



## FAIRWAY DIVERSIFIED INCOME AND GROWTH TRUST



### **Annual Report**

Year ended December 31, 2005

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# Annual Management Report of Fund Performance

For the Year Ended December 31, 2005

This annual management report of the fund performance for Fairway Diversified Income and Growth Trust (the "Trust") contains financial highlights and is included with the annual financial statements in the annual report of the Trust. You may request a copy of the Trust's current proxy voting policies and procedures, or quarterly portfolio disclosure at no cost from Fairway Advisors Inc., by calling toll free (1-866) 299-7929, or locally (416) 507-4110, by writing to us at: BCE Place, 181 Bay Street, Suite 3740 P.O. Box 750, Toronto, ON M5J 2T3, or by visiting our website at [www.fairwaycapital.com](http://www.fairwaycapital.com) or SEDAR at [www.sedar.com](http://www.sedar.com).

The Trust's proxy voting disclosure record for the period ending June 30, 2006 will be available free of charge upon request at any time after August 31, 2006, by visiting our website at [www.fairwaycapital.com](http://www.fairwaycapital.com).

## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### *Investment Objective and Strategies*

Fairway Diversified Income and Growth Trust is a closed-end investment trust, the units of which are listed on the Toronto Stock Exchange under the symbol FDT.UN. Fairway Advisors Inc. is the manager (the "Manager") and trustee (the "Trustee") to the Trust.

The Trust's investment objectives are to:

- (i) provide unitholders with monthly distributions;
- (ii) preserve capital throughout the life of the Trust; and
- (iii) enhance total return through capital appreciation of the Portfolio.

In order to achieve the Trust's investment objectives, the Trust, including the borrowings under the Trust's Loan Facility (see *Borrowings*), will be invested in a broadly diversified portfolio of securities primarily in multiple, income producing asset classes with low correlation to each other, consisting primarily of units of Income Trusts, High Yield Corporate Bonds, Preferred Securities, Dividend Paying Common Shares, Other Common Shares and Convertible Bonds.

### *Risk*

The Trust's investment activities expose it to general market risks associated with the financial instruments in which it invests directly. In addition to these general

market risks, which are managed by investing in a diversified portfolio of investments, the Trust is subject to other risks, including the following:

- *Currency risk:* The Trust invests in securities denominated in currencies other than its reporting currency, the Canadian dollar. Consequently, the Trust is exposed to risks that the exchange rate of the Canadian dollar relative to the other currencies may change in a manner which has an adverse effect on the reported value of that portion of the Trust's assets. The Trust manages its currency risk through foreign currency hedging strategies.
- *Interest rate risk:* The Trust invests in interest-bearing securities. The income of the Trust may be affected by changes in interest rates relevant to particular securities or as a result of the investment advisor being unable to secure similar returns on the expiry or sale of securities.
- *Credit risk:* Credit risk on financial instruments is the risk of a financial loss occurring as a result of the default of a counterparty on its obligation to the Trust. Credit risk is managed by dealing with counterparties the Trust believes to be creditworthy and by regular monitoring of credit exposures.

### *Results of Operations*

The net asset value per unit of the Trust as at December 31, 2005 was \$11.47 compared to \$10.47 at the end of 2004. Net assets decreased to \$99.8 million at the end of 2005 from \$130.7 million at the end of 2004. The change in net assets is attributed to the various components of the net asset value as outlined below. For a further analysis as to the impact to the net asset value on a per unit basis, please see the section on *Financial Highlights*.

# Annual Management Report of Fund Performance (continued)

For the Year Ended December 31, 2005

## **Managed Portfolio**

A discussion by the advisor to the Trust – MFC Global Investment Management (Canada) (the “Advisor”)

### Market Review

Canadian financial markets handily beat their American counterparts in 2005 due in no small part to rising energy commodity prices. Both central banks raised interest rates during the year, with the Bank of Canada holding off until September. Longer maturity bonds rallied however with the yield on the 30-year Government of Canada bond falling 79 basis points (bps) to end the year at 4.0%, and the 30-year U.S. Treasury bond declining 28 bps to 4.5%. A glut in global savings, the recycling of Asian trade surpluses into U.S. treasuries and tame inflation data are all believed to have contributed to flattening yield curves which may have been the financial story of 2005 if not for hurricanes, the troubles at General Motors and Ford or legislative uncertainty in the income trust market.

The Trust weathered these storms or opportunities well, and all three of the Trust's targeted asset classes posted positive returns in 2005. Particular strength in energy prices in the third quarter and resolution of tax treatment issues in the fourth quarter boosted Income Trusts, as measured by the Scotia Capital Income Trust Index (SCITI), to their position as the best performing asset class, posting a total return of +29.4%. The S&P/TSX, a broad measure of Canadian equity performance, posted a total return of +24.1%. Corporate bonds modestly under-performed the broader market return of 6.5% as spreads widened by 3 bps and the yield curve for Government of Canada bonds flattened significantly. High yield bonds returned 2.7% (in US\$) as measured by the Merrill Lynch High Yield Master II Index as spreads widened 65 bps.

### Portfolio

Exposure to the financials, utilities and telecom sectors was pared while weights in the health care, food production and energy sectors were increased. Oil and gas exposure in particular rose to 35% from 28%, aided by robust market value appreciation. There were few changes to the equity portion of the Trust during the year. New additions to the portfolio included Canexus, Spinrite and Sir Royalty Income Fund. The Trust continues to be well diversified with about 39% of the portfolio in equities, 35% in Income Trusts the

remainder, in the High Yield bonds. The Trust continues to favour the Business Trust sector due its ability to grow distributions through a potential period of rising interest rates.

### Outlook & Strategy

The North American economy is expected to grow at a slower pace in 2006, led by a softer housing market and less robust consumer spending. As a result, both the Canadian and U.S. central banks have hinted their tightening cycles are close to an end. The themes that dominated the credit markets in 2005 – deteriorating automakers and leveraged buyout event risk – remain significant challenges as we begin 2006. Also, the direction of energy commodity prices will have a significant effect on the markets. In general, we expect an upbeat tone to the markets in the first half of the year and some weakness in the second half as the effects of central bank tightening begin to take hold. Given robust valuations, we expect trading levels to remain Treasury-sensitive, with some modest spread widening tied to the risks referenced above. In 2006, we will stay the course with our defensive strategy, reaping the benefits of prudent credit selection and portfolio construction.

