.4%
Transcontinental Inc.	2.2%	2.2%
Morguard REIT	2.2%	2.2%
Huntingdon Capital Corp.	2.1%	2.1%
Cominar REIT	1.7%	1.7%
Inter Pipeline Ltd.	1.6%	1.6%
Boralex Inc.	1.5%	1.6%
	87.4%	88.7%

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.bromptongroup.com within 60 days of each quarter end.

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, and real estate investment trusts. Bloom currently manages 5 TSX-listed closed-end portfolios.

BLOOM
INVESTMENT COUNSEL, INC.

Investment Manager's Report

July 2, 2014

The Canadian Economy

Canadian GDP for the month of April, the most recent figure released, came in weaker than commentators expected, with growth of only 0.1% versus a consensus expectation of 0.2% growth. This weak result was somewhat surprising as various data points had been indicating a stronger result. Weakness was driven primarily by the goods-producing industries declining by 0.3%, particularly in mining and utilities. Service sector gains were broad based, leaving the overall sector up 0.3%. GDP appears to now be tracking closer to 2%, for the second quarter, trailing the Bank of Canada's expectations for 2.5%.

Inflation in the month of May, the most current data available, came in much higher than consensus, with overall CPI up 2.3% and Core CPI up 1.7% year-over-year. A very large increase was felt in agricultural commodity pricing directly impacting overall food prices, meat products being the hardest hit. Alcohol and tobacco prices experienced the largest increase, up 0.8% for the month. Deflationary worries from earlier in the year now seem to be clearly off the table. If anything, the Bank of Canada may have to address its target expectation of 2.0% inflation, a level we may easily breach before year-end.

Headline fears of "out of control" household debt to income ratios now appear to be unwarranted as homeowner equity is at its highest level in years approaching 70% and the ratio of total household debt to total assets has fallen to below 19%. The rise of existing home prices has been the primary driver of this improvement in the fiscal well-being of Canadians. May pricing rose 7.1% year-over-year across Canada, with Ontario continuing to lead the way, rising 7.9%. An interesting dichotomy appears to be developing as new house pricing was only up 1.6% for the same period, impacted mainly by the flattish results of condominiums.

Canadian job growth in May, the most recent data available, saw a month-over-month recovery of 26,000 jobs, in line with consensus expectations. The surprise was in the details where part-time jobs grew by 55,000 and full-time jobs actually declined by 29,000 despite the recent strength in the energy sector. Overall, the strength in part-time jobs reflects the seasonal increase in service-related jobs typically filled by students over the summer holiday period.

During the last quarter, the price of a barrel of oil, as measured by the one year forward strip for WTI in Canadian dollars, rose by 0.9% from $107.09 to $108.09. The Canadian AECO natural gas 12-month forward strip price significantly underperformed reversing the previous quarter's strong results, falling by 7.2% from $4.47 to $4.15/GL for the quarter. Canadian spot oil and gas prices at quarter-end stood at $112.45/barrel and $4.37/GL, respectively.

Market Performance

The S&P/TSX Composite Total Return Index for the last quarter returned 6.4%. The best performing sectors last quarter were energy (up 10.5%), industrials (up 9.4%), and materials (up 6.4%). The worst performing sectors for the quarter were healthcare (down 6.6%), telecommunication services (up 0.9%) and utilities (up 1.3%). Year-to-date, the best performing sectors were energy (up 21.1%), materials (up 16.6%) and information technology (up 12.5%). The worst performing sectors for the year-to-date were telecommunication services (up 5.1%) healthcare (up 5.2%) and financials (up 8.7%).

Outlook

Continuing our stance since the start of this year, we remain constructive on the Canadian equity market which year-to-date has maintained its outperformance over the US markets. We still expect that the US economy will show reasonable growth this year which will positively influence our own economy and equities. In an environment where we expect interest rates to eventually rise, we are seeking greater growth from our investments with a little less emphasis on income.

