HARVEST Canadian Income & Growth Fund

Annual Financial Statements
December 31, 2012

The Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure, can be obtained at your request, and at no cost, by calling us at 866 998 8298; by writing to us at Harvest Portfolios Group, 710 Dorval Drive, Suite 209, Oakville, Ontario, L6K 3V7; by visiting our website at www.harvestportfolios.com; or on SEDAR at www.sedar.com.

HARVEST Canadian Income & Growth Fund

MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements have been prepared by Harvest Portfolios Group Inc. in its capacity as Manager of the Fund and approved by the Board of Directors of the Manager. The Fund's Manager is responsible for the information and representation contained in these financial statements.

The Manager maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include certain amounts that are based on estimates and judgments made by the Manager. The significant accounting policies, which the Manager believes are appropriate, are described in Note 2 to the financial statements.

PricewaterhouseCoopers LLP are the external auditors of the Fund. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the unitholders their opinion on the financial statements. Their report is set out below.

On behalf of Harvest Portfolios Group Inc.,

Michael Kovacs
President and Chief Executive Officer

Townsend Haines
Chief Financial Officer

Oakville, Canada
March 8, 2013

March 8, 2013

Independent Auditor's Report

To the Unitholders of
Harvest Canadian Income and Growth Fund (the Fund)

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

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

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

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

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

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

(Signed) “PricewaterhouseCoopers LLP”

Chartered Accountants, Licensed Public Accountants

HARVEST Canadian Income & Growth Fund

STATEMENTS OF FINANCIAL POSITION **As at December 31,**		**2012**		**2011**
Assets				
Investments, at fair value (cost $29,179,352; 2011 - $50,738,375)	$	34,947,598	$	54,878,654
Cash and cash equivalents		2,354,271		2,211,596
Dividends and interest receivable		298,336		689,572
Subscriptions receivable		175,779		-
Pre-paid interest- loan facility (Note 9)		-		51,285
		37,775,984		**57,831,107**
Liabilities				
Loan payable (Note 9)		-		8,500,000
Redemptions payable		1,171		-
Distributions payable		58,246		276,192
	$	**59,417**	**$**	**8,776,192**
Net assets representing unitholders' equity	**$**	**37,716,567**	**$**	**49,054,915**
Net assets representing unitholders' equity				
Series R	**$**	**30,171,484**	**$**	**49,054,915**
Series A*		**6,923,966**		**N/A**
Series F*		**621,117**		**N/A**
Number of units outstanding (Note 3)				
Series R		**2,201,584**		**3,945,599**
Series A*		**504,801**		**N/A**
Series F*		**44,960**		**N/A**
Net assets per unit (Note 8)				
Series R	**$**	**13.70**	**$**	**12.43**
Series A*		**13.72**		**N/A**
Series F*		**13.81**		**N/A**

*Series A commenced operations on June 25, 2012
*Series F commenced operations on July 16, 2012

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

HARVEST Canadian Income & Growth Fund

STATEMENTS OF OPERATIONS For the years ended December 31,		2012		2011
Investment income				
Dividends	$	2,634,703	$	3,029,120
Interest		152,870		374,318
Less: foreign withholding taxes		(137,953)		(178,972)
		2,649,620		**3,224,466**
Expenses				
Management fees (Note 4)		604,263		543,301
Service fees (Note 4)		328,514		165,158
Unitholder reporting costs (Note 4)		156,466		148,706
Audit fees		34,296		17,676
Transfer agency fees		48,806		12,290
Custodian fees and bank charges		41,422		54,672
Independent review committee fees		14,184		20,722
Interest expense (Note 9)		93,690		276,956
Filing fees		37,570		29,600
Legal fees		99,907		8,653
		1,459,118		**1,277,734**
Expenses absorbed by Manager (Note 4)		(12,500)		**-**
		1,446,618		**1,277,734**
Net investment income	**$**	**1,203,002**	**$**	**1,946,732**
Realized and unrealized gain / (loss) on investments and foreign currencies				
Realized gain on sale of investments	$	4,005,998	$	556,583
Realized gain on foreign exchange		18,648		25,500
Transaction costs		(94,617)		(40,388)
Change in unrealized appreciation/ (depreciation) of foreign exchange		150		(208)
Change in unrealized appreciation of investments		1,627,966		904,337
Net gain on investments	**$**	**5,558,145**	**$**	**1,445,824**
Increase in net assets from operations	**$**	**6,761,147**	**$**	**3,392,556**
Increase/(decrease) in net assets from operations - **Series R**	**$**	6,494,556	**$**	3,392,556
Increase in net assets from operations - **Series A***		255,317		N/A
Increase in net assets from operations - **Series F***		11,274		N/A
Increase in net assets from operations per unit - **Series R**	**$**	2.11	**$**	1.11
Increase in net assets from operations per unit - **Series A***		0.84		N/A
Increase in net assets from operations per unit - **Series F***		0.83		N/A

