HARVEST BANKS & BUILDINGS INCOME FUND

2009 Annual Management Report of Fund Performance
2009 Annual Financial Statements

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 Inc., 710 Dorval Drive, Suite 200, Oakville, Ontario, L6K 3V7; by visiting our website at www.harvestportfolios.com; or on SEDAR at www.sedar.com.

HARVEST Banks & Buildings Income Fund

CORPORATE OVERVIEW

HARVEST Portfolios Group Inc. ("Harvest") is a Canadian Asset Management company focused on unique and long term cash generating investment products. Harvest was founded by long term members of the investment management industry and is focused on developing income investment products that follow three main guidelines:

1. Clear and sound investment mandates
2. Transparent portfolio structures and holdings
3. Steady and consistent income.

INVESTMENT PRODUCT

The Fund has been created to invest primarily in the Canadian banking, other financial and real estate sectors. Harvest currently offers the Canadian investor a TSX-listed investment fund, HARVEST Banks & Buildings Income Fund.

Should you require any additional information on this product, please review our information at www.harvestportfolios.com or on SEDAR at www.sedar.com, or call us at 866 998 8298.

PRESIDENT'S MESSAGE

HARVEST Banks & Buildings Income Fund
Unitholder letter, March 3, 2010

Dear Valued Unitholder,

HARVEST Banks & Buildings Income Fund (the Fund) was launched in the fall of 2009 with the objectives of giving investors an opportunity to be invested in some of Canada's leading businesses with the benefit of monthly income generated by those businesses.

The Fund is invested in two of Canada's largest sectors, Financials and Real Estate. The Canadian Banks have proven to be one of the stalwarts of the global industry and have regained the respect they held in decades gone by. Canada's five largest banks represent five positions in the world's "top 50 safest banks"*. The Canadian Banks have come through the financial crisis reporting higher earnings and capital ratios. The Fund will continue to hold and build positions in the banks during periods of market weakness in the belief that these organizations will continue to prosper, increase earnings and therefore, dividends to shareholders.

Canadian Real Estate companies and REITs have persisted through the credit crunch of early 2009. Many have bolstered their balance sheets in order to take advantage of depressed and selective real estate assets in a variety of industries and regions across the country. A number of the REITs in the Fund have given guidance that they will continue to meet and make their distributions through 2010. We continue to monitor this sector and will make additional investments when opportunities arise while extracting high levels of cash.

As the Canadian economy is tentatively showing signs of emerging from recession and high unemployment, coupled with global overcapacity in the manufacturing base, we believe interest rates will remain low for the foreseeable future. The Bank of Canada's stated commitment to keep short-term interest rates low for the first half of 2010 and a relatively strong Canadian dollar should also inhibit interest rates from climbing substantially higher.

Your Fund will continue to be conservatively managed and focus on long term growth while generating a consistent and attractive income.

Regards,

HARVEST Portfolios Group Inc.

Michael Kovacs
President and Chief Executive Officer

Global Finance's, World's Safest Banks publication Feb 2009

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

December 31, 2009

This Annual Management Report of Fund Performance presents management's view of the significant factors and developments affecting the Fund's performance and outlook since inception.

INVESTMENT OBJECTIVES

The Fund's investment objectives are:

i. to provide Unitholders with monthly distributions (initially targeted to be $0.07 per Trust Unit ($0.84 per annum) representing an annual cash distribution of 7.0% based on the $12.00 per Unit issue price); and

ii. to maximize total return for Unitholders.

INVESTMENT STRATEGIES

The Fund will be invested in an actively managed portfolio that will consist primarily of Banking Issuers, Other Financial Issuers and Real Estate Issuers. The investment strategies of the Fund include buying issuers that have had a history of consistent distributions or dividends. The Investment Manager, in its analysis of an issuer's balance sheet will focus on such leverage metrics as debt/EBITDA, debt/total capitalization, capital ratios and upcoming debt maturity schedules in order to reduce the likelihood of potential debt distress. The Investment Manager will focus on free cash flow and free cash flow yield, earning potential, and the investment's intrinsic value in order to assess dividend sustainability and possible growth in distributions.

RISK

The composition of the Portfolio taken as a whole may vary from time to time but will be concentrated by geography and may be concentrated by type of security, commodity or industry. General market conditions and the health of the economy as a whole can also affect equity prices. Equity related securities that provide indirect exposure to the equity securities of an issuer, such as convertible debentures, can also be affected by equity risk. Present economic conditions may adversely affect issuers and the pricing of their securities. Further continued volatility or illiquidity could impair materially the profitability of these issuers.

RESULTS OF OPERATIONS

During the fourth quarter of 2009, Avenue Investment Management Inc. (the portfolio sub-advisor) focused on effectively allocating the initial capital of the Fund to implement the stated strategy and objectives.

