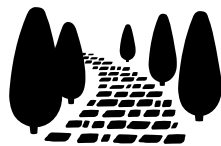


2009 Annual Report
FAIRCOURT
INCOME & GROWTH
SPLIT TRUST



FAIRCOURT
— *Asset Management Inc.* —

Leading The Way To Prosperity.



FAIRCOURT INCOME & GROWTH SPLIT TRUST

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TSX Symbols: FIG.UN
 FIG.PR.A
 FIG.W (warrants)

Eligibility: RRSP, RIF
 Inception Date: November 17, 2004
 Fund Manager: Faircourt Asset Management Inc.
 Investment Advisor: Acuity Investment Management Inc.

This management report of fund performance contains financial highlights of the investment fund. Complete annual financial statements of the investment fund are also attached. Securityholders may contact us by calling the toll-free number 1.800.831.0304, by writing to us at Faircourt Asset Management Inc., Suite 1402, 141 Adelaide Street West, Toronto, Ontario, M5H 3L5 or by visiting our website at www.faircourtassemgt.com or by visiting the SEDAR website at www.sedar.com to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly disclosure relating to the investment fund.



Management Report of Fund Performance

This Management Report of Fund Performance presents management's view of the significant factors and developments during the past period that have affected the Fund's performance and outlook and should be read in conjunction with the audited Financial Statements of the Fund for the period ended December 31, 2009 and December 31, 2008 together with the notes related thereto. In accordance with investment fund industry practice, all figures presented in this Management Report of Fund Performance are based on the Fund's published NAV, except for the figures presented in the Net Assets per Unit table, which can be found under Financial Highlights. In accordance with NI 81-106, the figures in this table must be derived from the financial 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 upon 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.

Investment Objective and Strategies

Faircourt Income & Growth Split Trust (the "Trust", the "Fund") was created using a dual security structure, consisting of Trust Units and Preferred Securities, to provide investors with leveraged capital growth potential to a portfolio comprised of Income Trusts, North American Dividend Paying Equities, as well as other income generating securities.

The investment objectives with respect to the Preferred Securities are:

- (i) to provide Securityholders, in priority to any distributions on the Trust Units, interest in the amount of \$0.15625 per quarter (\$0.625 per annum to yield 6.25% per annum on the subscription price of \$10.00); and
- (ii) to repay to Preferred Securityholders, on December 31, 2014, in priority to any return of the original subscription price to Unitholders, the original subscription price of the Preferred Securities.

Although distributions are currently suspended, the investment objectives with respect to the Trust Units are:

- (i) to provide Unitholders with a stream of tax-efficient monthly cash distributions, if any, targeted to be approximately \$0.10625 per Trust Unit per month (\$1.275 per annum to yield 8.5% per annum on the subscription price of \$15.00), a significant portion of which is tax-deferred; and
- (ii) to return to Unitholders, on December 31, 2014, at least the original subscription price of the Units.

The Investment Advisor to the Trust is Acuity Investment Management Inc.

The Trust trades on the Toronto Stock Exchange under the symbols "FIG.UN" for the Units, "FIG-W" for the Warrants, and "FIG.PR.A" for the Preferred Securities.

Risk

The risk factors which Securityholders should be aware of relating to an investment in the Trust remain substantially as discussed in the Prospectus of the Trust dated October 29, 2004. However, the decline in the market value of the Trust's investment portfolio during 2008 substantially increased the degree of leverage associated with an investment in the Units. As a result of the very high level of leverage, an investment in the units should be considered speculative.

Results of Operations

Market Performance

Year 2009 began with investors seeking a safe haven from heightened volatility in global capital markets. The first quarter of 2009 witnessed strengthening US dollar demand, while global equity markets suffered. Indexes around the world reached their lows on March 9th as confidence indicators continued to erode. Since early March however, we have seen optimism return to the capital markets, with data points showing the early signs of a slow recovery beginning to appear. Global GDP declines began to slow, and a number of indicators stabilized and began to turn upward. Commodity prices rebounded, driven in part by the substantial stimulus in emerging Asian economies such as China. The stimulus programs outlined in the United States, although slower in implementation, also provided the prospect of a revival in domestic demand as well as production to replenish depleted inventories. In addition to the stimulus programs mentioned, the stated intention from North American central bankers that they would keep interest rates low for an extended period of time, while maintaining numerous facilities in place to boost credit, also bolstered confidence. During the latter half of the year, the manufacturing sector rebounded into positive territory in most jurisdictions, presaging a substantial boost in inventory restocking. While hiring has yet to resume at a rapid pace in places like the U.S. and Europe, job losses were basically stanchied by year end, and employment data in countries like Canada and Australia were even more encouraging.

The capital markets responded to the improving sentiment and economic backdrop in the second half of the year, posting one of the



strongest rebounds in the past century. The Canadian market continued to outperform most global stock markets on a quarterly and year to date basis, as it benefited from both a more stable banking environment and a re-surgence in resource prices. The best performing sectors were information technology; financials, including REITs; and energy, due to rising oil prices. Laggards included defensive sectors such as telecom services and consumer staples. Small cap equities continued to outperform large caps, and income trust returns modestly exceeded stocks. The Fund delivered positive returns in excess of its benchmark during the year, and its trust units significantly outperformed the benchmark on year to date basis. The returns generated by the Trust Units also benefited from the structural leverage in the Fund, due to the presence of the Preferred Securities.

Market Outlook

Commodity prices have improved since the Fall of 2008 when fear of a global economic recession led to massive cutbacks in industrial demand. Co-ordinated Central Bank intervention on a global basis stabilized credit markets, however conditions for sustained growth have yet to gain traction. As a result, capital markets growth has been restrained of late as lending practices have not yet returned to normal. Obstacles to sustained economic growth include lack lustre job growth as well as high household debt to income ratios which continue to add uncertainty to the investor outlook.

Markets began 2010 somewhat subdued causing some analysts and industry observers to rethink current equity valuations. Corporations continue to face challenges as the credit crisis restrains growth potential combined with reduced earnings estimates as consumers continue to deleverage in the US and elsewhere, attempting to rein in spending and increase savings rates. The ability of the US consumer to lead the global economic recovery may, as a result, be seriously compromised. As a result of the mortgage crisis and the process of deleveraging still taking place, we believe that additional stimulus packages may be required from governments throughout the world in order to prevent their economies from slipping deeper into recession.

It is the Investment Advisor's view that the economic recovery we are witnessing has the potential to be sustained for the next several quarters. Just as downward economic momentum in 2008 was hard to reverse, the current rebound is unlikely to be derailed in the near term. The economy appears to be in the early stages of a classic inventory-led rebound, and improving employment trends seem likely to support follow-on gains in consumption. These factors appear strong enough to support ongoing gains in corporate earnings, as witnessed by continual upward revisions to earnings estimates. Nevertheless, the going is likely to be more challenging this year than last, as capital gains may not be as robust. Such a scenario should place a premium on security selection. We remain more favourably disposed toward those sectors with greater exposure to emerging markets recovery, including commodities and industrials. We view the months ahead as a longer term buying opportunity selecting companies for the Fund that exhibit strong business fundamentals, solid management teams, superior growth prospects, and attractive valuations.

Fund Performance

Due to volatile market conditions in 2008 and the resultant decline in the market value of the Fund's holdings, the Fund suspended its distribution effective October 10, 2008. Since inception of the Trust, the Trust has paid total cash distributions of \$5.0135 per Trust Unit. The announcement with respect to the suspension of distributions on the Trust Units does not affect the quarterly distributions related to the Preferred Securities of the Fund.

With the turn around in capital markets taking hold since the first quarter, the NAV of the Trust Units responded positively providing a total return for holders of Trust Units of 131.79%, results which outperformed the blended benchmark return of 34.58%. Leverage will impact the NAV of the Trust as it will enhance the NAV during a period when the Trust's investments have appreciated and will exacerbate the decline of the NAV during a falling market. The blended benchmark for the Trust is comprised of a 50% weight in the S&P/TSX Capped Income Trust Total Return Index, a 35% weight in the S&P/TSX Composite Total Return Index, and a 15% weight in the S&P 500–CDN\$ Total Return Index. Unlike the index gains, the Trust's return is after the deduction of fees and expenses paid by the Trust.

Overall, the Fund benefited from its overweight exposure to energy stocks and trusts, materials, offset by an underweight position in financials. In addition, the Fund benefited from its allocation to smaller cap companies and income trusts which performed strongly in the year.

