MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements of Newport Partners Income Fund (the "Fund") and all of the information in the annual report are the responsibility of Management, including responsibility for establishing and maintaining disclosure controls and procedures to provide reasonable assurance that the information used internally by management and disclosed externally is complete and reliable in all material respects.

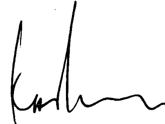
The Consolidated Financial Statements have been prepared by management in accordance with GAAP and include certain estimates that are based on management's best judgments. Actual results may differ from these estimates and judgments. Management has ensured that the Consolidated Financial Statements are presented fairly in all material respects.

Management has developed and maintains a system of internal controls to provide reasonable assurance that the Fund's assets are safeguarded, transactions are accurately recorded and the financial statements report the Fund's operating and financial results in a timely manner. Financial information presented elsewhere in the annual report has been prepared on a consistent basis with that in the Consolidated Financial Statements.

The Board of Trustees of the Fund annually appoints an Audit Committee (the "Committee") comprised of Independent Trustees (members who are not employees of the Fund). This Committee meets regularly with management and the auditors to review significant accounting, reporting and internal control matters. The auditors have unrestricted access to the Committee. The Committee reviews the financial statements, Management's Discussion & Analysis, the external auditors' report and the annual report. The Committee reports its findings to the Board of Trustees for the Trustee's consideration in approving the financial statements for issuance to the Unitholders. The Committee also considers, for review by the Board of Trustees and approval by the Unitholders, the engagement or re-appointment of the external auditors.

KPMG LLP, an independent firm of chartered accountants, was appointed to audit the Fund's Consolidated Financial Statements in accordance with Canadian generally accepted auditing standards. They have provided an independent professional opinion. KPMG LLP has full and free access to the Committee.

Dean MacDonald,
President & CEO



Kelly Baird,
Chief Financial Officer

Toronto, Canada
March 30, 2009
Except as to Notes 2 and 9,
which are as of October 21, 2009

KPMG LLP
Chartered Accountants
Yonge Corporate Centre
4100 Yonge Street, Suite 200
North York, ON M2P 2H3

Telephone(416) 228-7000
Telefax (416) 228-7123
www.kpmg.ca

AUDITORS' REPORT

To the Trustees of Newport Partners Income Fund

We have audited the revised consolidated balance sheets of Newport Partners Income Fund (the “Fund”) as at December 31, 2008 and 2007 and the revised consolidated statements of loss and comprehensive loss, consolidated statements of unitholders’ equity and cash flows for the years then ended. 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 revised consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2008 and 2007 and the results of its operations, unitholders’ equity and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Our previous report dated March 30, 2009 has been withdrawn and the consolidated financial statements have been restated as explained in note 2.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

March 30, 2009 except as to note 2 and 9 which is
as of October 21, 2009

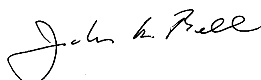
NEWPORT PARTNERS INCOME FUND

Consolidated Balance Sheets
(In thousands of dollars)

	December 31, 2008 (As restated note 2)	December 31, 2007 (As restated note 2)
Assets		
Current assets:		
Cash and cash equivalents	$ 23,855	$ 14,457
Cash and short-term investments held in trust (note 3)	19,839	27,404
Accounts receivable (notes 3 and 18)	154,463	137,219
Inventories (note 4)	33,112	34,637
Prepaid expenses	3,184	2,868
Other current assets (note 5)	22,830	21,455
Future tax asset (note 13)	1,393	-
Current assets of discontinued operations (note 6)	-	7,446
	258,676	245,486
Property, plant and equipment (note 7)	44,498	43,324
Long-term investments (note 8)	16,494	47,254
Goodwill (notes 2 and 9)	94,362	271,593
Intangible assets (note 9)	189,306	303,156
Other assets (note 5)	15,706	14,090
Long-lived assets of discontinued operations (note 6)	-	39,257
	$ 619,042	$ 964,160
Liabilities and Unitholders' Equity		
Current liabilities:		
Revolving credit facility (note 11)	$ 27,400	$ 47,527
Current portion of long-term debt (note 11)	210,000	-
Accounts payable and accrued liabilities	123,103	110,230
Deferred revenue	10,742	13,819
Current portion of obligations under capital leases (note 12)	5,695	5,353
Current liabilities of discontinued operations (note 6)	-	8,034
	376,940	184,963
Obligations under capital leases (note 12)	7,741	8,910
Long-term debt (note 11)	-	204,862
Future tax liability (note 13)	26,076	33,259
Long-term liabilities of discontinued operations (note 6)	-	882
Non-controlling interest (note 2)	15,649	118,294
Convertible debentures (note 14)	152,683	149,530
Unitholders' equity (notes 2 and 15)	39,953	263,460
Going concern (note 1(a))		
Commitments and contingencies (note 22)		
Subsequent events (note 26)		
	$ 619,042	$ 964,160

See accompanying notes to consolidated financial statements.