During the time of initial investing, yields on many REITS and Utilities were available above the Fund's mandate of a 7.0% distribution. As well, Canadian banks continued to show strong profitability that met or exceeded the street's earnings estimates for the quarter. This helped to provide a strong bid to the banking sector.

We continue to believe that the financial and real estate sectors have balance sheets that are notably healthy. Strong capital ratios and the ability to raise capital will allow these sectors to grow through acquisitions in the near term. In our view, the outlook for dividend increases in the banking sector in late 2010 and early 2011 remains favorable.

As the Canadian economy is tentatively showing signs of emerging from recession and high unemployment, coupled with global overcapacity in the manufacturing base, we believe interest rates will remain low for the foreseeable future. The Bank of Canada's stated commitment to keep short-term interest rates low for the first half of 2010 and a relatively strong Canadian dollar should also inhibit interest rates from climbing substantially higher.

The Fund will continue to stay invested and look for opportunities in the banking other financial and real estate sectors while paying a steady monthly distribution.

RECENT DEVELOPEMENT

There are no other recent developments to report.

FUTURE ACCOUNTING CHANGES

The Canadian Accounting Standards Board ("AcSB") confirmed the plan to adopt the International Financial Reporting Standards ("IFRS") in 2011. All publicly accountable enterprises will be required to implement IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Harvest has commenced developing a changeover plan to meet the timetable published by the AcSB for changeover to IFRS. The key elements of the changeover plan include assessment of significant IFRS and Canadian GAAP differences, analysis and conclusion on accounting policy choices, identification of additional disclosure requirements under IFRS, and preparation of the 2011 financial statements in accordance with IFRS with comparatives. Harvest has presently determined that there will be no impact to the Net Asset Value Per Unit ("NAVPS") from the changeover to IFRS. The impact of IFRS will be mainly in the areas of additional notes disclosures in the financial statements. This present determination is subject to change if new standards or new interpretations of existing standards are issued that impact the Fund's NAVPS.

HARVEST Banks & Buildings Income Fund

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

RELATED PARTY TRANSACTIONS

There were no related party transactions during the reporting period, except for management fees paid to Harvest.

MANAGEMENT FEES

The Fund pays its manager, Harvest, a management fee calculated daily and paid monthly in arrears, based on an annual rate of 1.1% of the net asset value of the Fund.

At its sole discretion, the Manager may waive management fees or absorb expenses of the Fund. The management expense ratios of the Fund with and without the waivers and absorptions are reported in the Ratios and Supplemental Data table below.

The Manager has retained Avenue Investment Management Inc. ("Avenue") 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.

The Fund is also responsible for payment of all expenses relating to the operation of the Fund and the carrying on of its business. This includes, but is not limited to, legal, audit and custodial fees, taxes, brokerage fees, interest, operating and administrative fees, costs and expenses. The Fund is also responsible for the fees, costs and expenses of financial and other reports and prospectuses required to comply with all regulatory requirements in connection with the distribution of securities of the Fund. Certain of these fees and expenses are initially paid for by the Manager, and then recovered from the Fund.

LOAN FACILITY

The Fund has established a loan facility with a Canadian chartered bank. The amount of the loan is not to exceed 25 per cent of total net asset value. The Fund has the option of borrowing at the prime rate plus 2 per cent of interest. In addition, the Fund is required to pay a standby fee based on the amount of unused borrowings during the period, which is calculated daily, payable quarterly and is included in "Interest expense" on the Statement of Operations. The amount drawn on the loan facility was $5,625 during the period from October 23, 2009 to December 31, 2009. There were no stand by fees applicable as the Fund is utilizing the full amount of the facility.

The initial interest paid on the drawdown or renewal of the Bankers Acceptance ("BA") is deferred and amortized over the term of the BA. The unamortized portion of the deferred interest is included under the "Prepaid Interest – loan facility" on the Statement of Net Assets. For the period from October 23, 2009 to December 31, 2009, the Fund recorded interest expense of $36.

The Loan function is to borrow for the purpose of making investments in accordance with its investment objectives and restrictions, and to pledge its assets to secure the borrowings.

HARVEST Banks & Buildings Income Fund

FINANCIAL HIGHLIGHTS

The following tables present selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the period ended December 31, 2009.