### **Income, Expenses and Distributions**

For the year ended December 31, 2005, The Trust generated income from investments in the form of interest, dividends and distributions from other trusts in the amount \$6.3 million.

The Trust paid management fees and operating expenses of \$1.9 million and had interest carrying charges of \$0.35 million on its Loan Facility. The management expense ratio (“MER”) for the Trust was 1.86% (2004 – 9.49%, 1.78% excluding one-time costs associated with the offering of the Trust).

The Trust distributed \$6.7 million to unitholders during the year.

The 2005 calendar year was the first full year of operations for the Trust.

# Annual Management Report of Fund Performance (continued)

For the Year Ended December 31, 2005

## ***Borrowings***

The Manager, on behalf of the Trust, has entered into a revolving term credit facility (the “Loan Facility”) with The Bank of Nova Scotia (“BNS”). The aggregate amount of borrowings under the credit facility and other forms of leverage may not exceed 25% of the total assets of the Trust at the time the borrowing or other transaction is entered into. The Trust has entered into a general security agreement providing BNS with a first charge on the assets of the Trust as collateral for indebtedness arising out of the credit facility.

As at December 31, 2005, the Manager, on behalf of the Trust had drawn down a loan in the amount of \$10,000,000 which represented approximately 9.1% of the total assets of the Trust (2004 – 8.3%). This amount represented the lowest amount drawn down during 2005. The highest amount drawn down during 2005 was \$12,000,000. Proceeds from the drawn down of the Loan Facility are used to purchase investments for the Trust.

## ***Unitholder Activity***

The Trust’s annual redemption feature allows unitholders to redeem out of the Trust at the end of March in any given year. Unitholder redemptions for the year, net of any distributions reinvested, were in the amount of \$39.4 million.

## ***Recent Developments***

In December 2005, Impax Capital Corp. (“Impax”) acquired all of the issued and outstanding shares of Fairway Capital Management Corp., the parent company of the Manager. Fairway Advisors Inc. continues in its role as manager and trustee to the Trust. MFC Global Investment Management (Canada) continues in its roles as Investment Advisor and Portfolio Manager of the Trust. Impax plans to continue the Fairway business and brand with a focus on creating new and innovative investment products in both traditional and alternative asset classes.

## ***Related Party Transactions***

The Manager provides all administrative services required by the Trust, including the appointment of the Advisor. The Manager receives a monthly fee at the annual rate of 1.10%, plus applicable taxes, of the net asset value of the Trust, calculated and payable monthly in arrears. The Manager is responsible for payment of the investment management fees of the Trust to the Advisor out of its annual management fees. For additional information, see *Management Fees*.

## ***Forward Looking Statements***

The matters discussed in this management report of fund performance (“MRFP”) include certain forward looking statements. Forward looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements. Forward looking statements may be identified, without limitation, by the use of such words as “anticipates”, “estimates”, “expects”, “intends”, “plans”, “predicts”, “projects”, “believes”, or words or phrases of similar meaning. Readers should not rely on forward looking statements as they involve risks and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward looking statements. Market fluctuations and redemption levels are unpredictable and outside the control of the Trust. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors. The Trust makes no commitment to disclose any revisions to forward looking statements, or any facts, events or circumstances after the date of this MRFP that may bear upon forward looking statements.

# Annual Management Report of Fund Performance (continued)

For the Year Ended December 31, 2005

## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Trust and are intended to help you understand the Trust's financial performance since its inception on February 26, 2004. This information is derived from the Trust's audited annual financial statements.

### The Trust's net asset value per unit for the years ended December 31,

	2005	2004
Net asset value, beginning of year <sup>(2)</sup>	\$10.47	\$10.00
<b>Increase from operations:</b>		
Total revenue	0.65	0.46
Total expenses	(0.24)	(0.14)
Realized gains for the period	0.69	0.18
Unrealized gains for the period	0.48	1.08
<b>Total increase from operations<sup>(1)</sup></b>	<b>1.58</b>	<b>1.58</b>
<b>Distributions:</b>		
From income (excluding dividends)	(0.08)	(0.12)
From dividends	(0.16)	(0.09)
From capital gains	–	(0.20)
From return of capital	(0.46)	(0.11)
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.70)</b>	<b>(0.52)</b>
<b>Net asset value at December 31,</b>	<b>\$11.47</b>	<b>\$10.47</b>

<sup>(1)</sup> Net asset value and distributions are based on the actual number of units outstanding at the relevant time. The increase from operations is based on the weighted average number of units outstanding over the financial period.

<sup>(2)</sup> Net asset value, beginning of year for 2004 represents the original investment amount as at March 16, 2004, the date of the closing of the initial offering of the Trust.

<sup>(3)</sup> Distributions were paid in cash, reinvested in additional units of the Trust, or both.

## Ratios and Supplemental Data

	2004	2005
Net assets (000's) <sup>(1)</sup>	\$99,752	\$130,728
Number of Units outstanding <sup>(1)</sup>	8,696,372	12,487,398
Management expense ratio <sup>(2)</sup>	1.86%	9.49%
Management expense ratio before waivers or absorptions	1.86%	9.49%
Management expense ratio excluding issue costs <sup>(2)</sup>	1.86%	1.78%
Portfolio turnover rate <sup>(3)</sup>	31.82%	19.11%
Trading expense ratio <sup>(4)</sup>	0.08%	0.16%
Closing market price	\$11.03	\$10.05

<sup>(1)</sup> This information is provided as at December 31 of the year shown.

<sup>(2)</sup> Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the period. For the 2004 period, the management expense ratio is annualized from the date of inception to December 31. The expenses for the 2004 period contain one-time costs associated with the offering of the Trust as detailed in the prospectus.

<sup>(3)</sup> The Trust's portfolio turnover rate indicates how actively the Trust's Advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Trust buying and selling all of the securities in its portfolio once in the course of the year. The higher the Trust's portfolio turnover rate in a year, the greater the trading costs payable by the Trust in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Trust.

<sup>(4)</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.