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.

Notice

The accompanying unaudited financial statements of Blue Ribbon Income Fund for the period ended June 30, 2014 have been prepared by management and have not been reviewed by the external auditors of the Fund.

Mark A. Caranci
Chief Executive Officer
Blue Ribbon Fund Management Ltd.

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

August 13, 2014

Statements of Financial Position (Unaudited)

As at	June 30, 2014	December 31, 2013	January 1, 2013
Assets			
Current assets			
Investments	$ 325,890,998	$ 306,276,072	$ 263,794,284
Cash	3,770,661	398,028	3,949,818
Income receivable	1,504,121	1,477,289	1,299,940
Amounts receivable for units issued	—	56,000	—
Total assets	331,165,780	308,207,389	269,044,042
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	854,230	913,483	655,560
Payable for investments purchased	2,559,720	270,980	—
Distributions payable to unitholders (note 7)	1,812,101	1,828,740	1,702,697
Total liabilities excluding Net Assets attributable to holders of redeemable units	5,226,051	3,013,203	2,358,257
Net Assets attributable to holders of redeemable units (note 5)	325,939,729	305,194,186	266,685,785
Redeemable units outstanding (note 5)	25,887,164	26,124,864	24,324,241
Net Assets attributable to holders of redeemable units per unit	$ 12.59	$ 11.68	$ 10.96

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

Statements of Comprehensive Income (Unaudited)

For the six months ended June 30	2014	2013
Income		
Dividend income	**$ 7,806,668**	$ 7,481,284
Interest for distribution purposes	**82,345**	240,083
Securities lending income	**94,160**	97,777
Net gain (loss) on investments		
Net realized gain (loss) on investments (note 9)	**5,054,083**	(349,360)
Net change in unrealized gain (loss) on investments	**24,278,167**	(1,663,295)
Total income, net	**37,315,423**	5,806,489
Expenses		
Administration and investment management fees (note 8)	**1,713,422**	1,485,652
Service fees (note 8)	**630,263**	525,087
Audit fees	**19,830**	23,754
Independent review committee fees (note 8)	**14,876**	14,876
Trustee fees	**3,922**	3,894
Custodial fees	**12,089**	9,750
Legal fees	**5,862**	1,525
Unitholder reporting costs	**3,768**	4,500
Other administrative expenses (note 8)	**371,799**	402,456
Transaction costs	**56,200**	37,360
Total expenses	**2,832,031**	2,508,854
Increase in Net Assets attributable to holders of redeemable units	**34,483,392**	3,297,635
Increase in Net Assets attributable to holders of redeemable units per unit[1]	**$ 1.32**	$ 0.14

[1] Based on the weighted average number of redeemable unit outstanding during the period (note 5).

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

Statements of Cash Flows (Unaudited)

For the six months ended June 30	2014	2013
Cash flows from operating activities:		
Increase in Net Assets attributable to holders of redeemable units	$ 34,483,392	$ 3,297,635
Adjustments for:		
Net realized gain (loss) on investments (note 9)	(5,054,083)	349,360
Net change in unrealized gain (loss) on investments	(24,278,167)	1,663,295
Increase (decrease) in dividend receivable	(63,540)	30,601
Decrease in interest receivable	36,709	5,903
Decrease (increase) in accounts payable and accrued liabilities	(59,253)	20,404
Purchase of investments (note 9)	(59,808,201)	(104,140,720)
Proceeds from sale of investments (note 9)	71,814,265	106,016,736
Cash provided by operating activities	17,071,122	7,243,214
Cash flows from financing activities:		
Distributions paid to holders of redeemable units, net (note 7)	(10,938,123)	(10,220,999)
Reinvestment of distribution to holders of redeemable units	—	257,296
Amounts received from issuance of redeemable units (note 5)	56,000	—
Amounts paid for repurchase of redeemable units (note 5)	(2,816,366)	—
Cash used in financing activities	(13,698,489)	(9,963,703)
Net increase (decrease) in cash	3,372,633	(2,720,489)
Cash, beginning of period	398,028	3,949,818
Cash, end of period	$ 3,770,661	1,229,329
Supplemental information		
Interest paid	—	$ 204
Interest received	$ 119,053	$ 246,190
Dividends received	$ 7,743,128	$ 7,511,761