Portfolio Positions

The Trust invests in a diversified portfolio of securities, principally of Canadian income trusts and funds (comprised primarily of units of business and industrial funds, commodity based and energy services trusts, real estate investment trusts, pipeline and power generation funds), dividend paying North American equities and other income generating securities, including convertible debentures and non-investment grade debt. Business and industrial funds comprised 7.88% of the market value of the Trust's investment portfolio; commodity based and energy services trusts comprised 18.82%; pipelines and power generation funds comprised 9.88%; North American dividend paying equities comprised 54.51%; real estate investment trusts comprised 0.94%; exchange traded funds comprised 1.06%; corporate bonds comprised 0.90%; convertible bonds comprised 5.16%; and cash and cash equivalents comprised 0.85%.

Unitholder Activity

On June 30, 2009, 441,641 Trust Units were tendered for redemption to Income & Growth for cash proceeds of \$1.67 million in accordance with the Trust's annual redemption privileges. The NAV for the purposes of the redemption is calculated using a three day volume weighted average price for exchange traded securities held by the Trust, determined as of June 30, 2009 less costs of funding the redemption, including commissions. Payment was made on July 22, 2009.

On July 14, 2009, the Trust filed a final short form prospectus in respect of a rights offering of units of the Trust at a price of \$2.30 per Unit. Each Unit consists of one Trust Unit and one transferable



warrant. Each Warrant entitles the holder thereof to purchase one Trust Unit on, and only on, June 25, 2010 at a subscription price of \$4.00. On August 28, 2009 the Trust completed its offering of 4,903,305 units of the Trust, each Unit consisting of one Trust Unit and one class A Warrant, at a price of \$2.30 per Unit for aggregate gross proceeds raised of \$11,277,601. The Trust Units and the Warrants separated immediately upon issue.

As at December 31, 2009, the Trust had 9,806,610 Trust Units outstanding and trading at \$3.70 per Trust Unit, a discount to the underlying NAV of 24%. Closed end funds may trade above, at or below their NAV per unit.

As at December 31, 2009, the Trust had 4,903,305 Warrants outstanding and trading at \$0.22 per Warrant. Each Warrant entitles the holder thereof to purchase one Trust Unit on, and only on, June 25, 2010 at a subscription price of \$4.00. The NAV of the Trust Units on December 31, 2009 was \$4.88 per Trust Unit.

Preferred Securities

On January 5, 2009, the Trust received approval from the Toronto Stock Exchange (“TSX”) to purchase for cancellation, through the facilities of the TSX, of up to 992,716 of its preferred securities (the “Preferred Securities”). Purchases commenced on January 7, 2009, and terminated, without renewal, on January 6, 2010. The Manager believed this would help improve market support for the preferred securities, and would serve to reduce the structural leverage inherent in the Trust, while being accretive to the Trust’s NAV. The Trust will not purchase in excess of 2% (199,286) of the Preferred Securities (as at December 29, 2008) during any 30 day period during the course of the normal course issuer bid. The Trust has not previously purchased its Preferred Securities under a normal course issuer bid. During the year ended December 31, 2009, a total of 130,400 Preferred Securities, with par value of \$1,304,000, had been purchased for \$982,995, realizing a gain of \$321,005.

As at December 31, 2009, the Trust had 9,833,908 Preferred Securities outstanding representing a total liability of \$98.34 million. The Preferred Securities of the Trust continued to provide an attractive yield of 6.25% on the original subscription price. At December 31, 2009, the Preferred Securities were trading at \$9.60 per Preferred Security, a discount to issue price of 4%.

Liquidity and Capital Resources

During the year, the Trust decided not to renew the loan facility at its annual renewal period in January 2009. During the year ended December 31, 2009, the Trust’s minimum and maximum borrowings were \$Nil and \$Nil respectively.

Fees and Expenses

During the year, the Trust paid management fees, operating expenses and interest on preferred securities of \$8.10 million. The expense ratio, net of interest on preferred securities, for Trust Unitholders was 8.48%, compared to 4.32% in 2008. The Fund’s split structure results in a situation where total assets are greater than NAV (as the preferred securities are debt obligations of the Trust). The increase in the expense ratio, net of interest on preferred securities, is mainly due to a decrease in average assets due to capital market volatility. The expense ratio, which is more representative of the ongoing efficiency of the administration of the Fund, is 1.52% based on total assets, compared to 1.56% in 2008.

Recent Developments

Adoption of New Accounting Standard for Fiscal 2009

In March 2009, the Canadian Accounting Standards Board issued Amendments to Section 3862 Financial Instruments – Disclosures. The amendments expand the disclosures required in respect of fair value measurements recognized in the financial statements. For the purpose of these expanded disclosures, a three-level hierarchy has been introduced as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data. Additional quantitative disclosures are required for Level 3 securities.

The amendments are applicable for annual financial statements for periods ending after September 30, 2009. These changes have no impact on the Fund’s results of operations or financial position.

International Financial Reporting Standards

The Canadian Accounting Standards Board (“AcSB”) confirmed in February 2008 that IFRS will replace Canadian GAAP in 2011 for profit oriented Canadian publicly accountable enterprises, including investment funds. The Fund will adopt IFRS on January 1, 2011. The Manager has commenced activities to identify key issues and the likely impacts resulting from the adoption of IFRS and is in the process of developing a changeover plan, which will include identifying differences between the Fund’s current accounting policies and those it expects to apply under IFRS, as well as any accounting policy and implementation decisions and their resulting impact. Management has presently determined that the impact of IFRS would be limited to additional note disclosures and modifications to the financial statement presentation. It is anticipated that there would be no significant impact of the Fund’s Net Assets per share as a result of the changeover to IFRS. However, this presentation is subject to changes resulting from the issuance of new standards or new interpretations of existing standards.

Related Party Transactions

Pursuant to a management agreement, Faircourt Asset Management Inc. (the “Manager”) provides management and administrative services to the Trust, for which it is paid a management fee equal to 1.1% per annum of the total assets of the Trust less the amount outstanding under the loan facility, plus applicable taxes. During year ended December 31, 2009, the Trust paid \$1.42 million to the Manager for management and administrative services.

The Manager is responsible for paying fees to Acuity Investment Management Inc., the Investment Advisor for the Trust. The Trust also pays to the Manager a service fee equal to 0.40% per annum of the net asset value of the Trust, plus applicable taxes. The service fee is in turn paid by the Manager to investment dealers based on the proportionate number of Trust Units held by clients of such dealers at the end of each quarter.



Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the fiscal period indicated.

All references to "net assets" or "nets assets per unit" are references to net assets in accordance with Canadian GAAP as presented in the financial statements of the Fund. All references to "net asset value" or "net asset value per unit" are references to net asset value as determined in accordance with Part 14 of National Instrument 81-106.

The Trust's Net Assets Per Unit (\$) ⁽¹⁾

	Year Ended Dec. 31, 2009	Year Ended Dec. 31, 2008	Year Ended Dec. 31, 2007	Year Ended Dec. 31, 2006	Year Ended Dec. 31, 2005	Period Ended Dec. 31, 2004 ⁽²⁾
Net assets, beginning of period (net of cost of issue)	(3) \$ 1.85	\$ 12.65	\$ 15.35	\$ 18.80	\$ 14.69	\$ 13.72
Initial adoption of new accounting policy	(1) \$ -	\$ -	\$ (0.08)	\$ -	\$ -	\$ -
Increase (decrease) from operations:	(3)					
Total revenue	1.02	2.06	2.39	2.08	1.82	0.15
Total expenses	(1.26)	(1.57)	(1.74)	(1.34)	(1.08)	(0.13)
Realized gains (losses) for the period	(2.18)	(1.08)	(0.79)	2.23	0.53	0.06
Unrealized gains (losses) for the period	6.60	(7.19)	0.02	(4.60)	4.27	0.96
Total increase (decrease) in net assets from operations	4.18	(7.78)	(0.12)	(1.63)	5.54	1.04
Distributions:	(3)(4)					
From income (excluding dividends)	-	(0.07)	(0.42)	(0.17)	(0.50)	(0.01)
From dividends	-	(0.20)	(0.15)	(0.20)	(0.01)	-
From capital gains	-	(0.51)	(0.23)	(0.41)	(0.55)	(0.06)
Return of capital	-	(0.18)	(0.48)	(0.50)	(0.37)	(0.01)
Total distributions during the period	-	(0.96)	(1.28)	(1.28)	(1.43)	(0.08)
Net assets, end of period	(3) \$ 4.83	\$ 1.85	\$ 12.65	\$ 15.35	\$ 18.80	\$ 14.69