On behalf of the Trustees of the Fund



John K. Bell, Trustee

K. Michael Edwards, Trustee

NEWPORT PARTNERS INCOME FUND

Consolidated Statements of Loss and Comprehensive Loss
(In thousands of dollars, except per unit amounts)

	Year ended December 31, 2008 (As restated note 2)	Year ended December 31, 2007
Revenues	$ 669,730	$ 531,378
Cost of revenues	477,441	363,245
	192,289	168,133
Expenses		
Selling, general and administrative	124,146	96,307
Amortization of intangible assets	39,775	36,680
Depreciation	11,571	8,504
	175,492	141,491
Income before the undernoted	16,797	26,642
Income from equity investments	2,112	3,418
Other income	330	1,119
Interest expense, net (note 3 (c))	40,826	30,552
Loss on dilution of ownership interest	845	6,958
Write-down of goodwill and intangibles (notes 2 and 9)	248,561	2,987
Impairment in value of long-term investments (note 8)	29,000	-
Loss before income taxes	(299,993)	(9,318)
Income tax expense – current	44	10
Income tax expense (recovery) – future	(8,576)	32,349
Loss from continuing operations before non-controlling interest	(291,461)	(41,677)
Non-controlling interest relating to continuing operations	70,214	17,503
Loss from continuing operations	(221,247)	(24,174)
Loss from discontinued operations before non-controlling interest (notes 2 and 6)	(5,109)	(3,182)
Non-controlling interest relating to discontinued operations	1,947	1,430
Loss from discontinued operations	(3,162)	(1,752)
Net loss and comprehensive loss	$ (224,409)	$ (25,926)
Loss per unit (note 17)		
Basic and diluted:		
Continuing operations	$ (5.11)	$ (0.60)
Discontinued operations	(0.07)	(0.04)
Net loss	(5.18)	(0.64)

See accompanying notes to consolidated financial statements.

NEWPORT PARTNERS INCOME FUND

Consolidated Statements of Unitholders' Equity
(In thousands of dollars)

2008	Number of Units	Unitholders' Capital (As restated note 2)	Equity Component of Convertible Debenture	Deficit (As restated note 2)	Contributed Surplus	Total Unitholders' Equity (As restated note 2)
Balance – January 1, 2008	41,366,957	380,800	$ 9,850	$ (128,582)	$ 1,392	$ 263,460
Units of NPY exchanged (note 14)	5,411,273	22,024	-	-	-	22,024
Units purchased under normal course issuer bid	(237,500)	(1,184)	-	-	968	(216)
Net loss for the year	-	-	-	(224,409)	-	(224,409)
Distributions	-	-	-	(20,906)	-	(20,906)
Balance – December 31, 2008	46,540,730	401,640	$ 9,850	$ (373,897)	$ 2,360	$ 39,953

2007	Number of Units	Unitholders' Capital (As restated note 2)	Equity Component of Convertible Debenture	Deficit	Contributed Surplus	Total Unitholders' Equity (As restated note 2)
Balance – January 1, 2007	39,283,565	$ 364,805	$ 664	$ (63,430)	$ -	$ 302,039
Cumulative impact of adopting new accounting rules (note 1)	-	-	-	60	-	60
Units of NPY exchanged	4,047,964	29,185	-	-	-	29,185
Units purchased under normal course issuer bid	(1,964,572)	(13,190)	-	-	1,392	(11,798)
Convertible debenture	-	-	9,186	-	-	9,186
Net loss for the year	-	-	-	(25,926)	-	(25,926)
Distributions	-	-	-	(39,286)	-	(39,286)
Balance – December 31, 2007	41,366,957	$ 380,800	$ 9,850	$ (128,582)	$ 1,392	$ 263,460

See accompanying notes to consolidated financial statements.