THE FUND'S NET ASSETS PER UNIT[1]	2009
Net assets - beginning of period[3]	$ 11.17
Increase / (decrease) from operations	
Total revenue	0.17
Total expenses	(0.06)
Net investment income	0.11
Realized gains (losses) for the period	-
Unrealized gains for the period	0.89
Net gain on investments for the period	0.89
Total increase from operations[2]	1.00
Distributions[4]	
From income (excluding dividends)	-
From dividends	-
From net investment income	-
From capital gains	-
Return of capital	(0.14)
Total annual distributions[4]	(0.14)
Net assets - end of period[2]	$ 12.02

RATIOS AND SUPPLEMENTAL DATA	2009
Total net asset value (000's)	$ 26,078
Number of units outstanding (000's)	2,155
Management expense ratio[5]	9.94%
Management expense ratio excluding issuance fees and agency fees[5]	2.61%
Management expense ratio before waivers or absorptions[5]	3.16%
Management expense ratio excluding interest expense[5]	1.84%
Trading expense ratio[6]	0.33%
Portfolio turnover rate[7]	2.79%
Net asset value per unit[1]	$ 12.10
Closing market price (HBB.UN)	$ 11.48

Explanatory Notes:

1. The net assets per unit presented in the financial statements differs from the net asset value (NAV) calculated for fund pricing purposes. An explanation of these differences can be found in the Notes to Financial Statements.

2. Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/(decrease) from operations is based on the weighted average number of units outstanding over the reporting period. It is not intended that the Fund's net assets per unit table act as a continuity of opening and closing net assets per unit.

3. Net assets, beginning of period of $11.17 is net of agents' fees and costs of issue of $0.83 per unit.

4. Distributions were paid in cash.

5. Management expense ratio ("MER") is based on total expenses (excluding commissions and other portfolio transaction costs) of the stated period and is expressed as an annualized percentage of daily average NAV during the period. Leverage costs include interest expense and borrowing costs. The MER for 2009 (the year of inception) was 9.94% and included agents' fees of $1.358 million and costs of issue of $432 thousand, which were treated as one-time expenses and therefore were not annualized. The MER excluding agents' fees and costs of issue was 2.61% for 2009.

6. The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average NAV during the period.

7. The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher a Fund's portfolio turnover rate, the greater the trading costs payable by the Fund and the greater the chance of an investor receiving taxable capital gains. There is not necessarily a relationship between a high turnover rate and the performance of a Fund. These ratios are annualized.

HARVEST Banks & Buildings Income Fund

YEAR-BY-YEAR RETURNS

National Instrument 81-106, the regulatory guideline for Continuous Disclosure, does not permit reporting of performance for any investment fund that has been in existence less than one year.

SUMMARY OF INVESTMENT PORTFOLIO

The Portfolio by category chart below provides a portfolio breakdown based on the total transactional net asset value of the Fund's portfolio holdings. A detailed breakdown of the Fund's holdings is available in the "Statement of Investments" section of the Fund's annual report.

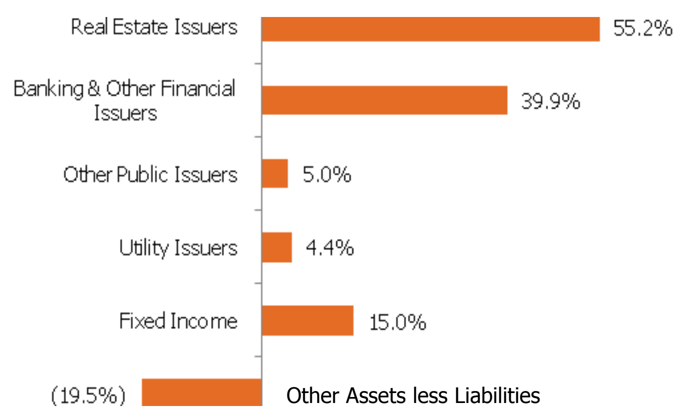
AS AT DECEMBER 31, 2009

Top 25 holdings	% of Net Asset Value
Artis Real Estate Investment Trust	7.9
Manulife Financial LP 4.45% December 14, 2026	7.6
Brookfield Properties Corporation	7.4
First Capital Realty Inc.	7.2
E-L Financial Corporation Limited	6.8
Canadian Imperial Bank of Commerce	6.5
Killam Properties Inc.	6.4
Great West Lifeco Delaware Finance LP 7.13% Jun 26/18	6.2
Chartwell Seniors Housing Real Estate Investment Trust	5.5
Sun Life Financial Inc.	5.5
InnVest Real Estate Investment Trust	4.7
Bank of Montreal	4.5
Calloway Real Estate Investment Trust	3.7
Cominar Real Estate Investment Trust	3.7
Dundee Wealth Management Inc. Series 1 Preferred	3.6
Dundee Corporation Series 1 Preferred	3.5
Crombie Real Estate Investment Trust	3.1
Extendicare Real Estate Investment Trust	2.9
Fort Chicago Energy Partners L.P. Cl. A	2.8
Boralex Power Income Fund	2.5
Keyera Facilities Income Fund	2.1
Great-West Lifeco Inc.	2.1
Whiterock Real Estate Investment Trust	2.0
Manulife Financial Corporation	1.9
Cash and Cash Equivalents	1.9

This summary of investment portfolio may change due to the ongoing portfolio transactions of the Fund. Quarterly updates of the Fund's investment portfolio are available from HARVEST Portfolios Group Inc. at www.harvestportfolios.com.