Ratios and Supplemental Data

	Year Ended Dec. 31, 2009	Year Ended Dec. 31, 2008	Year Ended Dec. 31, 2007	Year Ended Dec. 31, 2006	Year Ended Dec. 31, 2005	Period Ended Dec. 31, 2004 ⁽²⁾
Total net asset value	(5) \$47,852,856	\$10,499,221	\$90,194,069	\$48,659,829	\$104,238,745	\$81,431,324
Number of units outstanding	(5) 9,806,610	5,344,946	7,061,762	3,169,401	5,545,000	5,545,000
Management expense ratio	(6) 38.29%	14.62%	11.14%	7.30%	6.43%	16.32%
Management expense ratio, excluding issue costs	(7) 35.82%	14.62%	11.14%	7.30%	6.43%	7.41%
Less: Interest on preferred securities	(8) -27.34%	-10.30%	-7.58%	-4.35%	-3.73%	-4.27%
Expense ratio net of interest on preferred securities	(9) 8.48%	4.32%	3.57%	2.95%	2.70%	3.14%
Expense ratio net of interest on preferred securities and before waivers or absorptions	(9) 8.48%	4.32%	3.57%	2.95%	2.70%	3.14%
Expense ratio - total assets	(10) 1.52%	1.56%	1.53%	1.64%	1.65%	1.71%
Portfolio turnover rate	(11) 102.73%	66.49%	62.16%	52.69%	39.34%	8.26%
Trading expense ratio	(12) 2.04%	0.73%	0.67%	0.38%	0.21%	1.74%
Net asset value per unit	(13) \$ 4.88	\$ 1.96	\$ 12.77	\$ 15.35	\$ 18.80	\$ 14.69
Closing market price per unit	(14) \$ 3.70	\$ 0.80	\$ 10.70	\$ 13.84	\$ 17.50	\$ 15.31

(1) This information is derived from the Trust's audited financial statements. The net assets per unit presented in the financial statements differs from the net asset value calculated for fund pricing purposes. An explanation of these differences can be found in Note 2 of the financial statements. The Trust's net assets per unit at the beginning and end of the period ended December 31, 2007 and going forward are shown as the Canadian GAAP net assets per unit. The net asset value per unit is shown for all prior periods. The net asset value per unit is disclosed in "Ratios and Supplemental Data".

(2) Period from November 17, 2004 (date of commencement of operations) to December 31, 2004.

(3) Presented in accordance with National Instrument 81-106 and, as a result, is not intended to act as a continuity schedule of beginning and ending net assets per unit. This is because under NI 81-106 the increase (decrease) in net assets from operations per unit is based on the weighted average number of units outstanding during the relevant period, while net assets per unit and distributions per unit are based on the actual number of units outstanding at the relevant time.

(4) Regular monthly distributions were paid in cash. Distributions were suspended, until further notice, on October 10, 2008.

In December 2007 Income & Growth declared a special distribution of \$0.7500 per Trust Unit, paid in January 2008. This special distribution was paid by the issuance of Trust Units and immediately thereafter the Trust Units were consolidated such that the number of Trust Units outstanding did not change. This special (notional) distribution has been excluded from the table above.

(5) This information is provided as at end of the period shown. The inception date of the Trust was November 17, 2004.

(6) Management expense ratio is based on the requirements of NI 81-106 and includes the total expenses of the Trust for the stated period (excluding commissions and other portfolio costs) including interest on the Trust's Preferred Securities and issuance costs (inception year only) and is expressed as an annualized percentage of daily average net asset value of the Trust during the period. For periods prior to 2006 the net asset value per unit was not computed on a daily basis and as such the management expense ratio was expressed as an annualized percentage of monthly average net asset value during the period. Had the information required to do so been reasonably determinable, the effect could have been positive or negative on the calculation of the management expense ratio. The management expense ratio is annualized for periods less than one year.

(7) Total expenses include interest on the Trust's Preferred Securities but exclude issuance costs. Issuance costs are one-time costs incurred at inception. The Preferred Securities form part of the Trust's dual security capital structure. The Management expense ratio is based on total expenses for the stated period (excluding commissions and other portfolio costs) and is expressed as an annualized percentage of daily average net asset value during the period. For periods prior to 2006 the net asset value per unit was not computed on a daily basis and as such the management expense ratio was expressed as an annualized percentage of monthly average net asset value during the period. Had the information required to do so been reasonably determinable, the effect could have been positive or negative on the calculation of the management expense ratio. The management expense ratio is annualized for periods less than one year.

(8) The ratio is based on total interest on preferred securities expense for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. For periods prior to 2006 the net asset value per unit was not computed on a daily basis and as such the ratio was expressed as an annualized percentage of monthly average net asset value during the period. Had the information required to do so been reasonably determinable, the effect could have been positive or negative on the calculation of the ratio. The ratio is annualized for periods less than one year.

(9) The ratio is based on total expenses, excluding interest on preferred securities and commissions and other portfolio costs, for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. For periods prior to 2006 the net asset value per unit was not computed on a daily basis and as such the ratio was expressed as an annualized percentage of monthly average net asset value during the period. Had the information required to do so been reasonably determinable, the effect could have been positive or negative on the calculation of the ratio. The ratio is annualized for periods less than one year.

(10) The ratio is based on total expenses, excluding interest on preferred securities and commissions and other portfolio costs, for the stated period and is expressed as an annualized percentage of monthly average total assets during the period. The ratio is annualized for periods less than one year.

(11) The Trust's portfolio turnover rate indicates how actively the Trust's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Trust buying and selling all of the securities in its portfolio once in the course of the period. The higher a Trust's portfolio turnover rate in a period, the greater the trading costs payable by the Trust in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a Trust. 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, and excluding cash and short term investments maturing in less than one year, by the average of the monthly market value of investments during the period.

(12) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. For periods prior to 2006 the net asset value per unit was not computed on a daily basis and as such the trading expense ratio was expressed as an annualized percentage of monthly average net assets during the period. Had the information required to do so been reasonably determinable, the effect could have been positive or negative on the calculation of the trading expense ratio. The trading expense ratio is annualized for periods less than one year.

(13) The net asset value per unit is based on securities held in the portfolio being valued on the last traded price of the period shown.

(14) The closing market price as per the TSX as at end of the period shown.

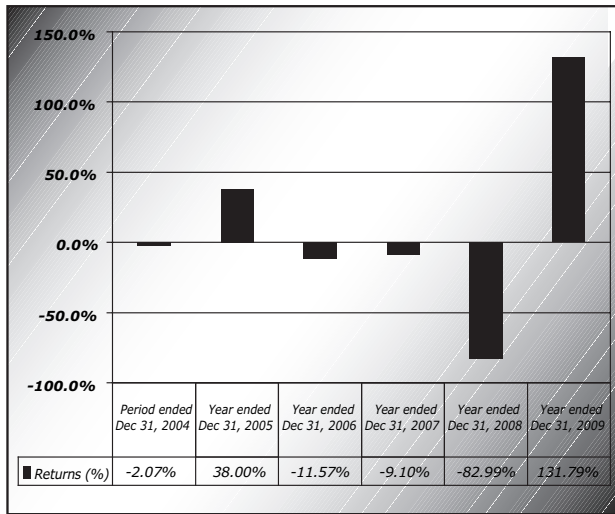


Past Performance

The following charts show how Faircourt Income & Growth Split Trust has performed in the past, and can help you understand the risks of investing in the Trust. The performance information assumes that all distributions made by the investment fund in the periods shown were reinvested in additional Units of the Trust. The performance information does not include deduction of sales, redemption, distribution or optional charges (which dealers may charge) or income taxes payable that would have reduced returns or performance. The Trust's past performance does not necessarily indicate how it will perform in the future. All rates of return are calculated based on the transactional NAV, or diluted transactional NAV, as applicable.

Year-by-Year Returns

The following bar chart shows Faircourt Income & Growth Split Trust's performance for each of the periods shown, and illustrates how the Trust's performance has changed from period to period. The chart shows, in percentage terms, how an investment held on the first day of each fiscal period would have increased or decreased by the last day of the fiscal period. The return for 2004 is for the period covering November 17, 2004, date of commencement of operations, to December 31, 2004 and based on initial public offering price.



Note: Over the period from November 17, 2004, date of commencement of operations, to December 31, 2004 and based on its inception NAV (net of cost of issue), the Trust's units returned 7.11% including distributions.

Annual Compound Returns

The following table shows the annual compound total returns for Trust Units of Faircourt Income & Growth Split Trust for each of the periods indicated ending on December 31, 2009, compared with the Blended Index, the S&P/TSX Capped Income Trust Total Return Index, the S&P/TSX Composite Total Return Index, and the S&P 500–CDN\$ Total Return Index. The return for since inception for Faircourt Income & Growth Split Trust is for the period covering November 17, 2004, date of commencement of operations, to December 31, 2009 and based on initial public offering NAV.

	Since Inception	Past 5 Years	Past 3 Years	Past 1 Year
Faircourt Income & Growth Split Trust	-15.24%	-15.23%	-28.94%	131.79%
Blended Index	6.96%	6.02%	0.53%	34.58%
S&P/TSX Capped Income Trust Total Return Index	8.61%	7.35%	3.86%	42.41%
S&P/TSX Composite Total Return Index	8.21%	7.66%	-0.21%	35.05%
S&P 500–CDN\$ Total Return Index	-1.47%	-2.23%	-8.83%	7.39%

Note: Over the period from November 17, 2004, date of commencement of operations, to December 31, 2009 and based on its inception NAV (net of cost of issue), the Trust's units returned -13.75% including distributions.