NEWPORT PARTNERS INCOME FUND

Consolidated Statements of Cash Flows

(In thousands of dollars)

	Year ended December 31, 2008 (As restated note 2)	Year ended December 31, 2007
Cash provided by (used in):		
Operating activities:		
Net loss	$ (224,409)	$ (25,926)
Items not affecting cash:		
Loss from discontinued operations before non- controlling interest	5,109	3,182
Amortization of intangible assets	39,775	36,680
Depreciation	11,783	8,504
Future income tax expense	(8,576)	32,349
Income from equity investments, net of cash received	1,799	1,658
Non-cash interest expense	8,345	2,796
Non-cash compensation expense	2,423	2,924
Loss on dilution of interest in operating partner	845	6,958
Write-down of goodwill and intangibles	248,561	2,987
Impairment of long-term investment	29,000	-
Non-controlling interest	(72,161)	(18,933)
Changes in non-cash working capital	5,730	(22,572)
Cash provided by discontinued operations	3,890	17,148
	52,114	47,755
Financing activities:		
Repurchase of units	(216)	(11,798)
Issuance of convertible debt net of costs	-	75,939
Distributions to unitholders	(20,906)	(40,244)
Distributions to non-controlling interest	(14,152)	(30,664)
Decrease (increase) in cash held in trust	7,565	(1,570)
(Decrease) increase in bank indebtedness	(20,127)	42,527
Increase in long-term debt	-	40,000
Repayment of capital lease obligations	(4,669)	(3,427)
Cash used in discontinued operations	(8,459)	(12,167)
	(60,964)	58,596
Investing activities:		
Acquisition of businesses, net of cash acquired	(185)	(141,981)
Proceeds on disposal of business	30,177	23,496
Purchase of long-term investments	-	(1,105)
Purchase of property, plant and equipment	(8,877)	(5,308)
Purchase of intangibles	-	(79)
Increase in other assets	(1,615)	(14,158)
Cash used in discontinued operations	(1,252)	(1,554)
	18,248	(140,689)
Increase (decrease) in cash and cash equivalents	9,398	(34,338)
Cash and cash equivalents, beginning of year - continuing operations	14,457	52,222
Cash and cash equivalents, beginning of year - discontinued operations	5,821	2,394
Cash and cash equivalents, end of year	23,855	14,457
Cash and cash equivalents, end of year - discontinued operations	-	5,821
Cash end of year – continuing operations	$ 23,855	$ 14,457
Supplemental cash flow information:		
Interest paid	$ 32,481	$ 27,755
Cash acquired upon acquisition	370	2,540
Supplemental disclosure of non-cash financial and investing activities:		
Acquisition of property, plant and equipment through capital leases	3,823	8,487

See accompanying notes to consolidated financial statements.

Newport Partners Income Fund ("the Fund") is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario pursuant to a declaration of trust dated May 13, 2005 (the "Declaration of Trust").

The Fund has been created to hold, through the Fund's investment in Newport Partners Commercial Trust ("Commercial Trust"), interests in Newport Private Yield LP ("NPY"), and its general partner, NPY GP Trust. NPY is a limited partnership formed to indirectly invest in securities of private businesses, either in limited partnerships or in corporations (collectively the "Operating Partnerships") and distribute the available cash flows to the limited partners. The operations of NPY are in the following business segments:

- financial services;
- marketing;
- industrial services;
- other; and
- corporate.

The Fund indirectly holds, through Commercial Trust, all of the A1 LP Units of NPY, representing approximately 65% (2007 – 58%) of the outstanding LP units of NPY. The balance of the units of NPY are A2 LP units which are exchangeable on a one-for-one basis into units of the Fund and represent the non-controlling interest on the balance sheet.

1. Significant accounting policies

(a) Basis of presentation – going concern

These consolidated financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles. The going concern basis of presentation assumes that the Fund will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is significant doubt about the appropriateness of the use of the going concern assumption because the Fund has recently had to seek waivers from its lenders relating to covenant violations on its term debt and revolving credit facility ("senior credit facility") as at December 31, 2008 (see Note 10 – Long-Term Debt). The Fund has been negotiating and actively pursuing various options with the lenders which, if accepted, will, in management's view, enable the Fund to continue to grow and provide financial support to its operating partnerships. The Fund and the lenders are in active and cooperative negotiations and no adverse action has been taken by the lenders nor have the lenders indicated their intent to demand payment of the term debt prior to its maturity date in 2011 and 2012. The Fund is pursuing options including portfolio sales and stand alone credit facilities at selected operating partnerships. All options will require the consent of the lenders in order to execute. To date, no agreements with the lenders have been reached, and there can be no assurance that such agreements will be reached. In addition, the Fund is pursuing operational changes to improve cash management

performance at the operating partnerships to generate cash that could be used to reduce the debt levels.

As the Fund was not in compliance with certain covenants under its senior credit facility as at December 31, 2008, and as no agreements have yet been reached with the lenders, the Fund has reclassified the term debt of $210,000 as a current liability, and has written off the balance of deferred financing charges of $4,065 associated with this senior credit facility.

The financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used.