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

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (Unaudited)

For the six months ended June 30	**2014**	2013
Net Assets attributable to holders of redeemable units, beginning of period	**$ 305,194,186**	$ 266,685,785
Operations:		
Increase in Net Assets attributable to holders of redeemable units	**34,483,392**	3,297,635
Distributions to holders of redeemable units	**(10,921,483)**	(10,222,927)
Redeemable unit transactions:		
Reinvestments of distributions to unitholders of redeemable units (note 7)	**—**	308,200
Repurchase from redeemable units issued (note 5)	**(2,816,366)**	—
Net increase (decrease) attributable to redeemable unit transactions	**(2,816,366)**	308,200
Net increase (decrease) in Net Assets attributable to holders of redeemable units	**20,745,543**	(6,617,092)
Net Assets attributable to holders of redeemable units, end of period	**$ 325,939,729**	$ 260,068,693
Distribution per redeemable unit (note 7)	**0.42**	0.42

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

Schedule of Investment Portfolio (Unaudited)

As at June 30, 2014		Cost	Carrying Value	% of Portfolio
No. of Units/ Shares	**Consumer Staples and Discretionary**			
1,029,200	Colabor Group Inc.	$ 8,983,906	$ 3,900,668	
850,000	EnerCare Inc.	3,803,663	10,361,500	
200,000	Loblaw Cos. Ltd.	9,390,000	9,524,000	
		22,177,569	**23,786,168**	**7.3%**
	Financial			
163,100	DH Corporation	3,490,340	5,064,255	
84,000	Toronto-Dominion Bank (The)	3,288,734	4,614,120	
		6,779,074	**9,678,375**	**3.0%**
	Healthcare			
1,050,000	Extendicare Inc.	10,170,988	7,728,000	
		10,170,988	**7,728,000**	**2.4%**
	Industrial			
564,000	Horizon North Logistics Inc.	3,349,616	4,320,240	
866,700	Superior Plus Corp.	10,625,301	12,298,473	
486,300	Transcontinental Inc.	6,339,880	7,289,637	
675,000	TransForce Inc.	5,090,071	16,584,750	
		25,404,868	**40,493,100**	**12.4%**
	Material			
796,400	Chemtrade Logistics Income Fund	8,206,601	16,724,400	
160,000	Labrador Iron Ore Royalty Corp.	4,948,287	4,908,800	
2,430,000	Noranda Income Fund	12,018,802	13,656,600	
200,000	Teck Resources Ltd.	4,871,660	4,872,000	
		30,045,350	**40,161,800**	**12.3%**
	Oil and Gas			
500,000	ARC Resources Ltd.	9,981,538	16,245,000	
312,000	Baytex Energy Corp.	10,680,909	15,366,000	
850,000	Bonavista Energy Corp.	17,578,914	13,914,500	
265,000	Crescent Point Energy Corp.	10,421,565	12,531,850	
1,600,000	Pengrowth Energy Corp.	14,152,117	12,240,000	
250,000	Vermilion Energy Inc.	5,479,271	18,562,500	
		68,294,314	**88,859,850**	**27.3%**
	Pipes, Power, Utilities and Infrastructure			
320,000	AltaGas Ltd.	6,323,420	15,705,600	
375,800	Boralex Inc., Class ‘A’	4,828,990	5,092,090	
800,000	Innergex Renewable Energy Inc.	6,506,898	8,648,000	
160,000	Inter Pipeline Ltd.	1,531,099	5,299,200	
500,000	Just Energy Group Inc.	3,787,621	3,070,000	
215,000	Keyera Corp.	4,573,395	16,901,150	
900,000	Veresen Inc.	9,616,818	16,875,000	
		37,168,241	**71,591,040**	**22.0%**
	Real Estate			
300,000	Cominar REIT	6,257,380	5,655,000	
140,000	H&R Real Estate Investment Trust	2,236,524	3,242,400	
578,915	Huntingdon Capital Corp.	6,513,171	6,946,980	
1,800,000	InnVest REIT	8,478,000	9,576,000	
400,000	Morguard REIT	3,926,219	7,104,000	
120,000	RioCan REIT	2,405,983	3,277,200	
400,000	True North Apartment REIT	4,270,000	3,304,000	
		34,087,277	**39,105,580**	**12.0%**
	Total Equities	**234,127,681**	**321,403,913**	**98.7%**
Par Value	**Short-Term Investments**			
4,500,000	HSBC Bank Canada Bankers’ Acceptance, 1.18%, August 19, 2014	4,487,085	4,487,085	
		4,487,085	**4,487,085**	**1.3%**
	Total	**$238,614,766**	**$325,890,998**	**100.0%**