The Blended Index for the Trust is comprised of a 50% weight in the S&P/TSX Capped Income Trust Total Return Index, a 35% weight in the S&P/TSX Composite Total Return Index, and a 15% weight in the S&P 500–CDN\$ Total Return Index. The makeup of the blended index was adjusted subsequent to the merger and exchange of preferred securities of the Faircourt Funds to reflect the broader range of permitted securities.

The S&P/TSX Capped Income Trust Total Return Index is a broad-based composite index which may include all Global Industry Classification Standard sectors of the income trust marketplace. Income trusts that qualify for inclusion must derive their distribution income from actual operating entities. Individual income trusts in the index will have their relative weights capped at 25%. The number of trusts in the index is not fixed.

The S&P/TSX Composite Total Return Index is a capitalization-weighted index that represents some of the largest float-adjusted stocks trading on the Toronto Stock Exchange. Company size and liquidity are the chief attributes determining index membership.

The S&P 500–CDN\$ Total Return Index is an index containing the stocks of 500 Large-Cap corporations, most of which are American, translated into CDN\$. All of the stocks in the index are those of large publicly held companies and trade on major US stock exchanges such as the New York Stock Exchange and Nasdaq.



Summary of Investment Portfolio as at December 31, 2009 (based on Transactional NAV)

Portfolio Allocation	% of Portfolio**	Top 25 Portfolio Positions	% of Portfolio**
North American Equities	54.51%	1 Just Energy Income Fund	5.30%
Commodity-Based & Energy Services Trusts	18.82%	2 Canadian Oil Sands Trust	4.39%
Pipelines & Power Generation Trusts	9.88%	3 Daylight Resources Trust	4.27%
Business and Industrial Trusts	7.88%	4 Royal Bank of Canada	3.50%
Convertible Bonds	5.16%	5 Baytex Energy Trust	3.49%
Exchange-Traded Funds	1.06%	6 Cathedral Energy Services Ltd.	3.39%
Real Estate Investment Trusts	0.94%	7 Keyera Facilities Income Fund	3.11%
Corporate Bonds	0.90%	8 Toronto-Dominion Bank	2.81%
Cash and Cash Equivalents	0.85%	9 Trilogy Energy Trust	2.44%
	100.00%	10 Wajax Income Fund	2.43%
		11 Petrobank Energy and Resources Ltd.	2.17%
		12 Talisman Energy Inc.	2.05%
		13 Suncor Energy Inc.	2.04%
		14 First Quantum Minerals Ltd.	2.02%
		15 Bank of Nova Scotia	1.96%
		16 Canadian Natural Resources Ltd.	1.89%
		17 CML Healthcare Income Fund	1.89%
		18 Canadian Pacific Railway Ltd.	1.66%
		19 Vermilion Energy Trust	1.63%
		20 Bird Construction Income Fund	1.56%
		21 Bonavista Energy Trust	1.55%
		22 Bank of Montreal	1.49%
		23 AltaGas Income Trust	1.48%
		24 Manulife Financial Corp.	1.43%
		25 Yamana Gold Inc.	1.43%
		Total portfolio represented by these holdings	61.38%

Total Net Asset Value **\$47,852,856**

* The Trust commenced operations on November 17, 2004.

** The Trust's split structure results in a situation where the total portfolio is greater than the NAV (as the preferred securities are debt obligations of the Trust). In order for the portfolio percentages to add to 100%, the positions have been calculated as a percentage of the total portfolio, excluding dilution.

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



Management's Responsibility Statement

The financial statements of Faircourt Income & Growth Split Trust have been prepared by Faircourt Asset Management Inc. (the "Manager") and approved by its Board of Directors. The Manager is responsible for the information and representations contained in these financial statements and the other sections of the annual report.

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

The Board of Directors of Faircourt 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 its Audit Committee, of which a majority of the members are unrelated directors of the Board.

The Manager, with the approval of its Board of Directors, has appointed the external accounting firm of PricewaterhouseCoopers LLP as the auditor 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.

Douglas Waterson
Chief Financial Officer
and Portfolio Manager

Charles Taerk
President and CEO
March 22, 2009

Auditors' Report

To the Unitholders of Faircourt Income & Growth Split Trust (the "Trust")

We have audited the statement of investments of the Trust as at December 31, 2009, the statement of net assets as at December 31, 2009 and 2008 and the statements of operations and deficit, changes in net assets and cash flows for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the manager of the Trust. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

PricewaterhouseCoopers LLP

**Chartered Accountants,
Licensed Public Accountants**
Toronto, Canada
March 22, 2010



Statement of Net Assets

	As at December 31, 2009	As at December 31, 2008
Assets		
Investments, at fair value	\$ 145,693,317	\$102,462,544
Cash and short-term investments	1,245,381	7,936,073
Distributions, dividends and interest receivable	633,535	2,055,852
	147,572,233	112,454,469
Liabilities		
Accounts payable and accrued liabilities	424,951	375,592
Amounts payable for investments purchased	1,398,000	2,553,442
Preferred securities issued (Note 4)	98,339,080	99,643,080
	100,162,031	102,572,114
Net assets representing unitholders' equity		
Unitholders' capital (Note 5)	81,231,575	76,863,982
Deficit	(33,821,373)	(66,981,627)
	\$ 47,410,202	\$ 9,882,355
Units outstanding (Note 5)	9,806,610	5,344,946
Net assets per Unit – Basic (Note 5)		
	\$ 4.83	\$ 1.85

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

Approved by the Board of Directors of Faircourt Asset Management Inc.

Douglas Waterson
Director

Jane Davis
Director

Statement of Operations and Deficit

	Year ended December 31, 2009	Year ended December 31, 2008
Income		
Gross distributions and dividends (net of withholding taxes of \$9,182; 2008 – \$125,975)	\$ 6,505,844	\$ 12,999,275
Less: return of capital (Note 7)	–	(689,881)
Distribution income	6,505,844	12,309,394
Interest income	348,727	497,050
	6,854,571	12,806,444
Expenses		
Management fee (Note 8)	1,422,863	1,953,583
Service fee (Note 8)	112,970	254,379
Audit fees	32,850	26,048
Trustee fees	5,040	5,940
Legal fees	112,375	27,709
Securityholder reporting costs	156,967	314,566
Independent review committee fees	26,425	35,005
Custodial fees	49,285	51,555
Interest and bank charges	–	76,425
Interest on preferred securities (Note 4)	6,183,988	6,546,303
	8,102,763	9,291,513
Net investment income (loss)	(1,248,192)	3,514,931
Commissions and other portfolio transaction costs (Note 10)	(461,779)	(461,399)
Net realized loss on sale of investments	(15,090,098)	(6,737,368)
Net realized gain, other (Note 11)	321,005	–
Net realized (loss) gain on foreign exchange	(59,620)	13,108
Net change in unrealized value on investments	45,015,317	(44,610,811)
Increase (decrease) in net assets from operations	28,476,633	(48,281,539)
Deficit, beginning of year	(66,981,627)	(12,197,475)
Shortfall (excess) of stated value paid on unitholder redemptions (Note 5)	4,683,621	(294,118)
Distributions to unitholders (Note 6)	–	(6,208,495)
Deficit, end of year	\$ (33,821,373)	\$ (66,981,627)
Increase in net assets from operations per unit – Basic (Note 5)		
	4.18	\$ (7.78)

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

(1) Based on the weighted average number of units outstanding during the year (Note 5)



Statement of Cash Flows

	Year ended December 31, 2009	Year ended December 31, 2008
Cash flows provided by (used in) operating activities		
Increase (decrease) in net assets from operations	\$ 28,476,633	\$ (48,281,539)
Adjustments to reconcile increase (decrease) in net assets from operations to net cash provided by (used in) operating activities		
Purchase of investment securities	(133,328,705)	(107,470,669)
Proceeds from disposition of investment securities	120,023,151	161,460,735
Decrease (increase) in distributions, dividends and interest receivable	1,422,317	(626,231)
Increase (decrease) in accounts payable and accrued liabilities	49,359	(84,010)
Increase (decrease) in amounts payable for investments purchased	(1,155,442)	2,553,442
Decrease in distributions payable to unitholders	-	(750,665)
Net change in unrealized value on investments	(45,015,317)	44,610,811
Net realized gains, other	(321,005)	-
Net realized loss on sale of investments	15,090,098	6,737,368
	(14,758,911)	58,149,242
Cash flows provided by (used in) financing activities		
Proceeds from issuance of units, net	10,718,693	-
Redemption of preferred securities issued	(982,995)	(30,000,000)
Distributions to unitholders	-	(6,208,495)
Unitholder redemptions	(1,667,479)	(24,983,106)
	8,068,219	(61,191,601)
Net increase (decrease) in cash and short-term investments during the period	(6,690,692)	(3,042,359)
Cash and short-term investments, beginning of period	7,936,073	10,978,432
Cash and short-term investments, end of period	\$ 1,245,381	\$ 7,936,073
Supplemental cash flow information		
Interest paid	\$ 6,183,988	\$ 6,546,303