SECTOR ALLOCATION

Total Net Assets (100%)



HARVEST Banks & Buildings Income 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

Towsend Haines
Chief Financial Officer

Oakville, Canada
March 3, 2010

AUDITORS' REPORT

To the Unitholders of
HARVEST Banks & Buildings Income Fund

We have audited the statements of net assets and investments of HARVEST Banks & Buildings Income Fund (the Fund) as at December 31, 2009 and the statements of operations, changes in net assets and cash flows for the period from October 23, 2009 (date of commencement of operations) to December 31, 2009. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 Fund as at December 31, 2009 and the results of its operations, the changes in its net assets and its cash flows for the period from October 23, 2009 (date of commencement of operations) to December 31, 2009 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Toronto, Canada
March 3, 2010

HARVEST Banks & Buildings Income Fund

STATEMENT OF NET ASSETS

AS AT DECEMBER 31, 2009

In thousands ($000's), except per unit figures		
Assets		
Investments, at fair value (Cost - $29,019)	$	30,986
Cash and cash equivalents		495
Dividends and interest receivable		184
Pre-paid interest - loan facility (Note 9)		115
Receivable for investments sold		-
		31,780
Liabilities		
Loan payable (Note 9)		5,625
Payable for investments purchased		104
Accounts payable and accrued expenses		-
Distributions payable		151
		5,880
Net assets representing unitholders' equity	**$**	**25,900**
Unitholders' equity (Note 3)		
Unitholders' capital		23,515
Warrants		259
Contributed surplus		-
Retained earnings		2,126
Unitholders' equity	**$**	**25,900**
Number of units outstanding		**2,155**
Number of warrants outstanding		**2,155**
Net assets per unit	**$**	**12.02**

STATEMENT OF OPERATIONS

FOR THE PERIOD FROM COMMENCEMENT OF OPERATIONS OCTOBER 23, 2009 TO DECEMBER 31, 2009

In thousands ($000's), except per unit figures		
Investment income		
Dividends	$	227
Interest		128
		355
Expenses (Note 4)		
Management fees		54
Service fees		19
Unitholder reporting costs		4
Audit fees		12
Transfer agency fees		2
Custodian fees and bank charges		7
Independent review committee fees		14
Interest expense (Note 9)		36
		148
Expenses absorbed by Manager		(25)
		123
Net investment income (loss)		**232**
Realized gain /(loss) on sale of investments		6
Transaction costs		(79)
Net realized and unrealized foreign exchange gain /(loss)		-
Unrealized appreciation/ (depreciation) of investments		1,967
Net gain /(loss) on investments		**1,894**
Increase/ (decrease) in net assets from operations	**$**	**2,126**
Increase/ (decrease) in net assets from operations per unit	**$**	**1.00**
Increase /(decrease) in net assets from operations - diluted per unit	**$**	**1.00**

The accompanying notes are an integral part of the financial statements

HARVEST Banks & Buildings Income Fund

STATEMENT OF CHANGES IN NET ASSETS

FOR THE PERIOD FROM COMMENCEMENT OF OPERATIONS OCTOBER 23, 2009 TO DECEMBER 31, 2009

In thousands ($000's), except per unit figures		
Net assets, beginning of period	**$**	**-**
Increase /(decrease) in net assets from operations		2,126
Unitholder transactions		
Proceeds from issue of units		25,866
Cost of units redeemed		-
Agents' fees		(1,358)
Costs of issue		(432)
Net unitholder transactions		**24,076**
Distributions to unitholders		
Net investment income		-
Capital gains		-
Return of capital		(302)
Total distributions to unitholders		**(302)**
Net assets , end of period	**$**	**25,900**

STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM COMMENCEMENT OF OPERATIONS OCTOBER 23, 2009 TO DECEMBER 31, 2009

In thousands ($000's), except per unit figures		
Operating Activities		
Increase /(decrease) in net assets from operations	**$**	**2,126**
Add (deduct) items not affecting cash:		
Realized gain on sale of investments		(6)
Return of capital distributions received		4
Unrealized appreciation of investments		(1,967)
Transaction costs		79
Proceeds from sale of investments		501
Purchases of investments		(29,493)
Total operating activities		**(28,756)**
Net change in non-cash assets and liabilities		**(299)**
Financing Activities		
Borrowing from loan facility (Note 9)		5,625
Proceeds from units issued		25,866
Agents' fees		(1,358)
Issuance costs		(432)
Distributions to Unitholders		(151)
Total financing activities		**29,550**
Net increase in cash and cash equivalents during the period		**495**
Cash and cash equivalents, beginning of period		**-**
Cash and cash equivalents, end of period		**495**
Supplemental disclosure of cash flow information		
Amount of interest paid during the period - included in net investment income	$	36
Income taxes paid (refunded)		-
Total	**$**	**36**

