

2008 Annual Report
FAIRCOURT
INCOME & GROWTH
SPLIT TRUST



FAIRCOURT
— *Asset Management Inc.* —

Leading The Way To Prosperity.



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.

The unique structural benefits of our offerings allow investors to choose the type of return that they want to receive from our underlying portfolios. As a result, we can provide either fully taxable or tax advantaged solutions to retail investors.

We combine these unique structural benefits with leading investment management expertise that provides retail investors with the opportunity to achieve superior long-term performance.

Faircourt is employee-owned. We believe the skills of our management team, combined with the professional experience of our Directors, provide Faircourt with the expertise and governance structure to manage our publicly traded funds and mutual funds in accordance with the Investment Objectives and Investment Strategy of each Fund.

2008 ANNUAL REPORT



FAIRCOURT INCOME & GROWTH SPLIT TRUST

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TSX Symbols: FIG.UN
FIG.PR.A

Eligibility: RRSP, RIF

Inception Date: November 17, 2004

Fund Manager: Faircourt Asset Management Inc.

Investment Advisor: Acuity Investment Management Inc.

This annual 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.faircourtassetmgt.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, 2008 and December 31, 2007 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", or 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 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 Trust Units. As a result of the very high level of leverage, an investment in the Trust Units should be considered speculative.

Results of Operations

Market Performance and Outlook

The past year saw the US housing slowdown rapidly and violently transform into a full blown world-wide credit crisis, the depths of which caught virtually all market participants by surprise. The crisis had its genesis in the over-heated US housing market, funded by global institutions that securitized the debt. The initial depths of the crisis were felt in the first quarter of the year as the U.S. Federal Reserve-orchestrated Bear Stearns takeover in March illustrated the severity of the illiquidity and default potential facing the global financial system.

As housing prices continued to decline, equity values eroded to the point where residential home prices fell below the amount of many mortgages. The losses on various mortgages and securitized debt related to mortgage issuance, has become staggering, estimated in the trillions of dollars, and has required governments worldwide to inject capital into the financial system at unprecedented levels.

These dire circumstances prompted the U.S. Federal Reserve to implement a series of interest rate reductions throughout the year leading ultimately to an all-time low of virtually zero percent by December. The Bank of Canada, among other central banks, followed suit, reducing its benchmark overnight rate in several steps to 1.5%.

We have seen many ripple effects of the crisis. During the latter half of 2008, the credit crisis precipitated a massive sell off in the broader



equity markets, as well as grinding international trade to a virtual halt. Coordinated global government intervention temporarily stabilized the credit markets, however, it seems to be far from over with credit still expensive and difficult to obtain. In 2009 we expect that corporate borrowers initially hit by the credit crisis will begin to feel the effects of a slower economy, brought on by continued deleveraging as consumers in the US and elsewhere rein in spending and increase savings rates.

In Canada, all sectors of the S&P/TSX suffered in this environment. Among the hardest hit sectors were the financials, as concerns about recession-related credit losses in Canada weighed on banks, insurance companies and REITs. Energy related names fared just as poorly given the drop in oil prices from US\$140/barrel in July to the mid US\$40/barrel level by year end. In addition, small capitalization names lagged the large cap companies on the S&P/TSX. The Income Trust Index lagged large cap equities listed on the S&P/TSX, with the Trust Index overweight the energy sector which continues to face significant headwinds as the price of oil and natural gas continue to be weak.

Following declines of this magnitude through the second half of 2008, we witnessed the beginnings of an equity rally in December, reflecting in part the aggressiveness of the US Federal Reserve's rate reductions, along with optimism regarding a potential Obama-led stimulus package released in the new-year. Nevertheless, economic data is likely to remain challenging for an extended period of time, particularly in Canada, where the economic slow-down has lagged that of the U.S. In this environment, rallies will likely be constrained. As a result, our overarching outlook remains cautious for the next several quarters.

Bearing this view in mind, Acuity has adopted a defensive posture, with the largest underweight positions being in financials and consumer discretionary. However, the Acuity team remains vigilant for signs of improvement in the economy, perhaps triggered in part by the fiscal and monetary stimulus packages being introduced. As valuations have retreated significantly, long term return prospects for the markets, and by extension the Fund, are improving in our view.

Fund Performance

During the period ended December 31, 2008, the Trust declared and paid nine monthly distributions of \$0.10630 per Trust Unit. 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 \$5.55728 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.