# Annual Management Report of Fund Performance (continued)

For the Year Ended December 31, 2005

## MANAGEMENT FEES

The Trust's MER consists of all of its operating expenses such as custody, valuation, transfer agent, reporting, audit and legal fees. In addition to these operational and administrative expenses, other significant components of the MER are fees that are calculated as a percentage of the net asset value of the Trust. These are the Manager, and Dealer Service fees. Highlights of the key components of the Fund's MER are listed in the table below:

Description – % of	Net Asset Value (NAV)	2005 (000's)	2004 (000's)
Manager – annual rate of			
1.10% of NAV <sup>(1)</sup>		1,228	1,110
Dealer service - annual rate of			
0.40% of NAV		447	404

<sup>(1)</sup> The Manager is responsible for payment of the investment management fees of the Trust to the Advisor out of its annual management fees. These fees are not additional expenses incurred by the Trust.

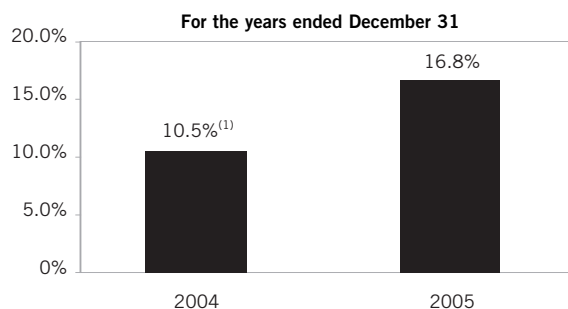
## PAST PERFORMANCE

### General

The performance information shown assumes that all distributions made by the Trust in the periods shown were reinvested in additional securities of the Trust. The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns on performance. The Trust's past performance is no guarantee of how it will perform in the future.

### Year-by-Year Returns

The following bar chart shows the Trust's annual performance for each of the years shown, and illustrates how the Trust's performance has changed from year to year. The chart shows in percentage terms how an investment made on January 1 would have increased or decreased by December 31 for each year.



<sup>(1)</sup> Return from March 16, 2004 to December 31, 2004

## Annual Compound Returns

The following table shows the Trust's annual compound return for the periods shown. The annual compound return is also compared to a series of indices on the same compound basis.

Percentage Return:	1 Year	Since Inception <sup>(1)</sup>
Fairway Diversified Income and		
Growth Trust	16.8%	15.3%
Blended Index	20.6%	19.2%
S&P/TSX Composite Index	24.1%	19.0%
Scotia Capital Income		
Trust Index	29.4%	28.7%
Merrill Lynch High Yield		
Master II Index	2.7%	6.4%

<sup>(1)</sup> Return from March 16, 2004.

The Blended Index is comprised of 40% S&P/TSX Composite Index, 35% Scotia Capital Income Trust Index and 25% Merrill Lynch Bond Master II High Yield Index.

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

The Scotia Capital Income Trust Index (SCITI) is a float capitalization weighted index which was developed to track the performance of all eligible listed income trusts trading on the Toronto Stock Exchange. The purpose of the SCITI is to track the performance of, and serve as a benchmark for, the income fund sector in Canada.

The Merrill Lynch High Yield Master II Index is an unmanaged index that tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market.

# Annual Management Report of Fund Performance (continued)

For the Year Ended December 31, 2005

## SUMMARY OF INVESTMENT PORTFOLIO

As at December 31, 2005

<b>Top 25 Investments</b>	<b>% of Net Assets</b>	<b>Portfolio Composition</b>	<b>% of Net Assets</b>
BCE Inc.	4.21	<b>Equities</b>	
Petro-Canada	3.88	Canada	43.20
The Toronto-Dominion Bank	3.82	Bermuda	0.13
Shiningbank Energy Income Fund	3.33	<b>Total Equities</b>	<b>43.33</b>
BFI Canada Income Fund	2.79	<b>Bonds</b>	
The Bank of Nova Scotia	2.53	United States	19.71
Royal Bank of Canada	2.52	Canada	6.81
ARC Energy Trust	2.38	Bermuda	0.85
Power Corporation of Canada	2.35	<b>Total Bonds</b>	<b>27.37</b>
Summit REIT	2.34	<b>Income Trusts</b>	
Sun Life Financial Inc.	2.30	Canada	37.28
TELUS Corporation	2.17	<b>Total Income Trusts</b>	<b>37.28</b>
Western Financial Group Inc. <i>9.63% May 15/12</i>	2.13	Cash and Cash Equivalents	1.57
Livingston International Income Fund	2.11	Liabilities less other assets	(9.55)
Davis + Henderson Income Fund	2.06	<b>Total Net Assets</b>	<b>100.00</b>
Teck Cominco Limited Cl. B Sub. Voting	1.99	<b>Total Net Asset Value</b>	<b>\$99,751,686</b>
RioCan REIT	1.97		
Brookfield Asset Management Inc. Cl. A Limited Voting	1.94		
Bonavista Energy Trust	1.87		
Canadian Imperial Bank of Commerce	1.85		
Yellow Pages Income Fund	1.74		
Northern Property REIT	1.71		
Power Financial Corporation	1.64		
IPSCO Inc.	1.63		
Gildan Activewear Inc. Cl. A Sub. Voting	1.49		
<b>Top 25 Investments</b>	<b>58.75</b>		
Other Investments	49.23		
Cash and Cash Equivalents	1.57		
Liabilities less other assets	(9.55)		
<b>Total Net Assets</b>	<b>100.00</b>		

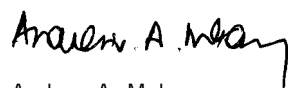
The investment portfolio may change due to ongoing portfolio transactions of the investment fund. Quarterly updates are available within 60 days of each quarter end.

## Management's Responsibility for Financial Reporting

The accompanying financial statements of Fairway Diversified Income and Growth Trust (the "Trust") are the responsibility of the manager and trustee to the Trust, Fairway Advisors Inc. (the "Manager"). They have been prepared in accordance with Canadian generally accepted accounting principles using information available and include certain amounts that are based on the Manager's best estimates and judgments.

The Manager has developed and maintains a system of internal controls to provide reasonable assurance that all assets are safeguarded and to produce relevant, reliable and timely financial information, including the accompanying financial statements.

These financial statements have been approved by the Board of Directors of the Manager and have been audited by Ernst & Young LLP, Chartered Accountants, on behalf of the unitholders. The auditors' report outlines the scope of their audit and their opinion on the financial statements.