The accompanying notes are an integral part of the financial statements

HARVEST Banks & Buildings Income Fund

STATEMENT OF INVESTMENTS

AS AT DECEMBER 31, 2009

Number of Shares	Security	Average Cost ($000's)	Fair Value ($000's)	% of Net Assets
	EQUITY			
	Real Estate Issuers (55.1%)			
180,000	Artis Real Estate Investment Trust	1,759	2,008	7.8
41,800	Brookfield Properties Corporation Cl. AAA Series H Preferred	931	967	3.7
41,100	Brookfield Properties Corporation Cl. AAA Series J Preferred	888	945	3.6
50,000	Calloway Real Estate Investment Trust	903	973	3.8
205,600	Chartwell Seniors Housing Real Estate Investment Trust	1,244	1,439	5.6
50,000	Cominar Real Estate Investment Trust	897	964	3.7
75,000	Crombie Real Estate Investment Trust	783	810	3.1
80,000	Extendicare Real Estate Investment Trust	596	758	2.9
87,000	First Capital Realty Inc.	1,727	1,871	7.2
230,000	InnVest Real Estate Investment Trust	1,029	1,221	4.7
188,900	Killam Properties Inc.	1,361	1,643	6.3
51,900	Pure Industrial Real Estate Trust	159	169	0.7
35,000	Whiterock Real Estate Investment Trust	495	509	2.0
		12,772	14,277	55.1
	Banking and Other Financial Issuers (40.1%)			
13,000	Bank of Montreal	665	725	2.8
18,100	Bank of Montreal Cl. B Series 15 Preferred	453	453	1.8
11,000	Canadian Imperial Bank of Commerce	687	750	2.9
22,700	Canadian Imperial Bank of Commerce Cl. A Series 30 Preferred	454	469	1.8
23,200	Canadian Imperial Bank of Commerce Cl. A Series 31 Preferred	454	470	1.8
42,600	Dundee Corporation Series 1 Preferred	892	924	3.6
40,400	Dundee Wealth Management Inc. Series 1 Preferred	929	938	3.6
43,800	E-L Financial Corporation Limited Series 1 Preferred	863	860	3.3
50,800	E-L Financial Corporation Limited Series 2 Preferred	891	911	3.5
20,000	Great-West Lifeco Inc.	470	536	2.1
24,000	Industrial Alliance Insurance and Financial Services Inc. Cl. A Series B Preferred	456	468	1.8
26,300	Manulife Financial Corporation	500	508	2.0
4,000	National Bank of Canada	225	240	0.9
4,000	Royal Bank of Canada	214	225	0.9
16,000	Sun Life Financial Inc.	463	484	1.9
23,000	Sun Life Financial Inc. Cl. A Series 1 Preferred	458	470	1.8
22,900	Sun Life Financial Inc. Cl. A Series 2 Preferred	455	473	1.8
5,000	The Bank of Nova Scotia	226	246	0.9
3,600	The Toronto-Dominion Bank	226	237	0.9
		9,981	10,387	40.1
	Utility Issuers (4.4%)			
158,000	Boralex Power Income Fund	727	645	2.5
28,100	Pembina Pipeline Income Fund	450	491	1.9
		1,177	1,136	4.4
	Other Public Issuers (5.0%)			
74,200	Fort Chicago Energy Partners L.P. Cl. A	685	740	2.9
22,823	Keyera Facilities Income Fund	462	556	2.1
		1,147	1,296	5.0
	FIXED INCOME (15.0%)			
33,000	BTB Real Estate Investment Trust 8.00% Oct 03/11	27	29	0.1
295,000	BTB Real Estate Investment Trust 8.50% Mar 31/13	252	271	1.0
1,500,000	Great West Lifeco Delaware Finance LP 7.13% Jun 26/18	1,665	1,620	6.3
2,000,000	Manulife Financial LP 4.45% Dec 14/26	1,998	1,970	7.6
		3,942	3,890	15.0
	Total investments (119.6%)	**29,019**	**30,986**	**119.6**
	Liabilities less other assets (-19.6%)		**(5,086)**	**(19.6)**
	Net Assets (100.0%)		**25,900**	**100.0**

NOTES TO STATEMENT OF INVESTMENTS

AS AT DECEMBER 31, 2009

(In thousands ($000's), except per unit figures)

Management of Financial Instrument Risk

Investment Objectives

The Fund's investments are exposed to a variety of financial risks: market risk, interest rate risk, credit risk and liquidity risk. The Fund's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Fund's financial results.

The undertaking of the Fund is to own a portfolio of securities and to derive income and capital gains from these securities and maximize total return for Unitholders.