The NAV of the Trust Units, combined with paid distributions during the year ended December 31, 2008, provided a total return for holders of Trust Units of -82.99%, results which have underperformed the blended benchmark return of -27.77%. 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 elevated cash levels as well as the Fund's hedging activities primarily through exposure to the ProShares UltraShort S&P500 ETF, as well as its underweight allocation to financials, REITs and US equities, however with its leverage and positions in energy related names, the Fund underperformed its benchmark for 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. As at December 31 2008, the Trust maintained a diversified portfolio of 47 income funds and corporate issuers. Business and industrial funds comprised 9.7% of the market value of the Trust's investment portfolio; commodity-based and energy services trusts comprised 27.8%; pipelines and power generation funds comprised 13.4%; North American dividend paying equities comprised 32.8%; exchange-traded funds comprised 7.5%; convertible bonds comprised 1.7%; and cash and cash equivalents comprised 7.1%.

Unitholder Activity

On June 30, 2008, 1,716,816 Trust Units were redeemed at \$14.5520 per Trust Unit 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, 2008 less costs of funding the redemption, including commissions. Payment was made in full on July 22, 2008.

As at December 31, 2008, the Trust had 5,344,946 Trust Units outstanding and trading at \$0.80 per Trust Unit, a discount to the underlying NAV of 59%. Closed end trusts may trade above, at or below their NAV per unit.

Preferred Securities

As at December 31, 2008, the Trust had 9,964,308 Preferred Securities outstanding representing a total liability of \$99.64 million. The Preferred Securities of the Trust continued to provide an attractive annualized yield of 6.25% on the original subscription price. At December 31, 2008, the Preferred Securities were trading at \$7.00 per Preferred Security, a discount to issue price of 30%.

Liquidity and Capital Resources

The loan facility is used by the Trust for the purchase of additional investments and for general trust purposes. During the period ended



December 31, 2008, the Trust's minimum and maximum borrowings were \$Nil and \$4,533,539 respectively. The percentage of net assets of the Trust that the minimum and maximum borrowings represented as of the end of the borrowing periods was Nil% and 6.9% respectively.

Subsequent to year-end, the Trust decided not to renew the loan facility at its annual renewal period in January 2009.

Fees and Expenses

During the year, the Trust paid management fees, operating expenses and interest on preferred securities of \$9.29 million. The expense ratio, net of interest on preferred securities, for Trust Unitholders was 4.32%, compared to 3.57% in 2007. 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 is 1.56% based on total assets, compared to 1.53% in 2007.

Recent Developments

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 may commence on January 7, 2009, and will terminate on January 6, 2010. The Manager believes this will help improve market support for the preferred securities, and will serve to reduce the structural leverage inherent in the Trust, while being accretive to the Trust's NAV. The Trust has not previously purchased its Preferred Securities under a normal course issuer bid.

Adoption of New Accounting Standard for Fiscal 2008

Effective for years beginning on or after October 1, 2007, Income & Growth has adopted two new accounting standards that were issued by the CICA: CICA Handbook Section 3862 Financial Instruments – Disclosures, and 3863 Financial Instruments – Presentation. These standards enhance the disclosure and presentation requirements for financial instruments by expanding the disclosure of information on the nature and extent of risks arising from financial instruments and

how those risks are managed. Income & Growth adopted these standards prospectively. Adoption of the new standards does not impact the daily price of Income & Growth's securities for subscription and redemption purposes, nor for the calculation of net assets.

CICA Handbook Section 1535 – Capital Disclosures establishes standards for disclosing information about an entity's capital and how it is managed. This standard applies to the financial statements relating to fiscal years beginning on or after October 1, 2007. The adoption of this standard results in additional disclosures relating to the redeemable units of the Fund but does not affect the Fund's results of financial positions.

Future Accounting Changes

The Canadian Accounting Standards Board ("AcSB") confirmed a plan to adopt the International Financial Reporting Standards ("IFRS"), for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Fund will adopt IFRS. At December 31, 2008 the Manager has not developed a changeover plan to IFRS nor has it assessed the impact of IFRS on business arrangements, net asset value per unit and accounting policies.

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 period ended December 31, 2008, the Trust paid \$1.95 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 Trust and are intended to help you understand the Trust's financial performance for the fiscal periods indicated. This information is derived from the Trust's audited financial statements.