Andrew A. McKay  
Chief Executive Officer  
Fairway Advisors Inc.



Steven J. Hawkins  
President & Chief Operating Officer  
Fairway Advisors Inc.

April 21, 2006

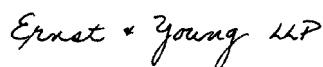
## Auditors' Report

### TO THE UNITHOLDERS OF FAIRWAY DIVERSIFIED INCOME AND GROWTH TRUST

We have audited the statement of investments of Fairway Diversified Income and Growth Trust [the "Trust"] as at December 31, 2005, the statements of net assets as at December 31, 2005 and 2004 and the statements of operations, changes in net assets and cash flows for the periods then ended. These financial statements are the responsibility of the Trust'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 investments of the Trust as at December 31, 2005, its net assets as at December 31, 2005 and 2004 and the results of its operations, the changes in its net assets and its cash flows for the periods then ended in accordance with Canadian generally accepted accounting principles.



**Chartered Accountants**

Toronto, Canada,  
**March 17, 2006.**

## Statement of Net Assets

As at December 31,	2005	2004
<b>Assets</b> (Note 7)		
Investments, at market value (cost – \$89,718,642; 2004 – \$124,239,624)	\$ 107,708,646	\$ 137,773,163
Cash and cash equivalents	1,566,817	4,773,115
Accrued interest, dividends and distributions from trusts	1,121,348	1,284,415
Prepaid interest on loan	19,626	57,811
	<b>110,416,437</b>	<b>143,888,504</b>
<b>Liabilities</b>		
Loan facility payable (Note 7)	10,000,000	12,000,000
Due to brokers	–	135,499
Payable for open forward contracts	22,908	–
Management fees payable (Note 4)	103,885	263,497
Accounts payable and accrued liabilities	30,960	33,574
Distributions payable	506,998	728,015
	<b>10,664,751</b>	<b>13,160,585</b>
<b>Net assets, at market value</b>	<b>\$ 99,751,686</b>	<b>\$ 130,727,919</b>
<b>Number of units outstanding</b> (Note 6)	<b>8,696,372</b>	<b>12,487,398</b>
<b>Net asset value per unit</b>	<b>\$ 11.47</b>	<b>\$ 10.47</b>

Approved on behalf of the Board of Directors of the Manager:



Andrew A. McKay  
Director



Steven J. Hawkins  
Director

## Statement of Operations

	Period from January 1, 2005 to December 31, 2005	Period from February 26, 2004 (Date of Inception) to December 31, 2004
<b>Investment income</b>		
Interest	\$ 4,804,605	\$ 4,338,414
Dividends and distributions	1,469,518	1,435,054
	<b>6,274,123</b>	<b>5,773,468</b>
<b>Expenses</b>		
Management fees (Note 4)	1,675,409	1,513,683
Administration	56,992	46,243
Audit	24,999	5,411
Custodian	24,721	19,253
Legal	38,135	9,793
Securityholder	55,169	50,932
Transfer agency	22,059	16,956
Other	46,441	18,451
Interest (Note 7)	349,959	107,245
	<b>2,293,884</b>	<b>1,787,967</b>
<b>Net investment income</b>	<b>3,980,239</b>	<b>3,985,501</b>
<b>Realized and unrealized gain on investments</b>		
Net realized gain on sale of investments	4,639,484	2,278,967
Change in unrealized appreciation on investments	4,456,465	13,533,539
Realized foreign exchange gain	1,942,600	34,962
Change in unrealized appreciation (depreciation) on foreign currency	125,854	(153,977)
<b>Net gain on investments</b>	<b>11,164,403</b>	<b>15,693,491</b>
<b>Increase in net assets from operations</b>	<b>\$ 15,144,642</b>	<b>\$ 19,678,992</b>
<b>Increase in net assets from operations per unit</b>	<b>\$ 1.5756</b>	<b>\$ 1.5814</b>

The accompanying notes are an integral part of these financial statements

## Statement of Changes in Net Assets

	Period from January 1, 2005 to December 31, 2005	Period from February 26, 2004 (Date of Inception) to December 31, 2004
<b>Increase in net assets from operations</b>	\$ 15,144,642	\$ 19,678,992
<b>Distributions to unitholders</b>		
Capital gains	–	(2,555,282)
Income	(2,317,872)	(2,671,372)
Return of capital	(4,426,056)	(1,324,047)
	(6,743,928)	(6,550,701)
<b>Capital unit transactions (Note 6)</b>		
Proceeds from issue of trust units	–	125,000,000
Issue costs	–	(7,297,380)
Reinvested trust units	254,915	133,039
Redeemed trust units	(39,631,862)	–
Repurchase and cancellation of trust units	–	(236,031)
	(39,376,947)	117,599,628
<b>Increase (decrease) in net assets during the period</b>	(30,976,233)	130,727,919
<b>Net assets, beginning of period</b>	130,727,919	–
<b>Net assets, end of period</b>	<b>\$ 99,751,686</b>	<b>\$ 130,727,919</b>

## Statement of Cash Flows

	Period from January 1, 2005 to December 31, 2005	Period from February 26, 2004 (Date of Inception) to December 31, 2004
<b>OPERATING ACTIVITIES</b>		
Increase in net assets from operations	\$ 15,144,642	\$ 19,678,992
Add (deduct) items not affecting cash:		
Loss (Gain) on sale of investments	(5,781,410)	352,020
Change in unrealized appreciation on investments	(4,456,465)	(13,533,539)
	4,906,767	6,497,473
Net change in non-cash assets and liabilities	293,941	(912,116)
<b>Cash provided by operating activities</b>	<b>5,200,708</b>	<b>5,585,357</b>
<b>FINANCING ACTIVITIES</b>		
Borrowing of loan indebtedness	–	12,000,000
Repayment of loan indebtedness	(2,000,000)	–
Distributions paid to unitholders	(6,964,945)	(5,822,686)
Net proceeds from issuance of trust units	–	117,466,589
Payments for redemption and/or repurchase of trust units	(39,631,862)	–
<b>Cash provided by (used in) financing activities</b>	<b>(48,596,807)</b>	<b>123,643,903</b>
<b>INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	75,618,035	15,942,281
Purchases of investments	(35,428,234)	(140,398,426)
<b>Cash provided by (used in) investing activities</b>	<b>40,189,801</b>	<b>(124,456,145)</b>
<b>Net increase (decrease) in cash during the period</b>	<b>(3,206,298)</b>	<b>4,773,115</b>
Cash and cash equivalents, beginning of period	4,773,115	–
<b>Cash and cash equivalents, end of period</b>	<b>\$ 1,566,817</b>	<b>\$ 4,773,115</b>