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

Notes to the Financial Statements (Unaudited)

June 30, 2014 and 2013

1. GENERAL INFORMATION

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. The address of the Fund's registered office is Bay Wellington Tower, Brookfield Place, Suite 2930, 181 Bay Street, Toronto, Ontario. 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 under the symbol RBN.UN and commenced operations on September 17, 1997.

The fund aims to provide a high level of monthly distributions and the opportunity to participate in capital gains by actively managing a portfolio of publicly listed or traded securities, including income trusts, royalty trusts, real estate investment trusts, common shares, preferred securities and debt instruments.

These financial statements were authorized for issue by the Manager on August 13, 2014.

2. BASIS OF PRESENTATION AND ADOPTION OF IFRS

These financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, Interim Financial Reporting and IFRS 1, First-time Adoption of International Financial Reporting Standards. The Fund adopted this basis of accounting in 2014 as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously, the Fund prepared its financial statements in accordance with Canadian generally accepted accounting Principles as defined in the Part V of the CPA Canada Handbook ("Canadian GAAP"). The comparative information has been restated from Canadian GAAP to comply with IFRS. The Fund has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position at January 1, 2013 and throughout all periods presented, as if these policies had always been in effect. Note 13 discloses the impact of the transition to IFRS on the Fund's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Fund's financial statements for the year ended December 31, 2013, and June 30, 2012 prepared under Canadian GAAP.

The policies applied in these interim financial statements are based on IFRS issued and outstanding as of August 13, 2014, which is the date on which the interim financial statements were authorized for issue by the Manager. Any subsequent changes to IFRS that are given effect in the Fund's annual financial statements for the year ending December 31, 2014 could result in restatement of these interim financial statements, including the transition adjustments recognized on transition to IFRS.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Financial Instruments

The Fund's investments in debt and equity securities are designated at fair value through profit or loss ("FVTPL") at inception. As a result of such designation, the Fund's investments are measured at FVTPL. The Fund's obligation for Net Assets attributable to holders of redeemable units is presented at approximately the redemption amount. All other financial assets and liabilities are measured for at amortized cost. Under this method, financial assets and liabilities reflect the amounts required to be received or paid, discounted when appropriate, at the financial instrument's effective interest rate. The Fund's accounting policies for measuring the fair value of its investments are the same as those used in measuring its published Net Asset Value. The fair values of the Fund's financial assets and liabilities that are not carried at FVTPL approximate their carrying amounts due to their short-term nature.

b) Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded marketable securities) are based on quoted market prices at the close of trading on the measurement date. The Fund uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstance where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each measurement date. Valuation techniques include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same and option pricing models. Refer to Note 12 for further information about the Fund's fair value measurements.

c) Cash

Cash is comprised of deposits with financial institutions.

d) Transaction Costs

Transactions costs directly attributable to the acquisition or disposal of an investment are expensed in the period incurred and disclosed as "Transaction Costs" in the Statements of Comprehensive Income.

e) Investment Transactions and Income and Expense Recognition

Investment transactions are accounted for on the trade date. The interest for distribution purposes shown on the statements of comprehensive income represents the coupon interest received by the fund accounted for on an accrual basis. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds which are amortized on a straight line basis.