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 Trust. 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, 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)	\$ 12.65	\$ 15.35	\$ 18.80	\$ 14.69	\$ 13.72
Initial adoption of new accounting policy	-	(0.08)	-	-	-
Increase (decrease) from operations:					
Total revenue	2.06	2.39	2.08	1.82	0.15
Total expenses	(1.57)	(1.74)	(1.34)	(1.08)	(0.13)
Realized gains (losses) for the period	(1.08)	(0.79)	2.23	0.53	0.06
Unrealized gains (losses) for the period	(7.19)	0.02	(4.60)	4.27	0.96
Total increase (decrease) in net assets from operations	(7.78)	(0.12)	(1.63)	5.54	1.04
Distributions:					
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	\$ 1.85	\$ 12.65	\$ 15.35	\$ 18.80	\$ 14.69

Ratios and Supplemental Data⁽¹⁾

	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	\$10,499,221	\$90,194,069	\$48,659,829	\$104,238,745	\$81,431,324
Number of units outstanding	5,344,946	7,061,762	3,169,401	5,545,000	5,545,000
Management expense ratio	14.62%	11.14%	7.30%	6.43%	16.32%
Management expense ratio, excluding issue costs	14.62%	11.14%	7.30%	6.43%	7.41%
Less: Interest on preferred securities	-10.30%	-7.58%	-4.35%	-3.73%	-4.27%
Expense ratio net of interest on preferred securities	4.32%	3.57%	2.95%	2.70%	3.14%
Expense ratio net of interest on preferred securities and before waivers or absorptions	4.32%	3.57%	2.95%	2.70%	3.14%
Expense ratio - total assets	1.56%	1.53%	1.64%	1.65%	1.71%
Portfolio turnover rate	66.49%	62.16%	52.69%	39.34%	8.26%
Trading expense ratio	0.73%	0.67%	0.38%	0.21%	1.74%
Net asset value per unit	\$1.96	\$12.77	\$15.35	\$18.80	\$14.69
Closing market price per unit	\$0.80	\$10.70	\$13.84	\$17.50	\$15.31

- 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 3 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 trading net assets per unit is shown for all prior periods. The trading net assets value is disclosed in "Ratios and Supplemental Data".
- Period from November 17, 2004 (date of commencement of operations) to December 31, 2004.
- 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.
- 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.
- This information is provided as at end of the period shown. The inception date of the Trust was November 17, 2004.
- 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.
- 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.
- 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.
- 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.
- The ratio is based on total expenses, excluding interest on preferred securities, 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.
- 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. Where the reporting period is less than 12 months, the portfolio turnover rate has not been annualized and will not be comparable to the portfolio turnover rate calculated for reported 12 month periods.
- 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.
- 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.
- The closing market price as per the TSX as at end of the period shown.

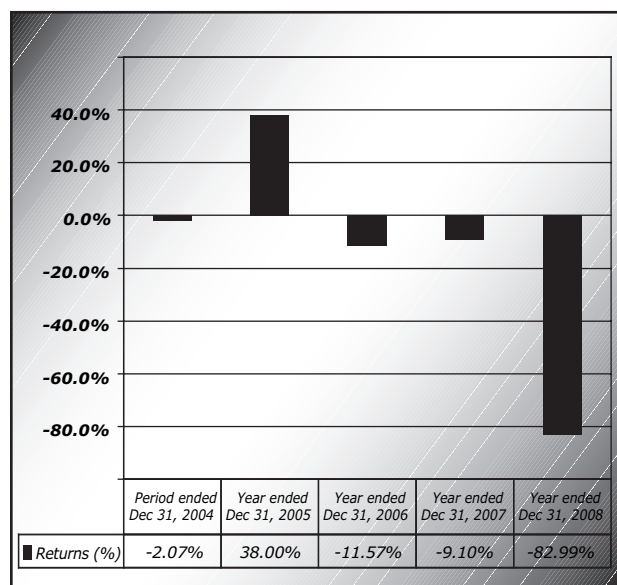


Past Performance

The following chart and table shows 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 Transaction NAV.

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 NAV.



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. Issuance costs are one time costs incurred at inception.

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, 2008, 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, 2008 and based on initial public offering NAV.

	Since Inception	Past 3 Years	Past 1 Year
Faircourt Income & Growth Split Trust	-33.58%	-45.44%	-82.99%
Blended Index	-6.92%	1.24%	-27.77%
S&P/TSX Capped Income Trust Total Return Index	-8.50%	1.74%	-26.08%
S&P/TSX Composite Total Return Index	-4.79%	2.55%	-33.00%
S&P 500 – CDN\$ Total Return Index	-6.64%	-3.50%	-21.20%

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, 2008 (based on Transaction NAV)