The Fund's investment objectives are:

i. to provide Unitholders with monthly distributions (initially targeted to be $0.07 per Trust Unit ($0.84 per annum) representing an annual cash distribution of 7.0% based on the $12.00 per Unit issue price); and
ii. to maximize total return for Unitholders.

Other price risk

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, 2009, 87.4% of the Fund's portfolio investments were traded on public stock exchanges. If equity prices on these exchanges had increased or decreased by 5%, as at period end, with all other factors remaining constant, net assets would have increased or decreased by approximately $1,355.

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

Currency risk

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.

As at December 31, 2009, the Fund's investments are denominated primarily in Canadian dollars, which are not subject to the risk of currency movements, therefore the Fund had minimal exposure to currency risk.

The accompanying notes are an integral part of the financial statements

NOTES TO STATEMENT OF INVESTMENTS

AS AT DECEMBER 31, 2009

(In thousands ($000's), except per unit figures)

Interest rate risk

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 rise. 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 $39. 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, 2009, the Fund had a loan facility of $5,625. If interest rates were to change by 1.0%, the interest expense could increase / (decrease) by $56.

The table below summarizes the Fund's exposure to interest rate risks by remaining term to maturity.

Debt Instruments	Fair value	% of Net Assets
Less than 1 year	-	-
1 to 3 years	29	0.1
3 to 5 years	271	1.0
Greater than 5 years	3,590	13.9
Total	**3,890**	**15.0**

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 primarily invests in securities that are actively traded in public markets and can be readily disposed of to raise liquidity.

The table below analyzes the Fund's financial liabilities into groupings based on the remaining period at the balance sheet date to contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

At December 31, 2009	Less than 1 month	1-3 months	No stated maturity
Loan facility	-	-	5,625
Distributions payable	151	-	-
Payables for investments purchased	104	-	-
Total financial liabilities	255	-	5,625

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has exposure to credit risk in its trading of listed securities. The Fund minimizes the concentration of credit risk by trading with a large number of brokers and counterparties on recognized and reputable exchanges. The risk of default is considered minimal as all transactions are settled and paid for upon delivery using approved brokers.

The Fund's greatest concentration of credit risk is in its 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 high quality 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, 2009.

At December 31, 2009, the Fund was invested in debt securities with the following credit ratings:

Debt Securities by Credit Rating*	% of Total Debt Instruments	% of Net Assets
A+	50.6	7.6
A-	41.7	6.3
Not Rated	7.7	1.1
Total	**100**	**15.0**

*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.

NOTES TO FINANCIAL STATEMENTS

FOR THE PERIOD ENDED DECEMBER 31, 2009
(In thousands ($000's), except per unit figures)

1. ORGANIZATION

HARVEST Banks & Buildings Income Fund (the "Fund") is an investment trust established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated September 25, 2009, as amended and restated on October 2, 2009, being the inception date. There was no significant activity in the Fund from the date of Inception, October 2, 2009 to commencement of operations on October 23, 2009. On October 23, 2009, the Fund completed an initial public offering of 2,000 Units at $12.00 per Unit for gross proceeds of $24,000. Each Unit consists of one trust unit ("Trust Unit") and one warrant ("Warrant"). Each whole Warrant entitles the holder to purchase one Trust Unit at a subscription price of $12.00 on or before 5:00 p.m.(Toronto time) on, and only on, April 15, 2011 (the "Warrant Expiry Time"). Warrants not exercised by the Warrant Expiry Time will be void and of no value. On November 10, 2009, an over-allotment option was exercised for an additional 155 Trust Units at a price of $12.00 per Trust Unit for gross proceeds of $1,866.

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. 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, listed warrants, short-term notes, treasury bills, bonds and other debt instruments. Investments held with no available bid prices are valued at their closing sale price.

b) 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 CICA Handbook 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, 2009, there were no securities that required pricing using assumptions.

Cost of investments

The cost of investments represents the amount paid, net of transactions costs, for each security, and is determined on an average cost basis.

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. Cash and cash equivalents are held for trading and carried at fair market value.

Other assets and liabilities

For the purposes of categorization in accordance with Section 3862, accrued interest and dividends, receivable for securities issued, amounts due from brokers, the Manager, and other Funds, and other assets are designated as loans and receivables and recorded at cost or amortized cost. Similarly, amounts due to brokers, accrued expenses and other liabilities are designated as other financial liabilities and reported at cost or amortized cost, which approximates fair value.

Transaction costs

Transaction costs, such as brokerage commissions, incurred on the purchase and sale of securities by the Fund 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. 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 investment 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.

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 Statement of Operations in "Realized gain (loss) on sale of investments" and "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 Statement of Operations in "Net realized and unrealized foreign exchange gain (loss)".

Balance sheet assets and liabilities are translated into Canadian dollars on the balance sheet date.