*Series A commenced operations on June 25, 2012
*Series F commenced operations on July 16, 2012

The accompanying notes are an integral part of these financial statements

HARVEST Canadian Income & Growth Fund

STATEMENTS OF CHANGES IN FINANCIAL POSITION ALL SERIES For the years ended December 31,		2012		2011
Net assets, beginning of the year	**$**	**49,054,915**	**$**	**37,350,587**
Increase in net assets from operations		6,761,147		3,392,556
Unitholders' transactions				
Proceeds from issue of units		14,890,035		12,806,724
Reinvestments of distributions		1,023,177		-
Cost of units cancelled		(14,831,643)		(1,543,809)
Cost of units redeemed		(16,481,385)		-
Agents' fees		-		(320,168)
Net unitholders' transactions	**$**	**(15,399,816)**	**$**	**10,942,747**
Distributions to unitholders				
Net investment income		(213,786)		(491,955)
Capital gains		(321,537)		(367,758)
Return of capital		(2,164,356)		(1,771,262)
Total distributions to unitholders	**$**	**(2,699,679)**	**$**	**(2,630,975)**
Net assets, end of the year	**$**	**37,716,567**	**$**	**49,054,915**

STATEMENTS OF CHANGES IN FINANCIAL POSITION SERIES R For the years ended December 31,		2012		2011
Net assets, beginning of the year	**$**	**49,054,915**	**$**	**37,350,587**
Increase in net assets from operations		6,494,556		3,392,556
Unitholders' transactions				
Proceeds from issue of units		6,297,418		12,806,724
Reinvestments of distributions		962,029		-
Cost of units cancelled		(14,831,643)		(1,543,809)
Cost of units redeemed		(15,263,147)		-
Agents' fees		-		(320,168)
Net unitholders' transactions	**$**	**(22,835,343)**	**$**	**10,942,747**
Distributions to unitholders				
Net investment income		(201,350)		(491,955)
Capital gains		(302,834)		(367,758)
Return of capital		(2,038,460)		(1,771,262)
Total distributions to unitholders	**$**	**(2,542,644)**	**$**	**(2,630,975)**
Net assets, end of the year	**$**	**30,171,484**	**$**	**49,054,915**

The accompanying notes are an integral part of these financial statements

HARVEST Canadian Income & Growth Fund

STATEMENT OF CHANGES IN FINANCIAL POSITION SERIES A* For the period ended December 31,		2012
Net assets, beginning of the period	**$**	**-**
Increase in net assets from operations		255,317
Unitholders' transactions		
Proceeds from issue of units		7,955,314
Reinvestments of distributions		53,825
Cost of units redeemed		(1,191,238)
Net unitholders' transactions	**$**	**6,817,901**
Distributions to unitholders		
Net investment income		(11,820)
Capital gains		(17,776)
Return of capital		(119,656)
Total distributions to unitholders	**$**	**(149,252)**
Net assets, end of the period	**$**	**6,923,966**

* Series A commenced operations on June 25, 2012

STATEMENT OF CHANGES IN FINANCIAL POSITION SERIES F* For the period ended December 31,		2012
Net assets, beginning of the period	**$**	**-**
Increase in net assets from operations		11,274
Unitholders' transactions		
Proceeds from issue of units		637,303
Reinvestments of distributions		7,323
Cost of units redeemed		(27,000)
Net unitholders' transactions	**$**	**617,626**
Distributions to unitholders		
Net investment income		(616)
Capital gains		(927)
Return of capital		(6,240)
Total distributions to unitholders	**$**	**(7,783)**
Net assets, end of the period	**$**	**621,117**

*Series F commenced operations on July 16, 2012

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

HARVEST Canadian Income & Growth Fund

STATEMENTS OF CASH FLOWS For the periods ended December 31,		**2012**		**2011**
Operating activities				
Increase/ (decrease) in net assets from operations	$	6,761,147	$	3,392,556
Add (deduct) items not affecting cash:				
Realized (gain) on sale of investments		(4,005,998)		(556,583)
Unrealized appreciation of investments		(1,627,966)		(904,337)
Proceeds from sale of investments		37,698,444		29,019,892
Purchases of investments		(12,133,424)		(37,022,594)
Net change in non-cash assets and liabilities		**443,692**		**(312,574)**
Net cash flow used in operating activities	**$**	**27,135,895**	**$**	**(6,383,640)**
Financing activities				
Borrowing of term credit facility (Note 9)		(8,500,000)		-
Proceeds from units issued		15,737,433		12,806,724
Redemption and cancellation of units		(31,313,028)		(1,543,809)
Agents' fees		-		(320,168)
Distributions to unitholders		(2,917,625)		(2,650,637)
Net cash flow provided by financing activities	**$**	**(26,993,220)**	**$**	**8,292,110**
Net increase/ (decrease) in cash and cash equivalents during the period		**142,675**		1,908,470
Cash and cash equivalents, beginning of the period		2,211,596		303,126
Cash and cash equivalents, end of the period	**$**	**2,354,271**	**$**	**2,211,596**
Supplemental disclosure of cash flow information				
Amount of interest paid during the year included in net investment income		42,405		269,127
	$	**42,405**	**$**	**269,127**