Portfolio Allocation	% of Portfolio**	Top 25 Positions	% of Portfolio**
North American Equities	32.75%	1 Cash & Cash Equivalents	7.15%
Commodity-Based & Energy Services Trusts	27.79%	2 ProShares UltraShort S&P500	6.86%
Pipelines & Power Generation Trusts	13.36%	3 Energy Savings Income Fund	5.97%
Business and Industrial Trusts	9.74%	4 Canadian Oil Sands Trust	5.37%
Cash and Cash Equivalents	7.15%	5 Crescent Point Energy Trust	4.29%
Exchange-Traded Funds	7.50%	6 Keyera Facilities Income Fund	3.80%
Convertible Bonds	1.71%	7 Trinidad Drilling Ltd.	3.78%
	100.00%	8 Altagas Income Trust	3.59%
		9 Bonavista Energy Trust	3.54%
		10 Daylight Resources Trust	3.52%
		11 CML Healthcare Income Fund	3.45%
		12 Trilogy Energy Trust	3.32%
		13 Wajax Income Fund	3.12%
		14 Cathedral Energy Services Income Trust	2.89%
		15 Canadian Natural Resources Ltd.	2.89%
		16 Manulife Financial Corp.	2.69%
		17 Vermilion Energy Trust	2.47%
		18 Agrium Inc.	2.32%
		19 Universal Energy Group Ltd.	2.28%
		20 ShawCor Ltd.	2.24%
		21 Barrick Gold Corp.	2.00%
		22 Bank of Nova Scotia	1.88%
		23 Baytex Energy Trust	1.86%
		24 TransCanada Corp.	1.79%
		25 Pason Systems Inc.	1.70%
		Total portfolio represented by these holdings	84.77%

Total Net Asset Value **\$10,499,221**

* 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.

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.faircourtasstgmt.com.



Management's Responsibility Statement

The financial statements of Faircourt Income & Growth Split Trust (the "Fund") 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 11, 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, 2008, the statement of net assets as at December 31, 2008 and 2007 and the statements of operations and retained earnings (deficit), cash flows and changes in net assets for the years then ended. 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, 2008 and 2007 and the results of its operations, its cash flows and the changes in its net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

**Chartered Accountants,
Licensed Public Accountants**
Toronto, Canada
March 11, 2009



Statement of Net Assets

	As at December 31, 2008	As at December 31, 2007
Assets		
Investments, at fair value	\$ 102,462,544	\$ 207,800,789
Cash and short-term investments	7,936,073	10,978,432
Distributions, dividends and interest receivable	2,055,852	1,429,621
	112,454,469	220,208,842
Liabilities		
Accounts payable and accrued liabilities	375,592	459,602
Amounts payable for investments purchased	2,553,442	-
Distributions payable to unitholders (Note 6)	-	750,665
Preferred securities issued (Note 4)	99,643,080	129,643,080
	102,572,114	130,853,347
Net assets representing unitholders' equity		
Unitholders' capital (Note 5)	76,863,982	101,552,970
Deficit	(66,981,627)	(12,197,475)
	\$ 9,882,355	\$ 89,355,495
Units outstanding (Note 5)	5,344,946	7,061,762
Net assets per unit	\$ 1.85	\$ 12.65

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 Retained Earnings (Deficit)

	Year ended December 31, 2008	Year ended December 31, 2007
Income		
Gross distributions and dividends (net of withholding taxes of \$125,975; 2007 - \$16,223)	\$ 12,999,275	\$ 20,788,300
Less: return of capital (Note 7)	(689,881)	(1,645,524)
Distribution income	12,309,394	19,142,776
Interest income	497,050	443,734
	12,806,444	19,586,510
Expenses		
Management fee (Note 8)	1,953,583	3,114,885
Service fee (Note 8)	254,379	505,162
Audit fees	26,048	42,371
Trustee fees	5,940	5,470
Legal fees	27,709	41,499
Securityholder reporting costs	314,566	225,005
Independent review committee fees	35,005	-
Custodial fees	51,555	64,206
Interest and bank charges	76,425	303,550
Interest on preferred securities (Note 4)	6,546,303	9,138,190
	9,291,513	13,440,338
Net investment income	3,514,931	6,146,172
Commissions and other portfolio transaction costs (Note 3 and 10)	(461,399)	(806,295)
Net realized loss on sale of investments	(6,737,368)	(6,444,951)
Net realized gain on foreign exchange	13,108	-
Net change in unrealized gain on investments	(44,610,811)	145,811
Decrease in net assets from operations	(48,281,539)	(959,263)
Retained earnings (deficit), beginning of year	(12,197,475)	4,899,446
Excess of stated value paid on unitholder redemptions (Note 5)	(294,118)	(5,716,120)
Distributions to unitholders (Note 6)	(6,208,495)	(10,421,538)
Deficit, end of year	\$ (66,981,627)	\$ (12,197,475)
Decrease in net assets from operations per unit ⁽¹⁾	\$ (7.78)	\$ (0.12)