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

Statement of Changes in Net Assets

	Year ended December 31, 2009	Year ended December 31, 2008
Increase (decrease) in net assets from operations	\$ 28,476,633	\$ (48,281,539)
Unitholder transactions (Note 5)		
Proceeds from issuance of units, net	10,718,693	-
Unitholder redemptions	(1,667,479)	(24,983,106)
	9,051,214	(24,983,106)
Distributions to unitholders, (Note 6)		
Net investment income	-	(1,764,427)
Capital gains	-	(3,323,658)
Return of capital	-	(1,120,410)
	-	(6,208,495)
Net increase (decrease) in net assets during the year	37,527,847	(79,473,140)
Net assets, beginning of year	9,882,355	89,355,495
Net assets, end of year	\$ 47,410,202	\$ 9,882,355

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



Statement of Investments

As at December 31, 2009

Number of Units	Security	Cost (\$)	Fair Value (\$)	Percent of Portfolio	
Commodity-Based and Energy Services Trusts					
18,000	ARC Energy Trust	313,573	358,920	0.24%	
173,300	Baytex Energy Trust	3,420,396	5,117,549	3.48%	
102,700	Bonavista Energy Trust	2,294,630	2,287,129	1.56%	
216,500	Canadian Oil Sands Trust	7,106,428	6,447,370	4.39%	
617,100	Daylight Resources Trust	4,692,073	6,275,907	4.27%	
27,000	Labrador Iron Ore Royalty Trust	793,798	1,175,580	0.80%	
419,300	Trilogy Energy Trust	3,292,568	3,601,787	2.45%	
73,900	Vermilion Energy Trust	2,323,516	2,394,360	1.63%	18.82%
Business and Industrial Trusts					
66,700	Bird Construction Income Fund	1,843,100	2,290,478	1.56%	
38,900	Cineplex Galaxy Income Fund	628,013	708,758	0.48%	
201,100	CML Healthcare Income Fund	2,854,908	2,777,191	1.89%	
50,000	Genivar Income Fund	1,185,550	1,352,500	0.92%	
47,300	Vicwest Income Fund	610,828	888,294	0.60%	
163,900	Wajax Income Fund	4,973,456	3,554,991	2.42%	7.88%
Pipelines and Power Generation Trusts					
115,800	AltaGas Income Trust	2,671,022	2,173,566	1.48%	
541,224	Just Energy Income Fund	7,068,024	7,793,626	5.30%	
187,131	Keyera Facilities Income Fund	2,708,259	4,554,769	3.10%	9.88%
Real Estate Investment Trusts					
15,600	Boardwalk REIT	584,701	573,768	0.39%	
23,800	Canadian Apartment Properties REIT	346,982	333,676	0.23%	
30,800	H&R REIT	421,451	474,320	0.32%	0.94%
North American Equities					
11,900	Agnico-Eagle Mines Ltd.	741,968	675,801	0.46%	
74,500	Altera Corp. *	1,690,753	1,765,888	1.20%	
390,700	Aura Minerals Inc.	1,795,189	1,769,871	1.20%	
39,300	Bank of Montreal	1,636,529	2,192,547	1.49%	
58,600	Bank of Nova Scotia	2,615,975	2,882,534	1.96%	
35,000	Barrick Gold Corp.	1,506,220	1,449,000	0.99%	
13,500	BHP Billiton Ltd., ADR *	954,860	1,083,391	0.74%	
10,300	Canadian Imperial Bank of Commerce	543,694	699,885	0.48%	
35,100	Canadian National Railway Company	1,656,042	2,005,965	1.37%	
36,700	Canadian Natural Resources Ltd.	2,083,706	2,777,089	1.89%	
43,100	Canadian Pacific Railway Ltd.	1,938,270	2,443,770	1.66%	
1,000,500	Cathedral Energy Services Ltd.	5,100,225	5,002,500	3.40%	
40,200	Cenovus Energy Inc.	1,079,308	1,063,692	0.72%	
31,700	Chesapeake Energy Corp. *	979,069	859,397	0.58%	
165,400	Coastal Energy Co. *	827,000	874,966	0.60%	
225,000	Consolidated Thompson Iron Mines Ltd.	1,044,112	1,514,250	1.03%	
47,466	Crescent Point Energy Corp.	857,726	1,872,534	1.27%	
139,200	Crew Energy Inc.	1,403,571	2,030,928	1.38%	
108,400	CYBERplex Inc.	145,302	123,576	0.08%	
40,200	EnCana Corporation	1,209,111	1,368,810	0.93%	
126,700	Fairborne Energy Ltd.	548,624	600,558	0.41%	
37,100	First Quantum Minerals Ltd.	2,310,987	2,977,275	2.03%	
394,200	First Uranium Corp.	1,860,355	894,834	0.61%	
26,000	Goldcorp Inc.	1,097,871	1,074,060	0.73%	
26,300	Hewlett-Packard Co. *	1,343,396	1,419,111	0.97%	
70,000	IESI-BFI Ltd.	747,604	1,173,900	0.80%	
27,300	Intel Corp. *	544,833	583,847	0.40%	
61,267	Legacy Oil + Gas Inc., Class 'A'	588,160	588,776	0.40%	
89,500	Lundin Mining Corp.	400,591	382,165	0.26%	
109,000	Manulife Financial Corp.	2,553,745	2,103,700	1.43%	
6,400	Niko Resources Ltd.	496,019	628,672	0.43%	
15,100	Oracle Corp. *	365,611	388,470	0.26%	
62,500	Petrobank Energy and Resources Ltd.	2,835,629	3,189,375	2.17%	
14,600	Potash Corp. of Saskatchewan	1,751,289	1,666,006	1.13%	
20,000	Research In Motion Ltd.	1,507,767	1,419,200	0.97%	
23,700	Rogers Communications Inc. - CL B	733,363	771,672	0.53%	



Statement of Investments

As at December 31, 2009

Number of Units	Security	Cost (\$)	Fair Value (\$)	Percent of Portfolio	
759,100	Romarco Minerals Inc.	824,258	1,275,288	0.87%	
91,400	Royal Bank of Canada	4,783,664	5,151,304	3.51%	
47,200	Southern Copper Corp. *	1,546,135	1,625,488	1.11%	
43,800	Sun Life Financial Inc.	2,057,910	1,321,446	0.90%	
80,800	Suncor Energy Inc.	3,494,086	2,998,488	2.04%	
153,300	Talisman Energy Inc.	2,743,918	2,997,015	2.04%	
38,800	Texas Instruments Inc. *	1,009,088	1,058,796	0.72%	
62,800	Toronto-Dominion Bank	3,856,651	4,141,032	2.82%	
65,700	TransAlta Corp.	1,320,570	1,540,665	1.05%	
29,300	TransCanada Corp.	988,242	1,059,195	0.72%	
199,600	WI-LAN Inc.	457,470	522,952	0.36%	
175,500	Yamana Gold Inc.	1,749,150	2,098,980	1.43%	54.52%
Exchange-Traded Funds					
70,000	Horizons BetaPro S&P/TSX 60 Bear Plus Fund, Series 'A'	1,324,969	879,200	0.60%	
117,500	Horizons BetaPro S&P/TSX Capped Energy Bear + EFT, Class 'A'	2,485,027	680,325	0.46%	1.06%
Corporate Convertible Bonds					
660,000	Aecon Group Inc. – Convertible, 7.00% Due 09/30/2014	660,000	709,500	0.48%	
300,000	Anatolia Minerals Development Ltd, – Convertible, 4.75% Due 04/30/2012	240,375	250,530	0.17%	
225,000	Calfrac Holdings L.P. – Callable, 7.75% Due 02/15/2015 *	224,298	228,802	0.16%	
300,000	Cineplex Galaxy Income Fund – Convertible, Callable, 6.00% Due 12/31/2012	263,978	318,000	0.22%	
650,000	Cominar REIT Series 'D', Convertible, 6.50% Due 09/30/2016	650,000	672,750	0.46%	
1,398,000	Daylight Resources Trust – Convertible, 6.25% Due 12/31/2014	1,398,000	1,398,000	0.95%	
325,000	First Capital Realty Inc. – Convertible, Callable, 6.25% Due 12/31/2016	325,000	341,250	0.23%	
1,100,000	Gold Wheaton Gold Corp. Series 'I', 10.00%, Due 05/26/2014	1,100,004	1,100,000	0.75%	
375,000	H&R REIT – Convertible, 6.00% Due 06/30/2017	375,000	373,312	0.25%	
1,440,000	Just Energy Exchange Corp. – Convertible, Callable, 6.00% Due 09/30/2014	1,349,937	1,404,720	0.96%	
685,000	Newalta Inc., – Convertible, Callable, 7.00% Due 11/30/2012	671,676	693,562	0.47%	
500,000	Petrobank Energy & Resources Ltd., Convertible, Callable, 5.125%, Due 07/10/2015	584,850	524,175	0.36%	
600,000	Russel Metals Inc., – Convertible, 7.75% Due 09/30/2016	600,000	633,300	0.43%	
275,000	Uranium One Inc. – Convertible, 4.25% Due 12/31/2011	192,844	242,688	0.17%	6.05%
Total Investments before Cash and Cash Equivalents		\$ 136,904,850	\$ 145,693,317	99.15%	
Cash					
Canadian Dollar		\$ 1,245,381	\$ 1,245,381	0.85%	
Total Cash and Short-Term Investments		\$ 1,245,381	\$ 1,245,381	0.85%	
Total Investments		\$ 138,150,231	\$ 146,938,698	100.00%	
Less: Adjustments for transactions costs (Note 2)		(233,164)	-		
		\$ 137,917,067	\$ 146,938,698	100.00%	