The accompanying notes are an integral part of these financial statements

# Statement of Investments

As at December 31, 2005

Number of Shares	Description	Average Cost (\$)	Market Value (\$)	% of Net Assets
<b>EQUITIES</b>				
<b>Bermuda</b>				
2,928	Weatherford International Ltd.	114,624	123,583	0.13
		<b>114,624</b>	<b>123,583</b>	<b>0.13</b>
<b>Canada</b>				
150,844	BCE Inc.	4,208,241	4,204,022	4.21
33,000	Brookfield Asset Management Inc. Cl. A Limited Voting	1,150,703	1,934,130	1.94
24,200	Canadian Imperial Bank of Commerce	1,684,270	1,849,122	1.85
26,000	Enbridge Inc.	707,036	944,840	0.95
3,300	EnCana Corporation	168,976	173,448	0.17
20,000	Finning International Inc.	598,100	742,800	0.75
29,048	First Capital Realty Inc.	483,017	668,104	0.67
29,800	Gildan Activewear Inc. Cl. A Sub. Voting	555,770	1,490,000	1.49
20,000	IGM Financial Inc.	652,800	922,400	0.93
16,800	IPSCO Inc.	422,138	1,624,728	1.63
12,000	Magna International Inc. Cl. A Sub. Voting	1,228,052	1,008,000	1.01
17,000	Manitoba Telecom Services Inc.	725,730	686,800	0.69
20,000	National Bank of Canada	885,474	1,206,400	1.21
83,000	Petro-Canada	2,450,206	3,871,950	3.88
74,000	Power Corporation of Canada	1,907,350	2,342,840	2.35
49,000	Power Financial Corporation	1,359,651	1,636,600	1.64
27,700	Royal Bank of Canada	1,768,580	2,515,437	2.52
50,000	Student Transportation of America Inc.	600,000	670,000	0.67
49,097	Sun Life Financial Inc.	1,766,253	2,294,303	2.30
7,600	Talisman Energy Inc.	426,233	468,160	0.47
32,000	Teck Cominco Limited Cl. B Sub. Voting	733,755	1,985,600	1.99
45,125	TELUS Corporation	1,067,539	2,159,683	2.17
54,700	The Bank of Nova Scotia	1,931,331	2,523,858	2.53
62,400	The Toronto-Dominion Bank	2,902,866	3,814,512	3.82
37,000	TransCanada Corporation	1,074,909	1,356,050	1.36
		<b>31,458,980</b>	<b>43,093,787</b>	<b>43.20</b>
<b>Total Equities</b>		<b>31,573,604</b>	<b>43,217,370</b>	<b>43.33</b>
Par Value (\$)	Description	Average Cost (\$)	Market Value (\$)	% of Net Assets
<b>BONDS</b>				
<b>Bermuda</b>				
280,000	Intelsat Ltd. 5.25% Nov 01/08	299,816	299,124	0.30
450,000	Intelsat Ltd. 8.70% Jan 15/12	547,711	535,827	0.54
15,000	Intelsat Ltd. 7.63% Apr 15/12	16,522	14,210	0.01
		<b>864,049</b>	<b>849,161</b>	<b>0.85</b>