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, 2008	Year ended December 31, 2007
Cash flows provided by (used in) operating activities		
Decrease in net assets from operations	\$ (48,281,539)	\$ (959,263)
Adjustments to reconcile increase (decrease) in net assets from operations to net cash provided by (used in) operating activities		
Purchase of investment securities	(107,470,669)	(386,914,390)
Proceeds from disposition of investment securities	161,460,735	280,655,402
Increase in distributions, dividends and interest receivable	(626,231)	(641,428)
Decrease in amounts receivable for investments sold	-	536,809
Decrease in accounts payable and accrued liabilities	(84,010)	(712,969)
Increase (decrease) in amounts payable for investments purchased	2,553,442	(1,527,199)
Increase (decrease) in distributions payable to unitholders	(750,665)	413,758
Net change in unrealized gain on investments	44,610,811	(145,811)
Net realized loss (gain) on sale of investments	6,737,368	6,444,951
	58,149,242	(102,850,140)
Cash flows provided by (used in) financing activities		
Acquisition of net assets of Funds	-	107,498,057
Proceeds from issuance of preferred securities	-	119,193,080
Redemption of preferred securities issued	(30,000,000)	(45,000,000)
Loan facility	-	(2,500,000)
Distributions to unitholders	(6,208,495)	(10,421,538)
Unitholder redemptions	(24,983,106)	(55,157,315)
	(61,191,601)	113,612,284
Net increase (decrease) in cash and short-term investments during the year	(3,042,359)	10,762,144
Cash and short-term investments, beginning of year	10,978,432	216,288
Cash and short-term investments, end of year	\$ 7,936,073	\$ 10,978,432
Supplemental cash flow information		
Interest paid	\$ 6,546,303	\$ 10,308,147

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

Statement of Changes in Net Assets

	Year ended December 31, 2008	Year ended December 31, 2007
Decrease in net assets from operations	\$ (48,281,539)	\$ (959,263)
Unitholder transactions (Note 5)		
Unitholder redemptions	(24,983,106)	(55,157,315)
Distributions to unitholders, (Note 6)		
Net investment income	(1,764,427)	(4,646,903)
Capital gains	(3,323,658)	(1,913,527)
Return of capital	(1,120,410)	(3,861,108)
	(6,208,495)	(10,421,538)
Acquisition of net assets of Funds (Note 1)	-	107,498,057
Net increase (decrease) in net assets during the year	(79,473,140)	40,959,941
Net assets, beginning of year	89,355,495	48,395,554
Net assets, end of year	\$ 9,882,355	\$ 89,355,495