* US domiciled; all others are Canadian domiciled

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

Notes to the Financial Statements

December 31, 2009



1. Operations

Faircourt Income & Growth Split Trust ("Income & Growth" or the "Trust" or the "Fund"), formerly Income & Growth Split Trust, is a closed-end investment trust created under the laws of the Province of Ontario on October 29, 2004 pursuant to an amended and restated Trust Agreement. CIBC Mellon Global Securities Services Company is the Trustee and acts as Custodian. Faircourt Asset Management Inc. (the "Manager") is responsible for managing the affairs of Income & Growth. The Investment Advisor to Income & Growth is Acuity Investment Management Inc. Income & Growth is listed on the Toronto Stock Exchange and effectively commenced operations on November 17, 2004, trading under the symbols "FIG.UN" for the Trust Units and "FIG.PR.A" for the Preferred Securities.

Income & Growth invests in a diversified portfolio of securities, including Canadian income trusts and funds (comprised primarily of units of business and industrial funds, commodity based and energy services trusts, real estate investment trusts, pipeline and power generation funds), dividend paying North American equities and other income generating securities, including convertible debentures and non-investment grade debt.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") which include estimates and assumptions made by management that may 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 year. Actual results could differ from these estimates.

The following is a summary of significant accounting policies followed by Income & Growth in the preparation of its financial statements:

a) Valuation of Investments

Investments are deemed to be held for trading and recorded at fair value. Investments that are publicly traded are valued at their latest bid price on the valuation date. Short-term investments, such as treasury bills, and bonds are valued at bid quotations from recognized investment dealers. The cost of investments is based on their average cost. The difference between fair value and average cost, as recorded in the accounts, is shown as unrealized gain (loss) of the investment portfolio.

In September 2008, the Canadian Securities Administrators adopted amendments to National Instrument 81-106 – Investment Fund Continuous Disclosure ("NI 81-106") which require all investment funds to calculate net asset value for all purposes other than financial statements in accordance with part 14.2 of NI 81-106. These changes allow the Fund to report two distinct net asset values: one for the financial statements, which is calculated in accordance with Canadian GAAP called GAAP Net Assets (or "net assets"), and another which is calculated in accordance with NI 81-106 called Transactional NAV (or "net asset value"), for all other purposes such as purchases and redemptions. As a result, the net assets for financial reporting purposes may differ from the net asset value. A reconciliation of GAAP Net Assets per unit and Transactional NAV per unit is provided in Note 3.

b) Investment Transactions and Income Recognition

Investment transactions are recorded on the trade date and any realized gains or losses are recognized using the average cost of the

investments, which exclude brokerage commissions and other trading expenses. Interest income and expenses are recognized on an accrual basis. Distributions from income funds are recognized on the ex-dividend or ex-distribution date. Dividend income is recognized on the ex-dividend date. Return of capital is recorded as a reduction in the cost of the investment. Where complete information is not available to determine the exact tax characteristics of a distribution, management estimates, based on the information available at the time, are used.

c) Transaction Costs

Transaction costs such as brokerage commissions incurred in the purchase and sale of securities are expensed and presented on the Statement of Operations and Deficit.

The cost of investments for each security is determined on an average cost basis.

d) Income Taxes

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

As at December 31, 2009 the Fund had \$12,699,810 capital and \$1,627,826 non-capital loss carryforwards for income tax purposes. The capital losses may be carried forward indefinitely to be applied against future capital gains. The non-capital losses expire starting in 2016.

e) Translation of Foreign Currency

The fair value of investments and other assets and liabilities that are denominated in foreign currencies are translated into Canadian dollars at the London close (11am Eastern Time) rate of exchange on each valuation date. Purchases and sales of investments and income derived from investments are translated at the rate of exchange prevailing at the time of such transactions.

f) Fair Value of Financial Instruments other than Investments

The fair value of the Trust's financial instruments, other than investments, which are composed of cash and short-term investments, distributions, dividends and interest receivable, accounts payable and accrued liabilities, and amounts payable for investments purchased approximate their carrying values due to their short-term nature.

g) Net Assets per Unit

Net assets per unit is computed by dividing the total net assets by the total number of trust units outstanding at the time.

Diluted net assets per unit refers to the net assets of the Trust plus the net proceeds that would have been received by the Trust as if all outstanding Warrants were exercised, divided by the number of Trust Units outstanding plus the additional Trust Units that would be outstanding if all of the outstanding Warrants had been exercised on the applicable valuation date. Diluted Net Assets per Unit will be calculated when the Basic Net Assets per Unit exceeds the exercise price of any outstanding warrant on the applicable Valuation Date.

Notes to the Financial Statements

December 31, 2009



h) Cash and Short-Term Investments

Cash and short-term investments is comprised of cash on deposit and short-term debt instruments with terms to maturity less than 90 days.

3. Reconciliation of Net Asset Value Per Unit to Net Assets Per Unit

The reconciliation of the Trust's net asset value per unit (Transactional) and the Trust's net assets per unit (GAAP) is presented in the following table:

As at December 31, 2009:

Net Assets	Difference	Net Asset Value	Net Assets Per Unit	Difference	Net Asset Value Per Unit
\$47,410,202	\$ 442,654	\$47,852,856	\$ 4.83	\$ 0.05	\$ 4.88

As at December 31, 2008:

Net Assets	Difference	Net Asset Value	Net Assets Per Unit	Difference	Net Asset Value Per Unit
\$9,882,355	\$ 616,886	\$10,499,221	\$ 1.85	\$ 0.11	\$ 1.96

4. Preferred Securities

The Preferred Securities are subordinate to all senior indebtedness of Income & Growth (including trade creditors), cumulative, bear interest payable quarterly at the annual rate of 6.25% from the date

of issue, mature on December 31, 2014 and can be redeemed by Income & Growth at any time that the principal amount outstanding exceeds 40% of Income & Growth's total assets.

Issued & Outstanding:

	Year Ended December 31, 2009 Units	Year Ended December 31, 2009 Amounts (\$)	Year Ended December 31, 2008 Units	Year Ended December 31, 2008 Amounts (\$)
Balance, beginning of year	9,964,308	\$ 99,643,080	12,964,308	\$ 129,643,080
Normal Course Issuer Bid (Note 11)	(130,400)	(1,304,000)	-	-
Redemption	-	-	(3,000,000)	(30,000,000)
Balance, end of year	9,833,908	\$ 98,339,080	9,964,308	\$ 99,643,080

5. Units of the Trust

Income & Growth is authorized to issue an unlimited number of transferable, redeemable Trust Units of beneficial interest, each of which represents an equal, undivided interest in the net assets of Income & Growth. Each Trust Unit entitles the holder to one vote and to participate equally with respect to any and all distributions made by Income & Growth. Trust Units may be redeemed annually provided that notice of the redemption is provided to the Manager during the year from May 15th until 5:00pm on the last business day in May. Redemptions will occur on June 30th of each year and will be settled on or before the 15th business day following the redemption date.