# Statement of Investments (continued)

As at December 31, 2005

Par Value (\$)	Description	Average Cost (\$)	Market Value (\$)	% of Net Assets
<b>BONDS</b>				
<b>Canada</b>				
204,000	Abitibi – Consolidated Inc. 7.40% Apr 01/18	231,539	197,419	0.20
600,000	Avenor Inc. 10.85% Nov 30/14	708,000	694,500	0.70
500,000	Baytex Energy Ltd. 9.63% Jul 15/10	699,581	615,038	0.62
500,000	Cascades Inc. 7.25% Feb 15/13	681,031	533,422	0.53
100,000	Celestica Inc. 7.88% Jul 01/11	135,690	118,052	0.12
600,000	Dollarama Group LP 8.88% Aug 15/12	724,315	689,076	0.69
300,000	General Motors Nova Scotia Finance Company 6.85% Oct 15/08	377,699	264,088	0.26
545,000	Intrawest Corporation 7.50% Oct 15/13	745,262	646,563	0.65
325,000	Quebecor Media Inc. 11.13% Jul 15/11	415,819	412,090	0.41
325,000	Rogers Wireless Communications Inc. 7.63% Dec 15/11	333,531	348,772	0.35
750,000	Shaw Communications, Inc. 6.10% Nov 16/12	745,417	744,046	0.75
375,000	Sherritt International Corporation 7.88% Nov 26/12	375,000	385,133	0.39
513,000	The Jean Coutu Group (PJC) Inc. 8.50% Aug 01/14	672,946	550,282	0.55
500,000	Videotron Ltee 6.88% Jan 15/14	688,391	593,177	0.59
		<b>7,534,221</b>	<b>6,791,658</b>	<b>6.81</b>
<b>United States</b>				
213,000	Alliance Imaging, Inc. 7.25% Dec 15/12	226,744	207,991	0.21
500,000	Allied Waste North America 7.88% Apr 15/13	718,945	604,836	0.61
750,000	Armor Holdings, Inc. 8.25% Aug 15/13	965,369	944,419	0.95
680,000	Brand Services, Inc. 12.00% Oct 15/12	1,048,494	836,452	0.84
896,000	Charter Communications Holdings LLC 10.25% Sep 15/10	1,186,032	1,044,691	1.05
200,000	Chemed Corporation 8.75% Feb 24/11	269,312	251,262	0.25
15,000	Cincinnati Bell Inc. 8.38% Jan 15/14	18,977	17,292	0.02
150,000	Cincinnati Bell Inc. 7.00% Feb 15/15	187,135	172,269	0.17
400,000	CSC Holdings Inc. Series B 7.63% Apr 01/11	569,647	466,380	0.47
150,000	Del Monte Corporation 6.75% Feb 15/15	186,989	171,394	0.17
500,000	Dex Media West LLC 9.88% Aug 15/13	741,891	650,017	0.65
550,000	Dollar Financial Group Inc. 9.75% Nov 15/11	781,885	663,717	0.66
275,000	Foot Locker, Inc. 8.50% Jan 15/22	383,798	340,676	0.34
486,000	FTD, Inc. 7.75% Feb 15/14	658,612	563,818	0.56
250,000	Georgia-Pacific Corp. 8.00% Jan 15/24	321,610	279,828	0.28
500,000	Giant Industries, Inc. 8.00% May 15/14	652,703	604,836	0.61
84,000	Global Cash Access Inc. 8.75% Mar 15/12	107,122	104,673	0.10
200,000	Gregg Appliances Inc. 9.00% Feb 01/13	247,360	212,203	0.21
197,000	GTECH Holdings Corporation 4.75% Oct 15/10	211,974	209,272	0.21
600,000	HEALTHSOUTH Corporation 8.38% Oct 01/11	676,526	715,310	0.72
251,000	Herbst Gaming, Inc. 8.13% Jun 01/12	311,897	305,823	0.31
500,000	Iron Mountain Incorporated 7.75% Jan 15/15	712,805	590,262	0.59
180,000	Lamar Media Corp. 7.25% Jan 01/13	231,008	218,790	0.22
200,000	Loews Cineplex Entertainment Corporation 9.00% Aug 01/14	235,542	236,688	0.24
21,000	Longview Fibre Company 10.00% Jan 15/09	26,362	25,832	0.02
500,000	Mandalay Resort Group 7.63% Jul 15/13	730,798	607,751	0.61
320,000	MCI Inc. 6.69% May 01/09	391,959	386,162	0.39
125,000	Meritor Automotive, Inc. 6.80% Feb 15/09	145,929	136,635	0.14
275,000	Mobile Mini, Inc. 9.50% Jul 01/13	403,726	353,902	0.35
515,000	Mueller Group Inc. 10.00% May 01/12	656,139	640,995	0.64
170,000	Mueller Industries, Inc. 6.00% Nov 01/14	207,400	191,274	0.19
500,000	NationsRent Inc. 9.50% May 01/15	619,120	615,038	0.62
600,000	Noble Group Limited 6.63% Mar 17/15	715,870	645,515	0.65
100,000	Offshore Logistics, Inc. 6.13% Jun 15/13	130,241	109,599	0.11
81,000	PanAmSat Corporation 9.00% Aug 15/14	107,649	99,400	0.10
312,000	Refco Finance Holdings LLC. 9.00% Aug 01/12	414,127	281,927	0.28
500,000	Rite Aid Corporation 8.13% May 01/10	718,713	596,092	0.60

# Statement of Investments

As at December 31, 2005

Par Value (\$)	Description	Average Cost (\$)	Market Value (\$)	% of Net Assets
<b>United States (continued)</b>				
500,000	Sinclair Broadcast Group, Inc. 4.88% Jul 15/18	516,021	507,917	0.51
500,000	Starwood Hotels & Resorts Worldwide, Inc. 7.88% May 01/12	756,141	645,645	0.65
25,000	Sybron Dental Specialties, Inc. 8.13% Jun 15/12	31,178	30,752	0.03
100,000	The AES Corporation 8.75% Jun 15/08	137,373	123,008	0.12
230,000	Thornburg Mortgage, Inc. 8.00% May 15/13	296,874	265,487	0.27
50,000	Unisys Corporation 8.00% Oct 15/12	58,785	54,217	0.05
350,000	United Rentals North America Inc. 6.50% Feb 15/12	419,536	399,411	0.40
325,000	United Surgical Partners International, Inc. 10.00% Dec 15/11	418,982	410,196	0.41
1,621,000	Western Financial Group Inc. 9.63% May 15/12	2,264,763	2,126,255	2.13
		<b>21,820,063</b>	<b>19,665,909</b>	<b>19.71</b>
<b>Total Bonds</b>		<b>30,218,333</b>	<b>27,306,728</b>	<b>27.37</b>
Number of Units	Description	Average Cost (\$)	Market Value (\$)	% of Net Assets
<b>INCOME TRUSTS</b>				
<b>Canada</b>				
89,650	ARC Energy Trust	1,368,345	2,374,828	2.38
53,735	Armtec Infrastructure Income Fund	533,191	921,555	0.92
98,900	BFI Canada Income Fund	1,680,414	2,778,101	2.79
49,000	Bonavista Energy Trust	1,039,709	1,866,900	1.87
60,000	Canexus Income Fund	458,563	525,000	0.53
49,900	Chemtrade Logistics Income Fund	897,061	533,431	0.54
50,000	Cineplex Galaxy Income Fund	514,021	730,000	0.73
47,300	CML Healthcare Income Fund	547,230	681,120	0.68
45,000	Connors Bros. Income Fund	762,085	483,300	0.49
88,500	Davis + Henderson Income Fund	1,572,241	2,052,315	2.06
25,404	Fording Canadian Coal Trust	449,888	1,021,749	1.02
47,100	Gateway Casinos Income Fund	766,038	751,716	0.75
45,550	H&R REIT	702,391	947,440	0.95
473,000	Huntingdon REIT	1,300,750	1,300,750	1.30
75,000	Innergex Power Income Fund	804,930	990,000	0.99
75,500	InnVest REIT	786,931	946,770	0.95
93,700	Livingston International Income Fund	1,575,722	2,108,250	2.11
20,000	North West Company Fund	495,000	720,000	0.72
90,000	Northern Property REIT	1,247,602	1,710,000	1.71
7,010	Precision Drilling Trust	222,638	269,044	0.27
102,000	Richards Packaging Income Fund	1,011,097	912,900	0.92
86,285	RioCan REIT	1,186,798	1,966,435	1.97
114,000	Shiningbank Energy Income Fund	1,837,085	3,323,100	3.33
60,000	SIR Royalty Income Fund	511,800	585,000	0.59
59,900	Spinrite Income Fund	495,972	373,776	0.38
95,000	Summit REIT	1,566,441	2,334,150	2.34
50,800	Superior Plus Income Fund	1,314,320	1,193,800	1.20
104,600	The Data Group Income Fund	1,046,000	1,043,908	1.05
106,700	Yellow Pages Income Fund	1,232,442	1,739,210	1.74
<b>Total Income Trusts</b>		<b>27,926,705</b>	<b>37,184,548</b>	<b>37.28</b>
<b>TOTAL INVESTMENTS</b>		<b>89,718,642</b>	<b>107,708,646</b>	<b>107.98</b>
<b>Liabilities less other assets</b>			<b>(7,956,960)</b>	<b>(7.98)</b>
<b>NET ASSETS, AT MARKET VALUE</b>			<b>99,751,686</b>	<b>100.00</b>