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

HARVEST Canadian Income & Growth Fund

STATEMENT OF INVESTMENTS

As at December 31, 2012

Number of Shares	Security	Average Cost ($)	Fair Value ($)	% of Net Assets
	EQUITIES			
	Consumer Discretionary Issuers			
57,931	Corus Entertainment Inc., Class B Non-Voting	1,262,607	1,422,785	3.8
61,600	Leon's Furniture Limited	756,624	800,800	2.1
62,154	Liquor Stores N.A. Ltd.	939,159	1,151,714	3.1
53,088	The North West Company Inc.	1,046,092	1,187,578	3.1
32,031	Yellow Media Ltd.	288,279	210,444	0.6
		4,292,761	**4,773,321**	**12.7**
	Consumer Staples Issuers			
33,640	Altria Group, Inc.	812,614	1,052,759	2.8
95,654	Corby Distilleries Limited, Class A	1,622,491	1,691,163	4.5
219,761	Rogers Sugar Inc.	1,085,231	1,307,578	3.4
		3,520,336	**4,051,500**	**10.7**
	Energy Issuers			
11,900	AltaGas Ltd.	389,130	398,650	1.1
20,000	Brookfield Renewable Energy Partners L.P.	595,282	586,000	1.5
30,007	Keyera Corp.	1,368,391	1,471,843	3.9
99,614	Parkland Fuel Corporation	1,168,960	1,878,720	5.0
		3,521,763	**4,335,213**	**11.5**
	Industrials Issuers			
69,345	Bird Construction Inc.	753,371	913,274	2.4
35,886	Brookfield Infrastructure Partners L.P.	739,791	1,255,254	3.3
82,536	Davis and Henderson Income Corporation	1,361,097	1,773,699	4.7
59,203	K-Bro Linen Inc.	1,036,378	1,708,598	4.5
		3,890,637	**5,650,825**	**14.9**
	Other Public Issuers			
77,713	Inter Pipeline Fund LP, Class A	1,108,907	1,824,701	4.8
46,628	Pembina Pipeline Corporation	836,147	1,325,634	3.5
		1,945,054	**3,150,335**	**8.3**
	Real Estate Issuers			
28,000	American Capital Agency Corp.	803,853	806,835	2.1
51,812	Annaly Capital Management, Inc.	932,161	723,796	1.9
54,106	Artis Real Estate Investment Trust	509,132	846,218	2.3
52,064	Medical Facilities Corporation	588,001	716,401	1.9
140,648	Timbercreek Mortgage Investment Corporation	1,422,727	1,428,984	3.8
		4,255,874	**4,522,234**	**12.0**
	Telecommunication Services Issuers			
21,706	BCE Inc.	725,061	924,676	2.4
65,219	Bell Aliant Inc.	1,735,187	1,716,564	4.6
49,498	Manitoba Telecom Services Inc.	1,455,113	1,606,705	4.3
		3,915,361	**4,247,945**	**11.3**

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

HARVEST Canadian Income & Growth Fund

STATEMENT OF INVESTMENTS (continued)

As at December 31, 2012

Number of Shares	Security	Average Cost ($)	Fair Value ($)	% of Net Assets
	Utility Issuers			
48,542	Northland Power Inc.	717,455	905,794	2.4
1,128,366	Sprott Power Corp.	1,145,292	1,308,905	3.5
798,575	Sprott Power Corp., Warrants (Exp. 03/06/14)	55,900	71,872	0.2
		1,918,647	**2,286,571**	**6.1**
	Total equities	**27,260,433**	**33,017,944**	**87.5**
Par Value				
	FIXED INCOME			
705,000	Boralex Inc. 6.75% Jun 30/17	731,437	747,300	2.0
138,886	YPG Financing Inc. 8.00% November 30/22	111,109	111,137	0.3
1,076,373	YPG Financing Inc. 9.25% November 30/18	1,076,373	1,071,217	2.8
		1,918,919	**1,929,654**	**5.1**
	Total fixed income	**1,918,919**	**1,929,654**	**5.1**
	Total investments	**29,179,352**	**34,947,598**	**92.6**
	Other assets less liabilities		**2,768,969**	**7.4**
	Net Assets		**37,716,567**	**100.0**

CONCENTRATION BY GEOGRAPHY AS AT DECEMBER 31, 2012

As at December 31,	2012		2011	
Country of Issue	**$***	**As a % of net assets**	**$***	**As a % of net assets**
Canada	33,545,755	88.9	41,524,710	84.6
United States of America	4,170,812	11.1	7,530,205	15.4
Totals	**37,716,567**	**100.0**	**49,054,915**	**100.0**

*Stated in Canadian dollars

1. ORGANIZATION

HARVEST Canadian Income & Growth Fund (the "Fund") is an investment trust established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated May 31, 2010, being the inception date. There was no significant activity in the Fund from the date of inception, May 31, 2010 to commencement of operations on June 29, 2010.