NOTES TO FINANCIAL STATEMENTS

FOR THE PERIOD ENDED DECEMBER 31, 2009
(In thousands ($000's), except per unit figures)

Securities valuation

The NAV on a particular date will be equal to the aggregate value of the assets of the Fund less the aggregate value of the liabilities of the Fund, expressed in Canadian dollars at the applicable exchange rate on such date. The NAV and NAV per Trust Unit ("NAVP") will be calculated as of 4:00 p.m. (Toronto time) or such other time as the Manager or its agent deem appropriate (the valuation time) every business day (valuation date). A valuation date is each day on which the Toronto Stock Exchange is open for business.

Increase / (decrease) in net assets from operations per unit

"Increase / (decrease) in net assets from operations per unit" in the Statement of Operations represents the increase / (decrease) in net assets from operations, divided by the weighted average units outstanding for the financial period. The "increase / (decrease) in net assets from operations per share – diluted" takes into account the dilutive impact of issuing shares from warrants outstanding when the price that it trades at is higher than the exercise price of $12.00.

Adoption of new accounting standards EIC - 173

On January 20, 2009, the CICA Accounting Standards Board ("AcSB") issued Emerging Issues Committee Abstract 173: Credit Risk and the Fair Value of Financial Assets and Financial Liabilities ("EIC – 173"). EIC – 173 supplements CICA Handbook Section 3855 wherein it states that fair value takes into account the credit quality of a financial instrument. The EIC affirms that an entity's own credit risk (in the case of financial liabilities) and a counterparty's credit risk (in the case of financial assets) should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The Manager has reviewed its policies over valuation of assets and liabilities and believes that the fair values ascribed to the financial assets and financial liabilities in these financial statements incorporate appropriate levels of credit risk.

Amendments to Section 3862 *Financial Instruments – Disclosures*

In June 2009, the Accounting Standards Board ("AcSB") incorporated the recent amendments to International Financial Reporting Standards ("IFRS") 7, *Financial Instruments: Disclosures,* into CICA Handbook Section 3862, *Financial Instruments – Disclosures*. The amendments expand the disclosures required in respect of fair value measurements recognized in the financial statements. For the purpose of these expanded disclosures, a three-level hierarchy has been introduced as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data.
Additional quantitative disclosures are required for Level 3 securities.

These amendments are applicable for the Fund's current reporting period. These changes have no impact on the Fund's results of operations or financial position. There were no Level 3 securities held by the Fund as at December 31, 2009. There were no transfers between Level 1 and Level 2 for the period ended December 31, 2009.

The table below denotes the required classification at December 31, 2009:

Securities Classification: As at December 31, 2009

	Level 1	Level 2	Level 3	Totals
Investment In Securities ($000's)				
Assets at Fair Value				
EQUITIES				
Common Stock	7,467	-	-	7,467
Common Stock Units	10,032	-	-	10,032
Limited Partnership Units	740	-	-	740
Preferred Stock	8,348	-	-	8,348
Real Estate Inv. Trust	509	-	-	509
TOTAL EQUITIES	27,096	-	-	27,096
FIXED INCOME				
Convertible Bonds	-	300	-	300
Corporate Bonds	-	3,590	-	3,590
TOTAL FIXED INCOME	-	3,890	-	3,890
TOTAL INVESTMENTS IN SECURITIES	27,096	3,890	-	30,986

Future accounting changes

AcSB confirmed the plan to adopt the International Financial Reporting Standards ("IFRS") in 2011. All publicly accountable enterprises will be required to implement IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Harvest has commenced developing a changeover plan to meet the timetable published by the AcSB for changeover to IFRS. The key elements of the changeover plan include assessment of significant IFRS and Canadian GAAP differences, analysis and conclusion on accounting policy choices, identification of additional disclosure requirements under IFRS, and preparation of the 2011 financial statements in accordance with IFRS with comparatives. Harvest has presently determined that there will be no impact to the Net Asset Value Per Unit ("NAVPS") from the changeover to IFRS. The impact of IFRS will be mainly in the areas of presentation and additional notes disclosures in the financial statements. This present determination is subject to change if new standards or new interpretations of existing standards are issued that impact the Fund's NAVPS.

NOTES TO FINANCIAL STATEMENTS

FOR THE PERIOD ENDED DECEMBER 31, 2009
(In thousands (000's), except per unit figures)

3. UNITHOLDERS' EQUITY

The authorized capital of the Fund consists of an unlimited number of transferable, Trust Units of one class, each of which represents an equal, undivided interest in the net assets of the Fund. Except as provided in the Declaration of Trust, all Trust Units have equal rights and privileges. Each whole Trust 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.

If the price for the redemption of Trust Units is lower than the original issue price, the difference is included in "contributed surplus" on the Statement of Net Assets. If the price is greater than the original issue price, the difference is charged to "contributed surplus" until the entire amount is eliminated, and the remaining amount is charged to "retained earnings / (deficit)".