The accompanying notes are an integral part of these financial statements

# Notes to Financial Statements

December 31, 2005

## 1. THE TRUST

Fairway Diversified Income and Growth Trust (the "Trust") is a closed-end investment trust established under the laws of the Province of Ontario by a Declaration of Trust dated February 26, 2004 ("Date of Inception") and amended May 31, 2004 (the "Declaration of Trust").

The Manager and Trustee of the Trust is Fairway Advisors Inc. (the "Manager").

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following is a summary of significant accounting policies followed by the Trust in the preparation of its financial statements:

### *(a) Cash and cash equivalents*

Cash and cash equivalents consist of cash on deposit and short-term, interest bearing notes with a term to maturity of less than three months from the date of purchase.

### *(b) Valuation of Investments*

Investments in publicly traded securities are valued at the closing market price from the relevant exchange. Investments in securities for which closing market prices are not readily available are valued at the last reported sales price. If no sales price can be ascertained or if the securities are not quoted on an exchange, the value is based on the average of the last bid and ask prices quoted by a major dealer in such securities. Securities for which no such information is readily available are valued at fair value as determined by the Manager. The difference between market value and average cost, as recorded in the accounts, is shown as change in unrealized appreciation (depreciation) on investments.

Short-term investments, including notes and money market instruments, will be valued at cost plus accrued interest which approximates market value.

The value of any bonds, debentures and other debt obligations will be valued by taking the average of the bid and ask prices on the valuation date.

### *(c) Investment transactions and income recognition*

All investment transactions are accounted for on the trade date. Realized gains and losses from investment transactions and unrealized appreciation or depreciation in the value of investments are calculated on an average cost basis.

Interest income and expenses are recognized daily on an accrual basis.

Dividend income is recognized on the ex-dividend date.

Distributions from income trusts which are treated as dividend income, interest income or capital gains for tax purposes are included as dividend income, interest income or capital gains distributed from income trusts, as appropriate, in the statement of operations.

Distributions from income trusts which are treated as return of capital for income tax purposes reduce the average cost of the investment in the Trust on the statement of investments.

### *(d) Foreign currency translation*

Investments at market value and other assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange applicable on the valuation date. Investment transactions and income and expenses are translated at the rate of exchange on the date of such transactions.

### *(e) Forward foreign currency contracts*

Forward foreign currency contracts are included in the statement of investments and are valued at current market value on each valuation day. Gains or losses incurred when forward foreign currency contracts entered into by the Trust, which are of the nature of a general hedge of the currency exposure of the underlying portfolio of investments, mature or are closed out are included in "realized foreign exchange gain (loss)" in the statement of operations.

# Notes to Financial Statements (continued)

December 31, 2005

## **(f) Futures contracts**

The value of a futures contract is the gain or loss that would be realized if, on the valuation date, the position in the futures contract was closed out. Margin paid or deposited in connection with futures contracts is reflected on the statement of investments. The unrealized gains or losses on futures contracts are reported as part of unrealized appreciation or depreciation of futures until the contracts are closed out. Realized gains and losses from futures contracts that are specific hedges are accounted for in the same manner as the underlying instrument being hedged. All other realized gains and losses on futures contracts are accounted for as gains or losses and are included in net gains (losses) on investments in the Statement of Operations.

## **(g) Accounting estimates**

Allocations of distributions received from income trusts among dividends, interest and other income, capital gains, or return of capital are based on estimates of the categorization of distribution provided by those income trusts. These allocations may change once final categorizations of the distributions are received from the respective income trusts.

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires the Manager to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

## **(h) Net asset value per unit**

The net asset value per unit is computed by dividing the net assets of the Trust by the total number of units outstanding on the valuation date.

### **3. TAXATION**

The Trust qualifies as a “mutual fund trust” within the meaning of the Income Tax Act (Canada). The Trust is subject to applicable federal and provincial taxes on the amount of its net income for tax purposes for the period, including net realized taxable capital gains, to the extent such net income for tax purposes has not been paid or made payable to unitholders in the period.

No provision for income taxes has been recorded in the accompanying financial statements as all income and net realized capital gains are distributed to the unitholders.

Capital losses realized over and above realized capital gains in the current taxation year can be carried forward indefinitely and may be applied against future years' taxable capital gains. Non-capital losses may be carried forward for a period of ten years and applied against future years' taxable income. If the non-capital losses are not applied within ten years from the taxation year in which the non-capital loss was realized, the non-capital loss will expire.

As at December 31, 2005, the Trust had no capital or non-capital losses to carry forward into future years.

### **4. EXPENSES OF THE TRUST**

#### **(a) Management fees**

Pursuant to the Declaration of Trust, the Manager provides all administrative services required by the Trust, including the appointment of the investment advisor to the Trust.

In return, the Manager receives a monthly fee at the annual rate of 1.10%, plus applicable taxes, of the net asset value of the Trust, calculated and payable monthly in arrears. The Manager is responsible for payment of the investment management fees of the Trust's investment advisor out of its annual management fees.

#### **(b) Other expenses**

The Trust is responsible for all other expenses incurred in connection with its operation and administration, such as custodian, valuation, transfer agent, reporting, audit and legal fees. Brokerage commissions paid on securities transactions are not considered to be part of total expenses. These commissions are included in the cost of purchasing, or netted out of the proceeds from selling securities. For the year ended December 31, 2005 brokerage commissions were \$80,672 (2004 – \$155,056).

# Notes to Financial Statements (continued)

December 31, 2005

The Trust will pay to registered dealers an annual service fee equal to 0.40% annually of the net asset value of units held by clients of the sales representatives of such dealers, calculated and payable semi-annually in arrears. Dealer service fees for the year were \$446,776 (2004 – \$403,649) and are included in management fees in the Statement of Operations.