The Fund became an open-end mutual fund on June 20, 2012 (the "Conversion Date"). On the conversion, the units became redeemable at the net asset value per unit on a daily basis, and the Fund became subject to National Instrument 81-102.

The Fund offers Series R, Series A and Series F units, only through registered dealers. On conversion, all existing unitholders at June 20, 2012 were rolled into Series R on the Conversion Date, on a unit-for-unit basis. New purchases in Series R are available, in an initial sales charge option. Series A are available to all investors in an initial sales charge option and have a higher advisory fee than Series R. Series F units have no initial sales charge option and no advisory fees and are usually only available to investors who have fee-based accounts with the dealers. Series A commenced operations on June 25, 2012 and Series F commenced operations on July 16, 2012.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are presented in Canadian dollars. The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions. Such estimates and assumptions affect reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and reported amounts of income and expenses during the reporting period. Actual results could differ from these estimates.

Valuation of investments

The fair value of investments as at the financial reporting date is as follows:

a) Investments are categorized as held for trading in accordance with CICA Handbook Section 3855 Financial Instruments – Recognition and Measurement. Investments held that are traded on an active market are valued at their bid prices through recognized public stock exchanges or through recognized investment dealers on the valuation date. Investments held include equities, bonds and other debt instruments.

b) Investments held with no available bid prices are valued at their closing sale price. Investments held that are not traded on an active market are valued using valuation techniques, on such basis and in such a manner established by the Manager. The value of any security for which, in the opinion of the Manager, the published market quotations are not readily available shall be the fair value as determined by the Manager in accordance with Section 3855 methodologies. The fair values of certain securities are determined using valuation models that are based, in part, on assumptions that are not supported by observable market inputs. These methods and procedures may include, but are not limited to, performing comparisons with prices of comparable or similar securities, obtaining valuation related information from issuers and/or other analytical data relating to the investment and using other available indication of value. These values are independently assessed internally to ensure that they are reasonable. However, because of the inherent uncertainty of valuation, the estimated fair values for the aforementioned securities and interests may be materially different from the values that would be used had a ready market for the security existed. The fair values of such securities are affected by the perceived credit risks of the issuer, predictability of cash flows and length of time to maturity. At December 31, 2012 and 2011, there were no securities that required pricing using assumptions.

c) Unlisted warrants are valued based on a pricing model which considers factors such as the market value of the underlying security, strike price, volatility and terms of the warrant.

National Instrument 81-106 – ''Investment Fund Continuous Disclosure'' (''NI 81-106'') requires all investment funds to calculate net asset value for all purposes other than for financial statements in accordance with part 14.2, which differs in some respects from the requirements of Section 3855 of Canadian GAAP. Canadian GAAP includes the requirement that the fair value of financial instruments listed on a recognized public stock exchange be valued at their last bid price for securities held in a long position and at their last ask price for securities held in a short position, instead of their close price or the last sale price of the security for the day as required by NI 81-106. This results in differences between net asset value ("NAV") calculated based on NI 81-106 and on net assets calculated based on Canadian GAAP ("Net assets"). Reconciliation between NAV per unit and Net assets per unit at the year-end is provided in Note 8.

Cash and cash equivalents

Cash is comprised of cash on deposit. Cash equivalents are comprised of highly liquid investments having terms to maturity of 90 days or less.

Other assets and liabilities

For the purposes of categorization in accordance with CICA Handbook Section 3862, accrued interest and dividends, receivable for securities issued and other net assets are designated as loans and receivables and recorded at cost or amortized cost. Similarly, loan payable, amounts payable to unitholders for redemptions and distributions and other liabilities are designated as other financial liabilities and reported at cost or amortized cost, which approximates fair value for these assets and liabilities.

Transaction costs

Transaction costs, such as brokerage commissions, incurred on the purchase and sale of securities by the Fund are expensed in accordance with Section 3855 and are recognized in the Statement of Operations in the period in which they are incurred.

Investment transactions and income recognition

Investment transactions are accounted for on the trade date. The cost of investments which represents the amount paid for each security is determined on an average cost basis excluding transaction costs. Realized gains and (losses) from the sale of investments and unrealized appreciation/(depreciation) of investments are calculated on an average cost basis.