On July 14, 2009, the Trust filed a final short form prospectus in respect of a rights offering ("Offering") of units ("Units") of the Trust at a price of \$2.30 per Unit. Each Combined Unit consists of one Trust Unit ("Trust Unit") and one transferable warrant

("Warrant"). Each Warrant entitles the holder thereof to purchase one Trust Unit on, and only on, June 25, 2010 at a subscription price of \$4.00. On August 28, 2009 the Trust completed its offering of 4,903,305 Combined Units of the Trust, each Combined Unit consisting of one Trust Unit and one class A Warrant, at a price of \$2.30 per Unit for aggregate gross proceeds raised of \$11,277,601. The Trust Units and the Warrants separated immediately upon issue.

On June 30, 2009, 441,641 Trust Units were tendered for redemption to Income & Growth for cash proceeds of \$1.67 million in accordance with Income & Growth's annual redemption privileges (2008 - 1,716,816 Trust Units were redeemed by Income & Growth for cash proceeds of \$24.98 million). The par value and shortfall/excess of stated value paid on unitholder redemptions of the Trust Units redeemed on June 30, 2009 was \$6.35 million (2008 - \$24.69 million) and \$4.68 million (2008 - \$0.29 million) respectively.

Notes to the Financial Statements

December 31, 2009



	2009 Trust Units	2009 Trust Units Amounts (\$)	2009 FIG.W Warrants	2009 FIG.W Amounts (\$)	2009 Totals	2008 Trust Units	2008 Trust Units Amounts (\$)
Balance, beginning of year	5,344,946	\$ 76,863,982	-	\$ -	\$76,863,982	7,061,762	\$ 101,552,970
Issued, net of issue costs	4,903,305	\$ 9,983,197	4,903,305	\$ 735,496	\$10,718,693	-	\$ -
Redemptions	(441,641)	\$ (6,351,100)	-	\$ -	\$ (6,351,100)	(1,716,816)	\$ (24,688,988)
Balance, end of year	9,806,610	\$ 81,231,575	4,903,305	\$ -	\$81,231,575	5,344,946	\$ 76,863,982
Weighted average number outstanding during the year	6,816,168		4,903,305			6,203,354	

The net assets per Unit on a diluted basis on December 31, 2009 was \$4.55. The weighted average number of diluted units outstanding during 2009 was 7,756,528. The increase (decrease) in net assets from operations per unit on diluted basis for the year ended December 31, 2009 was \$3.67.

6. Distributions Payable to Unitholders

Distributions, as declared by the Manager, are made on a monthly basis to unitholders of record on the last business day of each month. The distributions are payable no later than the tenth business day of the following month. On October 10, 2008, Faircourt Asset Management Inc., as Manager of Faircourt Income & Growth Split Trust (TSX: FIG.UN, FIG.PR.A) announced that in accordance with the terms of Trust Indenture governing the Preferred Securities and the maintenance of a minimum 1.4 times asset coverage to be maintained by Income & Growth, dated November 17, 2004, monthly distributions on the Trust Units (TSX: FIG.UN) would be suspended until further notice, in order to protect Income & Growth's Net Assets.

There were no regular monthly distributions declared during the year ended December 31, 2009 (2008 – nine regular monthly distributions of \$0.1063 per Trust Unit during the year ended December 31, 2008).

7. Return of Capital in Distributions

Distribution income is recorded net of the estimated portion of the gross distributions which represents return of capital and which has been applied to reduce the cost base of the relevant securities, if any.

8. Management and Service Fees

Pursuant to a management agreement, the Manager provides management and administrative services to Income & Growth, for which it is paid a management fee equal to 1.1% per annum of the total assets of Income & Growth less the amount outstanding under the loan facility (as described in Note 9) plus applicable taxes. The Manager is responsible for paying fees to Acuity Investment Management Inc., the Investment Advisor for Income & Growth. Income & Growth also pays to the Manager a service fee equal to 0.40% per annum of the net assets of Income & Growth, plus applicable taxes. The service fee is in turn paid by the Manager to investment dealers based on the proportionate number of Trust Units held by clients of such dealers at the end of each quarter.

9. Loan Facility

Pursuant to an agreement with a Canadian chartered bank (the "Bank"), Income & Growth had maintained a 364-day revolving term loan facility for a maximum amount of \$35 million or 10% of Income & Growth's assets, whichever is less. As at December 31, 2009 and December 31, 2008, \$Nil million was

drawn under the loan facility. The loan facility was secured by a first ranking and exclusive charge on all of Income & Growth's assets and was renewable annually at the option of Income & Growth with the approval of the Bank. Income & Growth had the option of borrowing at the prime rate of interest or at the bankers' acceptance rate plus a fixed percentage.

During the year, the Trust decided not to renew the loan facility at its annual renewal year in January 2009.

10. Brokerage Commissions

Brokerage commissions paid to dealers for portfolio transactions during the year ended December 31, 2009 totaled \$461,779 (2008 – \$461,399), including \$45,661 paid indirectly to third parties through a broker or dealer for the provision of research and market data services (2008 – \$24,923).

11. Normal Course Issuer Bid

On January 5, 2009, the Trust received approval from the Toronto Stock Exchange ("TSX") to purchase for cancellation, through the facilities of the TSX, of up to 992,716 of its preferred securities (the "Preferred Securities"). Purchases could commence on January 7, 2009, and would terminate on January 6, 2010. The Trust will not purchase in excess of 2% (199,286) of the Preferred Securities (as at December 29, 2008) during any 30 day year during the course of the normal course issuer bid. The Trust has not previously purchased its Preferred Securities under a normal course issuer bid.

During the year ended December 31, 2009, a total of 130,400 Preferred Securities, with par value of \$1,304,000, had been purchased for \$982,995.

12. Financial Instrument Risk

Income & Growth may be exposed to a variety of financial risks. Income & Growth's exposure to financial risks for years ended December 31, 2009 (page 9) and 2008 (below) are concentrated in its investment holdings, including derivative instruments. The Statement of Investments groups securities by asset type, market segment and currency denomination. Also, the decline in the market value of the Trust's investment portfolio during the latter part of 2008 and first quarter of 2009 substantially increased the degree of leverage associated with an investment in the Units.



Notes to the Financial Statements

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The portfolio allocation, based on percentage of portfolio, on December 31, 2008 was as follows:

North American Equities	33.39%
Commodity-Based & Energy Services Trusts	27.79%
Pipelines & Power Generation Trusts	13.36%
Business and Industrial Trusts	9.74%
Cash and Cash Equivalents	7.15%
Exchange-Traded Funds	6.86%
Convertible Bonds	1.71%
	100.00%

Income & Growth's overall risk management practice seeks to minimize potentially adverse effects of those risks on the Trust's financial performance. Income & Growth's risk management practice includes the monitoring of compliance to investment guidelines. The Manager manages the potential effects of these financial risks on Income & Growth's performance by employing and overseeing professional and experienced Portfolio Advisors that regularly monitor Income & Growth's positions, market events and diversify investment portfolios within the constraints of the investment guidelines. Sensitivity analysis' provided in the following sections are for illustrative purposes only and may have no bearing on the Fund's financial results. Further, the percent changes for the market factors (interest rates, exchange rates, equity market moves) may not be representative of actual market moves in these factors.

a) Currency Risk

Currency risk is the risk that the value of investments (including cash and short term investments) denominated in currencies,

other than the functional currency of Income & Growth, will fluctuate due to changes in foreign exchange rates. The Statement of Investments identifies all investments denominated in foreign currencies. Equities and bonds in foreign markets are exposed to currency risk as the prices denominated in foreign currencies are converted to Income & Growth's functional currency in determining fair value.

As a portion of Income & Growth's investments may be comprised of securities the value of which may be denominated in U.S. dollars or other foreign currencies, and as a portion of the distributions received on the Portfolio may be received in U.S. dollars, the Net Assets and the value of distributions received by Income & Growth will, when measured in Canadian dollars, be affected by fluctuations in the value of the U.S. dollar or other foreign currencies relative to the Canadian dollar. The Manager may, from time to time, in managing Income & Growth, in its sole discretion, hedge all or a portion of the value of the Statement of Investment's non-Canadian currency exposure back to the Canadian dollar.

The table below summarizes Income & Growth's exposure to currency risk as at December 31, 2009. Amounts shown are based on the carrying value of monetary and non-monetary assets (including derivatives and the underlying principal (notional) amount of forward currency contracts, if any). Other financial assets (including dividends and interest receivable and receivables for investments sold) and financial liabilities (including payable for investments purchased) that are denominated in foreign currencies do not expose Income & Growth to significant currency risk.

	Currency Exposure (\$)	Gross Exposure as a % of Net Assets (%)
Assets:		
U.S. investments	\$ 9,888,156 (2008 - \$ 7,555,738)	20.9% (2008 - 76.5%)
* all amounts in CAD\$.		

Income & Growth's split structure results in a situation where the total portfolio is greater than the Net Assets (as the preferred securities are debt obligations of the Trust). The currency exposure, as at December 31, 2009, as a percentage of total portfolio was 6.7% (2008 - 7.4%).