Realized gain (loss) on sale of investments and unrealized gain (loss) in investments are determined on an average cost basis. Average cost does not include amortization of premiums or discounts on fixed income securities with the exception of zero coupon bonds. Dividend income and dividend expense on securities sold short are recognized on the ex-dividend date and interest income for distribution purpose is accrued as earned.

f) Income Taxes

The Fund qualifies as a mutual fund trust under the Income Tax Act (Canada). All of the Fund's net income for tax purposes and sufficient net capital gains realized in any period are required to be distributed to unitholders such that no income tax is payable by the Fund. As a result, the Fund does not record income taxes. The Fund distributes to its shareholders sufficient net income and net capital gains so that it is not subject to income taxes and in substance, is exempt from Canadian taxes on these sources of income. Accordingly, The Fund does not record any Canadian income taxes. Since the fund does not record income taxes, the tax benefit of capital and non-capital losses has not been reflected in the statement of financial position as a deferred income tax asset. The Fund may incur withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are shown as a separate expense in the Statements of Comprehensive Income.

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

h) Securities Lending

The Fund may enter into securities lending transactions. These transactions involve the temporary exchange of securities for 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 the accrual basis and included in the Statements of Comprehensive Income.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

a) Fair Value Measurements of Financial Instruments not Quoted in an Active Market

The Fund holds financial instruments that are not quoted in active markets. Fair values of such instruments are determined using valuation techniques and may be determined using reputable pricing sources (such as pricing agencies) or indicative prices from market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding.

b) Classification of Measurement of Financial Instruments and Application of Fair Value Option

In classifying and measuring financial instruments held by the Fund, the Manager is required to make judgements about the classification of financial instruments and the applicability of the fair value option to its investments which are not held for trading. The fair value option has been applied to the Fund's investments in debt and equity securities as the investments are managed on a fair value basis in accordance with the Fund's investment strategy.

5. REDEEMABLE 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.

(1) only non-restricted margin accounts should be included as part of cash and cash equivalents.

Notes to the Financial Statements (Unaudited) (continued)

June 30, 2014 and 2013

The Fund received approval from the Toronto Stock Exchange for a normal course issuer bid program for the period from December 3, 2012 to December 2, 2013. Pursuant to this issuer bid program, the Fund was permitted to purchase up to 2,060,500 units for cancellation. The Fund renewed the issuer bid program from December 3, 2013 to December 2, 2014 which allows the Fund to purchase up to 2,612,600 units per cancellation. The Fund may only repurchase units when the Net Asset Value per unit exceeds its trading price.

Issued

	2014	2013
	Number of Units	Number of Units
Units, outstanding as of January 1	**26,124,864**	24,324,241
Units issued under the distribution reinvestment plan	—	27,538
Repurchase of units	(237,700)	—
Redemption of units	—	—
Units, outstanding as of June 30	**25,887,164**	24,351,779

During the period ended June 30, 2014, 237,700 units were repurchased for cancellation (June 30, 2013 – nil) at an average cost of $11.85 per unit.

The weighted average number of units outstanding for the period ended June 30, 2014 was 26,044,699 (June 30, 2013 – 24,336,419).

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 net assets attributable to holders of redeemable units. 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 or purchase units for cancellation.