Investment income is recorded on an accrual basis. Interest income is recorded on an accrual basis and dividend income is recorded on the ex-dividend date.

Distributions received from income trusts are recorded as income, capital gains or a return of capital, based on the best information available to the Manager. Due to the nature of these investments, actual allocations could vary from this information. Distributions from investment trusts treated as a return of capital reduce the average cost of the underlying investment trust. Distributions received from mutual funds are recognized in the same form in which they are received from the underlying funds.

Allocation of income and expense, and realized and unrealized capital gains and losses:

Management fees directly attributable to a series are charged to that series. The Fund's shared operating expenses, income, and realized and unrealized capital gains and losses are generally allocated proportionately to each series based upon the relative Net Asset Value of each series.

Foreign currency translation

Purchases and sales of investments denominated in foreign currencies and foreign currency dividend and interest income are translated into Canadian dollars at the rate of exchange prevailing at the time of the transactions. Realized and unrealized foreign currency gains or (losses) on investments are included in the Statements of Operations in ‘‘Realized gain (loss) on sale of investments’’ and ‘‘Change in unrealized appreciation (depreciation) of investments’’, respectively. Realized and unrealized foreign currency gains or losses on assets, liabilities, and income, other than investments denominated in foreign currencies, are included in the Statements of Operations in “Net realized and unrealized foreign exchange gain (loss)”.

Assets and liabilities in the Statement of Financial Position are translated into Canadian dollars on the statement date.

Securities valuation

The Net Asset Value per unit of each series is determined at the close of business each day the Toronto Stock Exchange is open for business.

The Net Asset Value of each series of the Fund is computed by calculating the value of that series' proportionate share of the Fund's common assets less common liabilities and less those series-specific liabilities. Expenses directly attributable to a series are charged to that series. Other income and expenses are allocated to each series proportionately based on the relative Net Asset Value of each series.

Increase (decrease) in net assets from operations per unit

“Increase (decrease) in net assets from operations per unit” in the Statements of Operations represents the increase (decrease) in net assets from operations, divided by the weighted average units outstanding for the financial period.

Fair value of financial instruments

The table below summarizes the fair value of the Fund’s financial instruments using the following fair value hierarchy:

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 liabilities that are not based on observable market data. Additional quantitative disclosures are required for Level 3 securities.

Securities Classification:

Investments at fair value as at December 31, 2012				
	Level 1($)	**Level 2($)**	**Level 3($)**	**Total($)**
Equities				
Common stock	25,474,284	-	-	25,474,284
Limited partnership units	3,665,955	-	-	3,665,955
Mutual fund	1,428,984	-	-	1,428,984
REIT	2,376,849	-	-	2,376,849
Warrants	-	71,872	-	71,872
Total equities	**32,946,072**	**71,872**	-	**33,017,944**
Fixed income				
Corporate bonds	858,437	1,071,217	-	1,929,654
Total fixed income	**858,437**	**1,071,217**	-	**1,929,654**
Total investments at fair value	**33,804,509**	**1,143,089**	-	**34,947,598**

Investments at fair value as at December 31, 2011				
	Level 1($)	**Level 2($)**	**Level 3($)**	**Total($)**
Investments at fair value				
Equities				
Common stock	39,818,055	-	-	39,818,055
Limited partnership units	4,546,481	-	-	4,546,481
Mutual fund	1,040,000	-	-	1,040,000
Depository receipts	1,049,612	-	-	1,049,612
REIT	5,926,379	-	-	5,926,379
Total equities	**52,380,527**	**-**	**-**	**52,380,527**
Fixed income				
Corporate bonds	-	2,498,127	-	2,498,127
Total fixed income	-	**2,498,127**	**-**	**2,498,127**
Total investments at fair value	**52,380,527**	**2,498,127**	**-**	**54,878,654**

There were no Level 3 securities held by the Fund as at December 31, 2012 and 2011. There were no transfers between Level 1 and Level 2 for the years ended December 31, 2012 and 2011.

Transition to International Financial Reporting Standards ("IFRS")

On December 12, 2011, the Canadian Accounting Standards Board ("AcSB") extended the deferral of the mandatory International Financial Reporting Standards ("IFRS") changeover date for investment entities to fiscal year beginning on or after January 1, 2014. In October 2012, the IASB issued Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27), which provides an exception to consolidation for a class of entities that are defined as 'investment entities'. The amendments define an investment entity and require a parent that is an investment entity to measure its investments in particular subsidiaries at fair value through profit or loss instead of consolidating those subsidiaries. The Fund expects to meet the proposed criteria to qualify as investment entities and would measure all controlled investments at fair value with changes in fair value recognized through profit or loss.