## 5. UNITHOLDERS' EQUITY

The Trust is authorized to issue an unlimited number of voting, transferable, redeemable trust units of one class, each of which represents an equal, undivided interest in the net assets of the Trust. On termination of the Trust, which is expected to be March 31, 2014, unitholders will be entitled to receive their pro rata share of all of the assets of the Trust remaining after payment of all debts, liabilities and liquidation expenses. The Trust's units are listed on the Toronto Stock Exchange under the symbol FDT.UN.

The Trust will terminate operations on March 31, 2014 (the "Termination Date") and the net assets will be distributed pro rata to unitholders unless an alternative later termination date is approved by the unitholders.

Units may be surrendered for redemption not more than 45 days, and at least 10 business days, prior to the second last business day of March in any year. Unitholders will receive a redemption price per unit equal to the net asset value per unit of the Trust determined as of the valuation date.

Additionally, and in accordance with the Declaration of Trust, unitholders are entitled to a monthly redemption at a redemption price equal to the lesser of: (a) 90% of the average of the daily weighted unit trading price for the 10 business days prior to the second last business day of the month and (b) the closing unit market price on the second last business day of the month. Such redemption right must be exercised at least seven business days before the month-end.

## 6. NET CAPITAL TRANSACTIONS

Net capital transactions for the Trust for the year from January 1, 2005 to December 31, 2005 consisted of the following:

	Units	\$
Number of units outstanding, beginning of year	12,487,398	117,599,628
Distribution		
Reinvestment Plan	24,683	254,915
Redemptions	(3,815,709)	(39,631,862)
<b>Number of units outstanding, end of year</b>	<b>8,696,372</b>	<b>78,222,681</b>

Net capital transactions for the Trust for the period from Date of Inception to December 31, 2004 consisted of the following:

	Units	\$
Number of units outstanding, beginning of period	–	–
Subscriptions	12,500,000	125,000,000
Distribution		
Reinvestment Plan	14,330	133,039
Repurchase and cancellation of units (Note 11)	(26,932)	(236,031)
Issue expenses (including agents fees)	–	(7,297,380)
<b>Number of units outstanding, end of period</b>	<b>12,487,398</b>	<b>117,599,628</b>

## 7. LOAN FACILITY

The Manager, on behalf of the Trust, has entered into a revolving term credit facility with The Bank of Nova Scotia ("BNS"). The aggregate amount of borrowings under the credit facility and other forms of leverage may not exceed 25% of the total assets of the Trust at the time the borrowing or other transaction is entered into. The Trust has entered into a general security agreement providing BNS with a first charge on the assets of the Trust as collateral for indebtedness arising out of the credit facility.

As at December 31, 2005, the Manager, on behalf of the Trust has drawn down a loan in the amount of \$10,000,000 with an interest rate of 3.38%, and maturing on January 20, 2006 (2004 – \$2,000,000 2.77% 2/3/2005; \$10,000,000 2.79% 2/22/2005).

The highest amount drawn down on the loan facility in 2005 was \$12,000,000 (2004 – \$12,000,000). The lowest amount drawn down on the loan facility in 2005 was \$10,000,000 (2004 – nil).

# Notes to Financial Statements (continued)

December 31, 2005

## 8. SECURITIES LENDING

In order to generate additional returns, the Trust may enter into securities lending agreements with borrowers deemed acceptable to the Trust. Under a securities lending agreement, the borrower must pay the Trust a negotiated securities lending fee, provide compensation to the Trust equal to any distributions received by the borrower on the securities borrowed and the Trust must receive collateral security of 102% for the loaned security.

There were no securities lending transactions during the year.

## 9. DISTRIBUTIONS

The Trust endeavours to make monthly cash distributions to unitholders consisting primarily of distributions received on securities in the investment portfolio and, in certain circumstances, of net realized capital gains from the investment portfolio. These monthly distributions will be paid to unitholders on or about the last business day of each month. The monthly distribution declared to unitholders of record, at the end of each month in the year, was \$0.0583 per unit.

## 10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Trust's investment activities expose it to various types of risk associated with the financial instruments in which it invests directly. In addition to the risks of investing in equity, income trust, bond and option markets generally, the Trust is subject to other risks, including the following:

### *Currency risk*

The Trust invests in securities denominated in currencies other than its reporting currency, the Canadian dollar. Consequently, the Trust is exposed to risks that the exchange rate of the Canadian dollar relative to the other currencies may change in a manner which has an adverse effect on the reported value of that portion of the Trust's assets. The Trust manages its currency risk through foreign currency hedging strategies.

### *Interest rate risk*

The Trust invests in interest-bearing securities. The income of the Trust may be affected by changes in interest rates relevant to particular securities or as a result of the investment advisors being unable to secure similar returns on the expiry or sale of securities.

### *Credit risk*

Credit risk on financial instruments is the risk of a financial loss occurring as a result of the default of a counterparty on its obligation to the Trust. Credit risk is managed by dealing with counterparties the Trust believes to be creditworthy and by regular monitoring of credit exposures.

## 11. MANDATORY REPURCHASE PROGRAM

If at any time the market price at which the units are then offered for sale is less than 95% of the net asset value per unit determined as of the close of business on the immediately preceding business day, subject to certain exceptions contained in the Declaration of Trust and compliance with any applicable regulatory requirements, the Trust will be obligated to purchase for cancellation any such units at the then prevailing market price up to a maximum amount in any three-month period of 1.25% of the number of units outstanding at the beginning of such period. During the year, the Trust did not repurchase any units for cancellation under its mandatory repurchase program (2004 – 26,432 units).

## 12. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2005 financial statements.

# Corporate Information

Manager and Trustee

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Registrar & Transfer Agent

**Computershare Trust Company of Canada**

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Toronto, Ontario M5J 2Y1

Listed

**The Toronto Stock Exchange**

Ticker Symbol

**FDT.UN**

## About Fairway

Fairway is a specialized financial services firm focused on the creation, marketing, distribution and management of investment products in both traditional and alternative asset classes. Fairway's products are structured to provide yield enhancement, tax advantages and other benefits that complement the needs of Canadian investors. Fairway's principals are experienced investment professionals who share a strong track record as innovators in the Canadian securities industry.

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