As at December 31, 2009, if the Canadian dollar had strengthened or weakened by 5% in relation to the U.S. dollar, with all other factors remaining constant, Net Assets would have decreased or increased by approximately \$494,000 (2008 - \$378,000). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

b) Interest Rate Risk

Interest rate risk is the risk that the fair value of Income & Growth's interest bearing investments will fluctuate due to changes in market interest rates. Income & Growth's exposure to interest rate risk is concentrated in its investment in income trusts, debt securities (such as bonds, money market instruments, and debentures), and changes in interest rates on floating rate debt. Holders of Preferred Securities are also exposed to interest rate risk through their investment in Income & Growth. Income & Growth is obligated to pay interest on the Preferred Securities at a fixed rate of 6.25% per annum, the market price of the Units and

the Preferred Securities may be affected by the level of interest rates prevailing from time to time. Other assets and liabilities are short-term in nature and/or non-interest bearing. Although other investments in Income & Growth's portfolio, such as income trusts and high yielding equities may respond to interest rate moves, the securities do not have constant payouts like bonds. As such, their price movements are more appropriately considered under market risk.

The majority of the Trust's investments are non-interest bearing. The Trust does have investments in longer duration convertible bonds. If prevailing interest rates were raised or lowered by 1%, with all other variables held constant, net assets would have decreased or increased, respectively, by approximately \$440,000. Accordingly, the Trust is not subject to significant amounts of interest rate risk as defined in this section. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

c) Other Market Risk

Other market risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the

Notes to the Financial Statements

December 31, 2009



individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Other assets and liabilities are monetary items that are short term in nature and are not subject to other market risk.

i) Trading Price of the Units

The Units may trade in the market at a premium or at a discount to the Net Assets per Unit and as such there can be no assurance that the Units will trade at the Net Assets per Unit.

ii) Leverage Related to the Structure of the Trust

Holders of the Units are subject to a form of leverage as the Preferred Securities rank ahead of the Units in the capital structure of Income & Growth. As such the Preferred Securities are paid out first, such that any change in the fair value of the investments will first flow to the Units. Accordingly, any decrease in the net assets of the Portfolio will result in a greater proportionate decrease in the net assets of the Units. If, at the Termination Date, the total assets of Income & Growth are less than or equal to the amount of the aggregate of all liabilities of Income & Growth (including Senior Indebtedness and the aggregate principal amount of the Preferred Securities and all accrued and unpaid interest thereon), the Units will have no value.

iii) Leverage Related to the Loan Facility

Leverage related to the structure of the Trust is currently higher than historical levels and as such market movements will be amplified.

As at December 31, 2009, the majority of the Fund's investments were traded on global stock exchanges. If equity prices on the global stock exchanges had increased or decreased by 10% as at the year end, with all other factors remaining constant, Net Assets would have increased or decreased by approximately \$14,569,000 (2008 – \$10,246,000). Leverage materially impacts the Net Assets of the Trust as it will enhance the Net Assets during a year when the Trust's investments have appreciated and will exacerbate the decline of the Net Assets during a falling market. The Trust employs a split structure and as such the Units are leveraged investments. Therefore, the impact of portfolio fluctuations on NAV per Unit will be magnified. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

d) Credit Risk

Credit risk is the risk that a loss could arise from a security issuer or counterparty to a financial instrument not being able to meet its financial obligations. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. Credit risk exposure for over-the-counter derivative instruments is based on the Trust's unrealized gain of the contractual obligations with the counterparty as at the reporting date. The credit exposure of other assets is represented by its carrying amount. As at December 31, 2009 and 2008, the Trust did not have significant exposure to credit risk.

All transactions in listed securities, including short term investments, are settled/paid for upon delivery using approved

brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. The trade will fail if either party fails to meet its obligation.

e) Liquidity Risk

The Trust's exposure to liquidity risk is concentrated in the annual cash redemption of Trust Units. The Trust primarily invests in securities that are traded in active markets and can be readily disposed. In addition, the Trust retains sufficient cash and cash equivalent positions to maintain liquidity and/or is permitted to borrow in the short-term to ensure liquidity.

As at December 31, 2009 and 2008, Income & Growth did not have significant exposure to liquidity risk.

13. Capital Management

Income & Growth was created using a dual security structure, consisting of Trust Units and Preferred Securities, to provide investors with leveraged capital growth potential and greater ability to choose the tax character of distributions, if any, they will receive. Income & Growth invests in a diversified portfolio of securities, including Canadian income trusts and funds (comprised primarily of units of business and industrial funds, commodity based and energy services trusts, real estate investment trusts, pipeline and power generation funds), dividend paying North American equities and other income generating securities, including convertible debentures and non-investment grade debt.

The capital of Income & Growth is represented by unitholders' capital, preferred securities and deficit, as disclosed in the Statement of Net Assets. Unitholders' are entitled to distributions, if any, and to payment of a proportionate share based on Income & Growth's net assets per unit upon redemption. Income & Growth has no restrictions or specific capital requirements on the subscriptions and redemptions of units. The relevant movements are shown on the Statement of Changes in Net Assets.

Income & Growth's objectives in managing its capital from Preferred Securities are;

(i) to provide Securityholders, in priority to any distributions on the Trust Units, interest in the amount of \$0.15625 per quarter (\$0.625 per annum to yield 6.25% per annum on the subscription price of \$10.00); and

(ii) to repay to Preferred Securityholders, on December 31, 2014, in priority to any return of the original subscription price to Unitholders, the original subscription price of the Preferred Securities.

In accordance with its investment objectives and risk management practices, as outlined above and throughout Note 12, Income & Growth endeavours to invest its capital in appropriate investments while maintaining sufficient liquidity to meet redemptions.

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December 31, 2009



14. Fair Value Measurements

In March 2009, the Canadian Accounting Standards Board issued Amendments to Section 3862 Financial Instruments – Disclosures. The amendments expand the disclosures required in respect of the inputs to fair value measurements recognized in the financial statements. For the purpose of these expanded disclosures, a three-level hierarchy has been introduced as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data. Additional quantitative disclosures are required for Level 3 securities.

The amendments are applicable for annual financial statements for periods ending after September 30, 2009. These changes have no impact on the Fund's results of operations or financial position.

The following tables illustrate the classification of the Trust's financial instruments within the fair value hierarchy as at December 31, 2009:

	Assets at fair value as at December 31, 2009			Total
	Level 1	Level 2	Level 3	
Equities – long	\$ 136,802,728	\$ –	\$ –	\$ 136,802,728
Bonds	\$ –	\$ 8,890,589	\$ –	\$ 8,890,589
Cash and short term investments	\$ 1,245,381	\$ –	\$ –	\$ 1,245,381
	\$ 138,048,109	\$ 8,890,589	\$ –	\$ 146,938,698

There were no transfers between levels during the year.

Corporate Information

Faircourt Asset Management Inc. (“Faircourt”) was created to design, distribute and market innovative structured investment products to retail investors throughout Canada. Faircourt is credited with being the innovator of Canada’s first funds of Income Trusts using a dual security structure. As at December 31, 2009, Faircourt, together with its affiliates, currently provides management services to two TSX listed closed-end funds, Faircourt Income & Growth Split Trust and Faircourt Split Trust and one TSX listed corporation, Faircourt Gold Income Corp., and one Limited Partnership, Faircourt Resource Fund Limited Partnership. Faircourt also provides marketing and administrative support and other services to a program of Principal Protected Notes, issued by a Canadian chartered bank.

For more information, please visit the Manager’s website at www.faircourtassemgt.com.

Directors & Officers

Jane Davis
Director

Stephen Kangas, CA, CFA
Director

Marshall Miller
Director

Charles Taerk
President, CEO & Director

Douglas Waterson, CA, CFA
Chief Financial Officer, Portfolio Manager & Director

Legal Counsel
Stikeman Elliott LLP

Borden Ladner Gervais LLP

Auditors
PricewaterhouseCoopers LLP

Trust Units/Shares

Trustee & Custodian
CIBC Mellon Global Securities Services

Registrar, Transfer Agent & Distribution Agent
CIBC Mellon Trust Company
Computershare Ltd.

Preferred Securities

Indenture Trustee, Registrar, Transfer Agent & Payment Agent
CIBC Mellon Trust Company

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Closed End Funds (listed on the TSX)

Faircourt Income & Growth Split Trust

Trust Units – **FIG.UN**
Preferred Securities – **FIG.PR.A**
Warrants – **FIG.W**

Faircourt Split Trust

Trust Units – **FCS.UN**
Preferred Securities – **FCS.PR.A**

Faircourt Gold Income Corp.

Class A Shares – **FGX**
Warrants – **FGX-WA**
– **FGX-WB**



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— Asset Management Inc. —