In addition, on May 12, 2011, the International Accounting Standards Board ("IASB") issued IFRS 13 – "Fair Value Measurement", which defines fair value, sets out a single IFRS framework for measuring fair value and requires disclosure about fair value measurements. It only applies when other IFRS standards require or permit fair value measurement. If an asset or a liability measured at fair value has a bid price and an ask price, it requires valuation to be based on a price within the bid-ask spread that is most representative of fair value. It allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. This may result in eliminating the difference between the net asset value per units and net assets per units under current Canadian GAAP.

The Manager is currently assessing the Fund's Unitholder structure and investments to determine the impact of these standards. The Manager has determined that there will likely be no material impact to the net asset value per units of each series of the Funds due to the changeover to IFRS. The major qualitative impact noted as of December 31, 2012 would be the addition of a statement of cash flows, the classification of puttable instruments, the reporting of future income tax assets or liabilities, where applicable, and additional note disclosures. However, this present determination is subject to change resulting from the issuance of new standards or new interpretations of existing standards.

HARVEST Canadian Income & Growth Fund

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

3. UNITHOLDERS' EQUITY

The authorized capital of the Fund consists of an unlimited number of transferable, units of one Series, each of which represents an equal, undivided interest in the net assets of the Fund. Except as provided in the Declaration of Trust, all units have equal rights and privileges. Each unit is entitled to one vote at all meetings of unitholders and is entitled to participate equally in any and all distributions made by the Fund.

The following units were issued and redeemed during the years indicated:

	Units outstanding	Warrants outstanding
Total outstanding as at December 31, 2010	**3,007,822**	**3,028,322**
Units issued on exercise of warrants	1,067,227	-
Units cancelled	(129,450)	
Warrants cancelled	-	(36,000)
Warrants exercised	-	(1,067,227)
Warrants expired	-	(1,925,095)
Total outstanding as at December 31, 2011	**3,945,599**	**-**
Units cancelled	(1,145,982)	**-**
Total outstanding as at June 20, 2012 (conversion date)	**2,799,617**	**-**

	Units outstanding		
	Series R	Series A	Series F
Total outstanding as at June 20, 2012 (post conversion)	**2,799,617**	**-**	**-**
Subscriptions	29,617	498,736	7,756
Reinvestment of distributions	71,218	3,951	532
Redemptions	(651,058)	(6,842)	(1,975)
Transfers between Series	(47,810)	8,956	38,647
Total outstanding as at December 31, 2012	**2,201,584**	**504,801**	**44,960**

Redemptions

In accordance with the Fund prospectus, in addition to the monthly redemption rights, on June 1, 2012, unitholders could surrender their units for redemption at the Fund's NAV per unit, subject to the required redemption notice period, and the unitholder will receive payment on or before the 15th business day of the following month. Unitholders redeemed $14,831,643 or 1,145,982 units on the First NAV Redemption Date NAV of $12.94. Unitholder received payment on or before June 7, 2012.

After the Conversion Date, units are redeemable at the NAV per unit on any business day.

Distributions

While a listed fund, the Fund declared monthly cash distributions to unitholders of record on the last business day of each month and paid such cash distributions on or before the 15th day of the following month. After the Conversion Date, monthly distributions to unitholders are declared and paid to unitholders of record on the Valuation Date prior to the month-end, and automatically reinvested into additional units of the Fund at the month-end, unless unitholders specifically requested a cash distribution be paid. The total distributions were $0.84 per unit ($0.07 per unit per month) for the year ended December 31, 2012 (2011 - $0.84).

4. EXPENSES

Management fees and servicing fees

Harvest Portfolios Group Inc. is the Manager of the Fund and is responsible for managing or arranging for managing the Fund's overall business and operations. The Manager has retained Avenue Investment Management Inc. (''Avenue'' or the "Investment Manager") to provide investment management services to the Fund and pays Avenue a fee for its portfolio advisory service, from the management fee received from the Fund, calculated on the basis of the Fund's net assets.

Each series of units pays the Manager an annual management fee based on a percentage of the average daily NAV of the assets of the Fund attributable to that applicable series (the "Management Fee").

Dealers may be paid a servicing fee by the Manager from the Management Fee, in connection with Series A units and Series R units for ongoing services they provide to investors, including investment advice, account statements and newsletters. Generally, the servicing fees, plus applicable taxes, are payable quarterly in arrears based on the total client assets invested in each series of units of the Fund held by all of a Dealer's clients throughout the quarter. The Manager can change or cancel servicing fees at any time.