7. DISTRIBUTIONS 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 period ended June 30, 2014, the Fund declared total distributions of $0.42 (June 30, 2013 – $0.42) per unit, which amounted to $10,921,483 (June 30, 2013 – $10,222,927). 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 period ended June 30, 2014, no units (June 30, 2013 – 27,538) were issued by the Fund pursuant to the distribution reinvestment plan.

8. RELATED PARTY TRANSACTIONS

a) Administration, Investment Management and Service Fees

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. For the six months ended June 30, 2014, the management fee amounted to $856,711 (six months ended June 30, 2013 – 742,826), with $134,682 payable to the Administrator as of June 30, 2014 (December 31, 2013 – $124,172; January 1, 2013 – $101,748).

The Administrator is also reimbursed for all general and administrative expenses that relate to the operations of the Fund. These expenses amounted to $285,693 and $299,719 for the six months ended June 30, 2014 and 2013.

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. For the six months ended June 30, 2014, the investment management fee amounted to $856,711 (six months ended June 30, 2013 – 742,826), with $134,682 payable to the Investment Manager as of June 30, 2014 (December 31, 2013 – $124,172; January 1, 2013 – $101,748).

b) Independent Review Committee Fees

The total remuneration paid to members of Independent Review Committee during the period ended June 30, 2014 was $14,876 (June 30, 2013 – $14,876) and consisted only of fixed fees.

9. INVESTMENT TRANSACTIONS

For the six months ended June 30	2014	2013
Proceeds from sale of investments	**$ 71,814,265**	$ 106,016,736
Less cost of investments sold:		
Investments at cost, beginning of period	**243,278,008**	229,567,629
Investments purchased during the period	**62,096,940**	104,140,720
Investments at cost, end of period	**(238,614,766)**	(227,342,253)
Cost of investments sold during the period	**66,760,182**	106,366,096
Net realized gain on sale of investments	**$ 5,054,083**	$ (349,360)

For the periods ended June 30, 2014 and 2013 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 June 30, 2014 were $106.8 million (December 31, 2013 – $104.2 million) and $112.3 million (December 31, 2013 – $110.3 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 June 30, 2014, and groups the securities by market segment. The following comparative summary presents the market segments held by the fund as at December 31, 2013, and January 1, 2013. Significant risks that are relevant to the Fund are discussed below.

As at	Dec. 31, 2013	Jan. 1, 2013
Investment Sector	% of Portfolio	% of Portfolio
Consumer staples and discretionary	4.3%	6.6%
Financial	4.7%	1.3%
Healthcare	2.3%	3.0%
Industrial	12.8%	9.0%
Material	11.1%	9.6%
Oil and gas	23.9%	22.6%
Pipe, power, utilities, and infrastructure	19.7%	16.8%
Real estate	11.3%	12.2%
Telecom and media	0.3%	—
Short term investments	9.6%	18.9%
Total	100.0%	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 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 equity securities. As at June 30, 2014, 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 $3.2 million or 9.9% of total Net Assets (December 31, 2013 – approximately $27.7 million or 9.1% of total Net Assets; January 1, 2013 – approximately $21.3 million or 8.0% 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.

Notes to the Financial Statements (Unaudited) (continued)

June 30, 2014 and 2013

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 MEASUREMENT

The Fund's assets and liabilities recorded at fair value have been categorized within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3).

The Fund classifies 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.

As at June 30, 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	**$ 321,403,913**	**$ —**	**$ —**	**$ 321,403,913**
Short-term investments	**—**	**4,487,085**	**—**	**4,487,085**
Total investments	**$ 321,403,913**	**$ 4,487,085**	**$ —**	**$ 325,890,998**

There were no transfers among the levels during the period ended June 30, 2014

As at December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	$ 276,863,026	$ —	$ —	$ 276,863,026
Short-term investments	—	29,413,046	—	29,413,046
Total investments	$ 276,863,026	$ 29,413,046	$ —	$ 306,276,072