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

Statement of Investments

As at December 31, 2008



Number of Units	Security	Cost (\$)	Fair Value (\$)	Percent of Portfolio	
Commodity-Based and Energy Services Trusts					
35,050	Badger Income Fund	509,942	557,295	0.54%	
140,600	Baytex Energy Trust	2,629,316	2,035,888	1.99%	
231,200	Bonavista Energy Trust	5,187,237	3,900,344	3.81%	
282,800	Canadian Oil Sands Trust	9,399,125	5,947,284	5.80%	
502,000	Cathedral Energy Services Income Trust	4,471,922	3,207,780	3.13%	
197,666	Crescent Point Energy Trust	3,541,898	4,743,984	4.63%	
501,000	Daylight Resources Trust	3,820,486	3,862,710	3.77%	
637,900	Trilogy Energy Trust	5,049,112	3,680,683	3.59%	
108,900	Vermilion Energy Trust	3,571,720	2,725,767	2.66%	29.92%
Business and Industrial Trusts					
76,300	CI Financial Income Fund	1,821,344	1,104,824	1.08%	
298,100	CML Healthcare Income Fund	4,416,889	3,827,604	3.74%	
48,000	Colabor Income Fund	381,242	397,440	0.39%	
112,200	GMP Capital Trust	2,271,399	565,488	0.55%	
54,850	Newalta Income Fund	1,205,885	348,846	0.34%	
163,000	Pizza Pizza Revenue Royalty Fund	1,318,237	994,300	0.97%	
46,200	The Brick Group Income Fund	401,379	96,558	0.09%	
163,900	Wajax Income Fund	4,979,320	3,441,900	3.36%	10.52%
Pipelines and Power Generation Trusts					
231,500	Altgas Income Trust	5,508,035	3,984,115	3.89%	
754,251	Energy Savings Income Fund	9,886,390	6,575,940	6.42%	
236,700	Keyera Facilities Income Fund	3,217,810	4,203,792	4.10%	14.41%
North American Equities					
62,000	Agrium Inc.	2,070,465	2,571,140	2.51%	
5,654,400	Aura Minerals Inc.	6,182,250	904,704	0.88%	
62,700	Bank of Nova Scotia	3,144,767	2,078,505	2.03%	
49,600	Barrick Gold Corp.	2,313,070	2,216,128	2.16%	
65,900	Canadian Natural Resources Ltd.	3,587,075	3,212,625	3.14%	
758,000	Eastern Platinum Ltd.	995,952	250,140	0.24%	
3,066,900	Farallon Resources Ltd.	1,106,535	444,700	0.43%	
51,263	Groupe Aeroplan Inc.	954,596	444,451	0.43%	
400,000	Guyana Goldfields Inc.	660,200	728,000	0.71%	
143,700	Manulife Financial Corp.	4,939,656	2,983,212	2.91%	
83,300	Pan Orient Energy Corp.	669,032	277,389	0.27%	
134,400	Pason Systems Inc.	1,891,008	1,874,880	1.83%	
36,800	Royal Bank of Canada	2,032,340	1,324,800	1.29%	
135,000	ShawCor Ltd. – Class A	2,581,495	2,463,750	2.40%	
52,300	Sun Life Financial Inc.	2,884,680	1,482,705	1.45%	
59,400	Suncor Energy Inc.	2,834,295	1,408,968	1.38%	
31,900	Toronto-Dominion Bank	2,231,054	1,385,098	1.35%	
60,000	TransCanada Corp.	2,050,188	1,984,800	1.94%	
939,700	Trinidad Drilling Ltd.	6,864,580	4,097,092	4.00%	
457,600	Universal Energy Group Ltd.	4,631,720	2,525,952	2.47%	
156,000	Yamana Gold Inc.	1,036,196	1,466,400	1.43%	35.26%
Exchange-Traded Funds					
37,500	Horizons BetaPro S&P Capped Energy Bear Plus	1,020,934	706,875	0.69%	
87,000	ProShares UltraShort S&P500 *	5,520,215	7,555,738	7.37%	8.06%
Convertible Bonds					
300,000	Bonavista Energy Trust – Debentures, 6.75% Due 06/30/2010	293,925	288,900	0.28%	
250,000	Cineplex Galaxy Income Fund – Debentures, 6.00% Due 12/31/2012	215,040	222,500	0.22%	
1,150,000	Newalta Income Fund – Debentures, 7.00% Due 11/30/2012	1,150,000	806,150	0.79%	
990,000	Universal Energy Group, 6.00% Due 9/30/2014	1,001,138	554,400	0.54%	1.83%
		\$ 138,451,094	\$ 102,462,544		
	Less: Adjustments for transactions costs (Note 2)	(161,536)	–		
		\$ 138,289,558	\$ 102,462,544	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, 2008



1. Operations

Faircourt Income & Growth Split Trust (“Income & Growth” or the “Trust”), 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. RBC Dexia Investor Services Trust 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 was 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.

At special meetings held on January 16, 2007 for Preferred Securityholders and January 23, 2007 for Unitholders, Preferred Securityholders and Unitholders of Faircourt Income Split Trust, Faircourt Split Five Trust, Faircourt Split Seven Trust and Income & Growth Split Trust approved the merger of Faircourt Income Split Trust, Faircourt Split Five Trust and Faircourt Split Seven Trust with Income & Growth Split Trust.

The merger was effective on January 31, 2007 based on closing Net Asset Values as of January 30, 2007. The following table summarizes the details of the merger.

Trust	Jan-30 NAV	Exchange Ratio	Trust Units Issued of Continued Trust (FIG.UN)	Preferred Securities Issued of Continued Trust (FIG.UN)	Net Assets Acquired by Continued Trust (FIG.UN)
Faircourt Income Split Trust	\$ 8.9236	0.60851	1,147,394	1,865,543	\$ 16,826,218
Faircourt Split Five Trust	\$ 24.2657	1.65470	1,738,470	3,253,765	\$ 25,494,215
Faircourt Split Seven Trust	\$ 20.8319	1.42055	4,444,525	6,800,000	\$ 65,177,624
Totals			7,330,389	11,919,308	\$ 107,498,057

The acquisition was recorded using the purchase method of accounting for business combinations and was done on a tax deferred roll-over basis for Unitholders (but not for Preferred Securityholders) such that it was not a taxable event for Unitholders.

Income & Growth Split Trust, as the continuing trust, changed its name to “Faircourt Income & Growth Split Trust, and continues trading on the Toronto Stock Exchange under the symbols “FIG.UN” for the Trust Units and “FIG.PR.A” for the Preferred Securities.

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 period. 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 the 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.