The fees differ among the series of units of the Fund as set out in the chart below:

Fund Series	Annual Management fee	Dealer Service Fee	Total Fees
R	1.25%	1.00%	2.25%
A	1.25%	1.25%	2.50%
F	1.25%	0.00%	1.25%

Operating expenses

The Fund is responsible for operating expenses relating to the carrying on of its business, including custodial services, interest, taxes, legal, audit fees, transfer agency services relating to the issue and redemption of units, and the cost of financial and other reports, costs and expenses for the Fund's Independent Review Committee ("IRC"), including fees and expenses of the IRC members and compliance with applicable laws, regulations and policies. The Manager pays for such expenses on behalf of the Fund, except for certain expenses such as interest, and is then reimbursed by the Fund.

The Manager may, in some cases, absorb a portion of the Fund's operating expenses. The amount of absorption for year ended December 31, 2012 is $12,500 (2011 - $NIL). The Manager may cease doing so at any time without notice to unitholders.

Other expenses

The Manager will be reimbursed by the Fund for all reasonable costs, expenses and liabilities incurred by the Manager for performance of services on behalf of the Fund in connection with the discharge by the Manager of its duties hereunder. Such costs and expenses may include, without limitation: mailing and printing expenses for reports to unitholders and other unitholder communications; a reasonable allocation of salaries, benefits and consulting fees; independent directors of the Manager and other administrative expenses and costs incurred in connection with the Fund's continuous public offering and other obligations. These expenses are allocated by the Manager on a reasonable basis, across all of the Harvest Portfolios Group Inc. funds, and series of each applicable fund. These expenses were $144,282 for the year ended December 31, 2012 (2011 - $119,050) and are included in the unitholder reporting costs on the Statements of Operations in the annual financial statements.

5. FINANCIAL RISK MANAGEMENT

Investment Objectives

The Fund's investment objectives are:

i. to provide unitholders with monthly distributions; and
ii. to maximize total return for unitholders.

Investment activities of the Fund expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, other price risk and currency risk). The Manager seeks to minimize these risks by employing experienced portfolio managers that will manage the security portfolios of the Fund on a daily basis according to market events and the investment objectives of the Fund. To assist in managing risk, the Manager also maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The value of securities in the Fund's portfolio may be affected by the stock market conditions rather than each company's performance. Developments in the market are affected by general economic and financial conditions. Political, social and environmental factors can also affect the value of any investment.

As at December 31, 2012, 87.5% (2011 – 106.8%) of the Fund's net assets were traded on public stock exchanges. If equity prices on these exchanges had increased or decreased by 5%, as at year end, with all other factors remaining constant, net assets would have increased or decreased by approximately $1,650,897 (2011 - $2,619,026).

In practice, the actual trading results may differ and the difference could be material.

Currency risk

Currency risk is the risk that the value of investments denominated in currencies other than the financial currency of the Fund will fluctuate as a result of changes in foreign exchange rates. When a Fund buys an investment priced in a foreign currency and the exchange rate between the Canadian dollar and the foreign currency changes unfavorably, it could reduce the value of the Fund's investment.

The table below summarizes the Fund's exposure to currency risk. 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).

	As at December 31, 2012		As at December 31 2011	
Currency	**Currency exposure ***	**As a % of net assets**	**Currency exposure ***	**As a % of net assets**
U.S. Dollars	$4,170,812	11.1	$7,530,205	15.4

*Amounts are in Canadian dollars

As at December 31, 2012, if the Canadian dollar had strengthened or weakened by 5% in relation to all foreign currencies, with all other variables held constant, the Fund's net assets would have increased or decreased, respectively, by approximately $208,541 (2011 - $376,510) or 0.6% (2011 - 0.8%) of total net assets. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair value of financial instruments. A Fund that invests in fixed income securities, such as bonds and money market instruments, is sensitive to changes in interest rates. In general, when interest rates are falling, the value of these investments rises.

Moreover, fixed income securities with longer terms to maturity are usually more sensitive to changes in interest rates. If interest rates were to change by 1.0%, the increase/ (decrease) in interest earned by the Fund would change by $19,297 (2011 - $24,981).

A Fund that has an interest-bearing liability is exposed to risks associated with the effects of fluctuations in interest rates on its cash flows. As at December 31, 2012, the Fund had no interest-bearing liability.

The table below summarizes the Fund's exposure to interest rate risks by either the remaining term to maturity or contractual repricing for years ended December 31, 2012 and 2011.

Debt Instruments: December 31, 2012	Fair value ($)	% of Net Assets
1 to 5 years	747,300	2.0
Greater than 5 years	1,182,354	3.1
Total	**1,929,654**	**5.1**

Debt Instruments: December 31, 2011	Fair value ($)	% of Net Assets
1 to 5 years	1,458,127	3.0
Greater than 5 years	1,040,000	2.1
Total	**2,498,127**	**5.1**

Liquidity risk

Liquidity risk is defined as the risk that a fund may not be able to settle or meet its obligations on time or at a reasonable price.