There were no transfers among the levels during the year ended December 31, 2013

As at January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	$ 213,903,504	$ —	$ —	$ 213,903,504
Short-term investments	—	49,890,780	—	49,890,780
Total investments	$ 213,903,504	$ 49,890,780	$ —	$ 263,794,284

All fair value measurements above are recurring. The carrying values of cash, income receivable, amounts receivable for units issued, payable for investments purchased, distributions payable to unitholders, accounts payable and accrued liabilities and the Fund's obligation for net assets attributable to holders of redeemable units approximate their fair values due to their short-term nature. Fair values are classified as level 1 when the related security is actively traded and a quoted price is available. If an instrument classified as level 1 subsequently ceases to be actively traded, it is transferred out of level 1. In such cases, instruments are reclassified into level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as level 3. The Fund's policy to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances given rise to the transfer.

a) Equities

The Fund's equity positions are classified as level 1 when the security is actively traded and a reliable price is observable. The net gains from equity securities during the period ended June 30, 2013 was $29,332,250 (2013 – loss of $2,012,655).

b) Short-Term notes

The Fund's short-term notes are classified as level 2, since these are stated at amortized cost, which approximates fair market value.

13. TRANSITION TO IFRS

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

Transition elections

The only voluntary exemption adopted by the Fund upon transition was the ability to designate a financial asset and liability at fair value through profit and loss upon transition to IFRS. All financial assets designated at FVTPL upon transition were previously carried at fair value under Canadian GAAP as required by Accounting Guideline 18, Investment Companies.

Statement of cash flows

Under Canadian GAAP, the Fund was exempt from providing a statement of cash flows. IAS 1 requires that a complete set of financial statements include a statement of cash flows for the current and comparative periods, without exception.

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

Equity	December 31, 2013	June 30, 2013	January 1, 2013
Equity reported under Canadian GAAP	$ 304,535,262	$ 259,638,004	$ 265,866,148
Revaluation of investments at FVTPL	658,924	430,689	819,637
Net assets attributable to holders of redeemable units	$ 305,194,186	$ 260,068,693	$ 266,685,785

Comprehensive Income	Year ended December 31, 2013	Period ended June 30, 2013
Comprehensive income reported under Canadian GAAP	$ 40,330,393	$ 3,686,584
Revaluation of investments at FVTPL	(160,712)	(388,949)
Increase (decrease) in net assets attributable to holders of redeemable units	$ 40,169,681	$ 3,297,635

a) Classification of redeemable units issued by the Fund

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

b) Revaluation of investments at FVTPL

Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with Section 3855, *Financial Instruments – Recognition and Measurement*, which required the use of bid prices for long positions and ask prices for short positions, to the extent such prices are available. Under IFRS, the Fund measures the fair values of its investments using the guidance in IFRS 13, *Fair Value Measurement*, which requires that if an asset or a liability has a bid price and an ask price, then its fair value is to be based on a price within the bid-ask spread that is most representative of fair value. It also allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. As a result, upon adoption of IFRS an adjustment was recognized to increase the carrying amount of the Fund's investments by $658,924 as at December 31, 2013, and $819,637 at January 1, 2013. The impact of this adjustment was to increase the Fund's decrease in net assets attributable to holders of redeemable units by $388,949 for the period ended June 30, 2013.

14. FUTURE ACCOUNTING CHANGES

IFRS 9, Financial Instruments

The final version of IFRS 9, *Financial instruments,* was issued by the International Accounting Standards Board in July 2014 and will replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however, is available for early adoption. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Fund is in the process of assessing the impact of IFRS 9 and has not yet determined when it will adopt the new standard.

Corporate Information

Independent Review Committee

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Arthur R.A. Scace, QC, CM

Ken S. Woolner, BSc, PEng

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Executive Vice President and Chairman

Mark A. Caranci, BComm, CPA, CA
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Adina Bloom Somer, BA (Hons), MBA, CIM
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Directors and Officers of Brompton Funds Limited

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