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. Prior to the adoption of Section 3855, brokerage commissions were added to the adjusted cost base when a security was purchased or they were deducted from the proceeds of disposition when a security was sold. There is no impact on the net assets of the investment fund in using either of these methods. 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.



Notes to the Financial Statements

December 31, 2008

e) Translation of Foreign Currency

The fair values of investments and other assets and liabilities that are denominated in foreign currencies are translated into Canadian dollars at the noon 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

The fair value of Income & Growth's financial instruments, which are composed of cash and short-term investments, distributions, dividends and interest receivable, amounts receivable for investments sold, 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.

h) Cash and Short Term Investments

Cash is comprised of cash on deposit and short term investments is deemed to be held for trading and carried at fair value.

The reconciliation of the Trust's net asset value per unit (Transaction) and the Trust's net assets per unit (GAAP) as at December 31, 2008 is presented in the following table:

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

The reconciliation of the Trust's net asset value per unit (Transaction) and the Trust's net assets per unit (GAAP) as at December 31, 2007 is presented in the following table:

Net Assets	Difference	Net Asset Value	Net Assets Per Unit	Difference	Net Asset Value Per Unit
\$89,355,495	\$ 838,574	\$90,194,069	\$ 12.65	\$ 0.12	\$ 12.77

Effective for years beginning on or after October 1, 2007, Income & Growth has adopted two new accounting standards that were issued by the CICA: CICA Handbook Section 3862 Financial Instruments – Disclosures, and 3863 Financial Instruments – Presentation. These standards enhance the disclosure and presentation requirements for financial instruments by expanding the disclosure of information on the nature and extent of risks arising from financial instruments and how those risks are managed. Income & Growth adopted these standards prospectively. Adoption of the new standards does not impact the daily price of Income & Growth's securities for subscription and redemption purposes, nor for the calculation of net assets. The detailed risks of investing in the Fund are disclosed in the Fund's Prospectus. Refer to Note 12 for new disclosure relating to adoption of the new requirements.

CICA Handbook Section 1535 – Capital Disclosures establishes standards for disclosing information about an entity's capital and how it is managed. This standard applies to the financial statements relating to fiscal years beginning on or after October 1, 2007. The adoption of this standard results in additional disclosures relating to the redeemable units of the Fund but does not affect the Fund's results of financial positions. The disclosure

3. Changes in Significant Accounting Policies

a) Adoption of New Accounting Policies

Section 3855 was adopted by the Trust on January 1, 2007. Section 3855 requires that securities be valued at fair value, which in an active market will commonly be measured based on the last bid price for the security.

National Instrument 81-106 ("NI 81-106"), Investment Fund Continuous Disclosure, previously required the daily net asset value of an investment fund to be calculated in accordance with GAAP. The Canadian Securities Administrators ("CSA") have issued amendments to NI 81-106 to replace the previous requirements to calculate the daily net asset value for the purpose of processing unitholder transactions ("Net Asset Value") in accordance with GAAP and allow investment funds to value their investments using fair value measures as defined in NI 81-106. A Net Asset Value Per Unit is determined as of the close of business each day that the Toronto Stock Exchange is open for trading.

requirements pertaining to Section 1535 are contained in Note 13.

b) Future Accounting Changes

The Canadian Accounting Standards Board ("AcSB") confirmed a plan to adopt the International Financial Reporting Standards ("IFRS"), for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Fund will adopt IFRS. At December 31, 2008 the Manager has not developed a changeover plan to IFRS nor has it assessed the impact of IFRS on business arrangements, net assets per unit and accounting policies.

4. Preferred Securities

The Preferred Securities are subordinate to all senior indebtedness of Income & Growth (including the bank loan facility and 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.

Notes to the Financial Statements

December 31, 2008



Issued & Outstanding:

	Year Ended December 31, 2008 Units	Year Ended December 31, 2008 Amounts (\$)	Year Ended December 31, 2007 Units	Year Ended December 31, 2007 Amounts (\$)
Balance, beginning of year	12,964,308	\$ 129,643,080	5,545,000	\$ 55,450,000
Issued on merger of Funds (Note 1)	-	-	11,919,308	119,193,080
Redemption	(3,000,000)	(30,000,000)	(4,500,000)	(45,000,000)
Balance, end of year	9,964,308	\$ 99,643,080	12,964,308	\$ 129,643,080

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 period 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.