The Fund is exposed to redemptions as units are redeemable on demand and Unitholders may redeem their units on each valuation date. Therefore in order to maintain sufficient liquidity, the Fund primarily invests in securities that are actively traded in public markets and can be readily disposed of to raise liquidity.

As at December 31, 2012 and 2011, all of the Fund's financial liabilities had maturities of less than three months.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. All transactions executed by the Fund in listed securities are settled/paid for upon delivery using approved brokers.

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

The Fund has holdings of fixed income debt instruments. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. This risk is largely mitigated by the standards used to select corporate investments. Ongoing credit assessments are performed on all the Fund's holdings and the exposure level is managed through careful diversification across industry sectors and individual issuers, which helps to minimize this risk. The maximum credit risk of these investments is their fair value at December 31, 2012

At December 31, 2012 and 2011, the Fund was invested in debt securities with the following credit ratings:

December 31, 2012 Debt Securities by Credit Rating*	% of Total Debt Instruments	% of Net Assets
A+	-	-
BB-	-	-
Not Rated	100.0	5.1
Total	**100.0**	**5.1**

December 31, 2011 Debt Securities by Credit Rating*	% of Total Debt Instruments	% of Net Assets
A+	-	-
BB-	58.4	3.0
Not Rated	41.6	2.1
Total	**100.0**	**5.1**

*Excludes cash & cash equivalents; Credit ratings are obtained from Standard & Poor's, Moody's and/or, DBRS. Where more than one rating is obtained for a security, the lowest rating has been used.

6. SOFT DOLLAR COMMISSIONS

Brokerage commissions paid to certain brokers may, in addition to paying for the cost of brokerage services in respect of security transactions, also provide for the cost of investment research services provided to the investment manager.

The value of such research services included in commissions paid to brokers for the years ended December 31, 2012 and 2011 amounted to $NIL.

7. INCOME TAXES

The Fund qualifies as a mutual fund trust under the provisions of the Income Tax Act (Canada). The Fund is subject to tax on their income including net realized capital gains which are not paid or payable to unitholders. It is the intention of the Fund to distribute all of its net income and sufficient net realized capital gains so the Fund will not be subject to income taxes.

The amount of net realized taxable capital gains available for distribution is reduced by the amount of net capital gains to be retained in the Fund. This is done in order to enable the Fund to fully utilize any available tax credits due to application of the capital gain refund formula attributable to redemptions during the year. In certain circumstances, the fund may distribute a return of capital. A return of capital is taxable but will generally reduce the adjusted cost of the units.

Capital losses may be carried forward indefinitely to reduce future realized capital gains. Non-capital losses may be applied against future taxable income.

As at the Fund's 2012 taxation year, the Fund did not have any tax losses.

Harmonized sales tax

As the manager is a resident of Ontario, the expenses paid by the Fund include HST of 13%. HST is calculated using the residency of unitholders in the Fund as at specific times, rather than the physical location of the manager. A blended rate refund is filed with Revenue Canada on behalf of the Fund, in arrears, using each province's HST rate or GST rate in the case of non-participating provinces. Any refund received is applied against future HST payable.

8. NET ASSET VALUE AND NET ASSETS

The net asset value per unit for purposes of unitholder transactions (i.e. purchases, switches, redemptions) and net assets per unit calculated in accordance with Section 3855 is shown below:

Per Unit ($):	NAV $	Net assets $
As at December 31, 2012		
Series R	$13.70	$13.70
Series A	$13.71	$13.72
Series F	$13.81	$13.81
As at December 31, 2011		
Series R	$12.46	$12.43

9. LOAN FACILITY

The Fund previously established a loan facility with a Canadian chartered bank. The loan function was to borrow for the purpose of making investments in accordance with the Fund's investment objectives and restrictions, and to pledge its assets to secure the borrowings. The loan facility was repaid in full and the facility cancelled on May 18, 2012, prior to the Conversion Date.

The initial interest paid on the drawdown or renewal of the Bankers Acceptance ("BA") was deferred and amortized over the term of the BA, which matured May 18, 2012. The unamortized portion of the deferred interest was included under the "Prepaid Interest – loan facility" on the Statements of Financial Position. For the years ended December 31, 2012 and 2011, the Fund recorded interest expense of $93,690 and $276,956 respectively. The amount of borrowing was $8,500,000 during the year, before repayment on May 18, 2012 (2011 - $6,500,000 to $7,500,000).

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CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This document may contain forward-looking statements relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts but instead represent our beliefs regarding future events. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. We caution readers of this document not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to market and general economic conditions, interest rates, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the Fund may invest and the risks detailed from time to time in the Fund's simplified prospectus or offering memorandum. We caution that the foregoing list of factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to investing in the Fund, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Due to the potential impact of these factors, the Fund does not undertake, and specifically disclaims, any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.

HARVEST PORTFOLIOS GROUP