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

At December 31, 2009	Units outstanding	Warrants outstanding	Unitholders' capital	Contributed surplus
Initial Issuance, October 23, 2009	2,000	2,000	24,000	-
Over allotment	155	155	1,866	-
Total outstanding as at December 31, 2009	2,155	2,155	25,866	-

Issue costs

Certain offering expenses such as costs of creating the Fund, the cost of printing and preparing the prospectus, legal expenses of the Fund and other out-of pocket expenses incurred by the agents together with the agents' fees payable by the Fund are reflected as a reduction of Unitholders' Equity. The expenses paid are shown in the Statement of Changes in Net Assets.

Warrants

Each whole Warrant entitles the holder to purchase one Trust Unit at a subscription price of $12.00 on or before 5:00 p.m. (Toronto time) on, and only on, April 15, 2011 (the "Warrant Expiry Time"). Warrants not exercised by the Warrant Expiry Time will be void and of no value. Holders of Warrants who exercise the Warrants will become holders of Trust Units issued through the exercise of the Warrants. Upon the exercise of a Warrant, the Fund will pay a fee equal to $0.18 per Warrant to the registered dealer whose client is exercising the Warrant and $0.12 per Warrant to the Agents.

4. EXPENSES

Management 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") 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.

The Manager is entitled to a fee of 1.10 per cent of net assets payable monthly. The Fund pays service fees to registered dealers at the rate on 0.40 per cent of the daily net asset value of the Fund. Service fees are accrued daily and paid monthly to the manager, who in turn pays the dealers.

Other expenses

The Fund is responsible for all expenses relating to its operation and the carrying on of its business, including legal and audit fees, interest, taxes and administrative costs relating to the issue and redemption of securities as well as the cost of financial and other reports and compliance with all applicable laws, regulations and policies.

5. 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 period ended December 31, 2009 amounted to $NIL.

6. 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 net income and net realized capital gains during the year which are not paid or payable to unitholders during the year. 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.

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 2009 taxation year the Fund did not have any tax losses.

7. INDEPENDENT REVIEW COMMITTEE

On behalf of the Fund, the Manager established an independent review committee ("IRC") pursuant to the requirements set out in National Instrument 81-107 – Independent Review Committee for Investment Funds ("NI 81-107"). The IRC consists of three independent members. The IRC considers and provides recommendations to the Manager on conflicts of interest to which the Manager is subject when managing the Fund. The Manager is required under NI 81-107 to identify conflicts of interest inherent in its management of the Fund, and to request input from the IRC into how it manages those conflicts of interest. The IRC provides its recommendations to the Manager with a view achieving a fair and reasonable result for the Fund. The IRC reports annually to unitholders of the Fund as required by NI 81-107. The compensation and other reasonable expenses of the IRC, as well as the other reasonable costs of complying with NI 81-107, are paid out of the assets of the Fund. The Fund and the Manager currently indemnify the members of the IRC against liability in the performance of their duties. As well, the Fund and the Manager have purchased insurance for the benefit of the members of the IRC. Such expenses are also paid out of the assets of the Fund.

(In thousands (000's), except per unit figures)

8. NET ASSET VALUE AND NET ASSETS

CICA Handbook Section 3855 requires that the fair value of financial instruments which are actively traded be measured based on the bid price for long positions held and the asking price for short positions held.

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

Per Unit ($):		
	Net asset value ($)	Net asset ($)
As at December 31, 2009	12.10	12.02

9. LOAN FACILITY

The Fund has established a loan facility with a Canadian chartered bank. The amount of the loan is not to exceed 25 per cent of total net asset value. The Fund has the option of borrowing at the prime rate plus 2 per cent of interest. In addition, the Fund is required to pay a standby fee based on the amount of unused borrowings during the period, which is calculated daily, payable quarterly and is included in "Interest expense" on the Statement of Operations. The amount drawn on the loan facility was $5,625 during the period from October 23, 2009 to December 31, 2009. There were no stand by fees applicable as the Fund is utilizing the full amount of the facility.

The initial interest paid on the drawdown or renewal of the Bankers Acceptance ("BA") is deferred and amortized over the term of the BA. The unamortized portion of the deferred interest is included under the "Prepaid Interest – loan facility" on the Statement of Net Assets. For the period from October 23, 2009 to December 31, 2009, the Fund recorded interest expense of $36.

The Loan function is to borrow for the purpose of making investments in accordance with its investment objectives and restrictions, and to pledge its assets to secure the borrowings.

10. RELATED PARTY TRANSACTIONS

There were no related party transactions during the reporting period, except for management fees paid to Harvest.

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CAUTION REGARDING FORWARD-LOOKING STATEMENTS