	Year Ended December 31, 2008 Units	Year Ended December 31, 2008 Amounts (\$)	Year Ended December 31, 2007 Units	Year Ended December 31, 2007 Amounts (\$)
Balance, beginning of year	7,061,762	\$ 101,552,970	3,169,401	\$ 43,496,108
Issued on merger of Funds (Note 1)	-	-	7,330,389	107,498,057
Redemptions	(1,716,816)	(24,688,988)	(3,438,028)	(49,441,195)
Balance, end of year	5,344,946	\$ 76,863,982	7,061,762	\$ 101,552,970
Weighted average number of trust units outstanding during the year	6,203,354		8,182,988	

On June 30, 2008, 1,716,816 Trust Units were tendered for redemption to Income & Growth for cash proceeds of \$24.98 million in accordance with Income & Growth's annual redemption privileges (2007 - 3,438,028 Trust Units were redeemed by Income & Growth for cash proceeds of \$42.93 million). The par value and excess of stated value paid on unitholder redemptions of the Trust Units redeemed on June 30, 2008 was \$24.69 million (2007 - \$49.44 million) and \$0.29 million (2007 - \$5.72 million) respectively.

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. Income & Growth declared nine regular monthly distributions of \$0.1063 per Trust Unit during the year ended December 31, 2008 (2007 - twelve regular monthly distributions of \$0.1063 per Trust Unit during the year ended December 31, 2007).

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.

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.

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 maintains 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, 2008 and December 31, 2007, \$Nil million was drawn under the loan facility. The loan facility is secured by a first-ranking and exclusive charge on all of Income & Growth's assets and is renewable annually at the option of Income & Growth with the approval of the Bank. Income & Growth has the option of borrowing at the prime rate of interest or at the bankers' acceptance rate plus a fixed percentage.



Notes to the Financial Statements

December 31, 2008

The loan facility is used by Income & Growth for the purchase of additional investments and for general trust purposes. During the period ended December 31, 2008, Income & Growth's minimum and maximum borrowings were \$Nil and \$4,533,539 respectively (December 31, 2007 – minimum and maximum borrowings were \$Nil and \$24,613,022 respectively).

Subsequent to year-end, the Trust decided not to renew the loan facility at its annual renewal period in January 2009.

10. Brokerage Commissions

Brokerage commissions paid to dealers for portfolio transactions during the period ended December 31, 2008 totaled \$461,399 (December 31, 2007 – \$806,295), including \$24,293 paid indirectly to third parties through a broker or dealer for the provision of research and market data services (December 31, 2007 – \$39,262).

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 may commence on January 7, 2009, and will 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 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.

12. Financial Instrument Risk

Income & Growth may be exposed to a variety of financial risks. Income & Growth's exposures to financial risks 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 2008 substantially increased the degree of leverage associated with an investment in the Units

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, 2008. Amounts shown are based on the carrying value of monetary and non-monetary assets (including derivatives and the underlying principle (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 (\$)	As a % of Net Assets (%)
Assets:		
U.S. investments	\$ 7,555,738	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, 2008, as a percentage of total portfolio was 7.4%.

As at December 31, 2008, 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 \$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

Notes to the Financial Statements

December 31, 2008



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 Income & Growth's investments are non-interest bearing, accordingly, Income & Growth is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

Based on the amounts outstanding on Income & Growth's loan facility (as described in Note 9) during 2009, the effect of a 1% change in the interest rate would not have resulted in a significant change in interest expense or the fair value of the debt.

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 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

The loan facility is senior to both the Preferred Securities and the Units. Use of leverage under the loan facility would result in similar effects for the units as leverage resulting from the Preferred Securities. However, leverage with respect to the loan facility could impact the coverage and other ratios of the Preferred Securities if the securities purchased using the loan facility appreciate or depreciate.

As at December 31, 2008, 100% of the Company's investments were traded on global stock exchanges. If equity prices on the global stock exchanges had increased or decreased by one time 10% (adjusted by the December 31, 2008 leverage factor), as at the period end, with all other factors remaining constant, Net Assets would have increased or decreased by approximately \$11,200,000. Leverage materially impacts the Net Assets of the Trust as it will enhance the Net Assets during a period when the Trust's investments have appreciated and will exacerbate the decline of the Net Assets during a falling market. 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, 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, 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.

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, 2008, 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., one Mutual Fund Corporation with one class of shares, Faircourt Global Income Advantage Class. 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.faircourtassetmgt.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

Auditors
PricewaterhouseCoopers LLP

Trust Units/Shares

Trustee & Custodian
RBC Dexia Investor Services Trust
CIBC Mellon Global Securities Services

Registrar, Transfer Agent & Distribution Agent
CIBC Mellon Trust Company

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**

Faircourt Split Trust

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

Faircourt Gold Income Corp.

Class A Shares – **FGX**
Warrants – **FGX-W**

Mutual Funds (available through FundSERV)

Faircourt Global Income Advantage Class