The Fund controls NPY through its 100% indirect ownership of the general partner of NPY, NPY GP Trust, and also has the continuing right to appoint all of the Board of Directors of the general partner of NPY, and therefore accounts for its interest as the controlling unitholder and uses the purchase method of accounting. The consolidated financial statements include 100% of NPY and the non-controlling interest represents 35 % (2007 – 42%) of NPY. The consolidated financial statements of NPY include 100% of Newport Partners Holdings LP ("NPH") which includes owned subsidiaries and investments in jointly controlled operations on a proportionate consolidation basis.

The consolidated financial statements include the assets, liabilities and operating results of all subsidiary companies from the dates of acquisition. All significant intercompany balances have been eliminated on consolidation.

Under the proportionate consolidation method, NPY's share of assets, liabilities, revenue and expenses are included in each major financial statement caption from the date of purchase. All intercompany balances and transactions are eliminated upon consolidation.

The Fund accounts for investments in which it has significant influence under the equity basis.

The following table indicates the accounting method for each of the investments in Operating Partnerships as at December 31, 2008. NPY invested in all Operating Partnerships indirectly together with their respective general partner.

Operating Partnership	Investment Date	Current % Ownership	Accounting Method	Business Description
Newport Partners LP ("NP LP")	August 2005	100	Consolidation	Provider of money management and financial advice
Sports and Entertainment LP ("S&E")	August 2005	80	Proportionate consolidation	Alternative advertising company
NPC Integrity Energy Services LP ("NPC/Golosky")	August 2005	80	Proportionate consolidation	Mid-stream production services provider to the energy industry
Gemma Communications LP ("Gemma")	March 2005	80	Proportionate consolidation	Integrated direct marketing company
Elliott Special Risks LP ("ESR")	August 2005	80	Proportionate consolidation	Managing general agent for commercial liability insurance
Morrison Williams Investment Management LP ("Morrison Williams")	August 2005	80	Proportionate consolidation	Institutional money manager
Capital C Communications LP ("Capital C")	August 2005	67	Proportionate consolidation	Integrated marketing services agency
Quantum Murray LP ("Quantum Murray")	March 2006	64	Proportionate consolidation	Demolition contract and site remediation services provider
Hargraft Schofield LP ("Hargraft")	April 2006	94	Proportionate consolidation	Speciality liability products insurance brokers
Peerless Garments LP ("Peerless")	June 2006	90	Proportionate consolidation	Manufacturer of protective outerwear
IC Group LP ("IC Group")	July 2006	80	Proportionate consolidation	Provider of inter-active promotional solutions
Titan Supply LP ("Titan")	September 2006	92	Proportionate consolidation	Distributor and manufacturer of heavy industrial equipment
Armstrong Partnership LP ("Armstrong")	October 2006	80	Proportionate consolidation	Promotional marketing service provider
Gusgo Transport LP ("Gusgo")	October 2006	80	Proportionate consolidation	Transportation and storage services provider
Baird MacGregor Insurance Brokers LP ("BMI")	April 2007	78	Proportionate consolidation	Insurance broker specializing in the transportation and logistics industries in Ontario

(b) Financial instruments

(i) Financial assets and financial liabilities

All financial instruments are classified into one of the following five categories; held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are included on the consolidated balance sheets and are measured at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Held-for-trading financial investments are subsequently measured at fair value and all gains and losses are included in net income in the period in which they arise. Available-for-sale financial instruments are subsequently measured at fair value with revaluation gains and losses included in other comprehensive income until the instrument is derecognized or impaired. The Fund has classified its cash and cash equivalents as held-for-trading. Long-term investments are classified as available-for-sale investments. Accounts receivable, and long-term note receivables are classified as loans and receivables. Revolving credit facility, accounts payable, long-term debt, convertible debentures and capital lease obligations have been classified as other financial liabilities, all of which are measured at amortized cost.

(ii) Comprehensive income

Comprehensive income is the change in unitholders' equity, which results from transactions and events from sources other than the Fund's unitholders. These transactions and events include unrealized gains and losses resulting from changes in fair value of certain financial instruments classified as available for sale. During the year ended December 31, 2008 and 2007, there were no transactions recorded in Comprehensive income.

(iii) Investments

The Fund classifies its investments, other than investments accounted for by the equity method, as either available-for-sale or held-to-maturity. Available-for-sale investments are measured at fair value with unrealized gains and losses recorded in other comprehensive income until the investment is either sold, or if an unrealized loss is considered other than temporary, the unrealized loss is recorded in income. Available-for-sale investments where there is no quoted market price will continue to be recorded at amortized cost. There were no gains or losses recorded in other comprehensive income during the years ended December 31, 2008 and 2007.

(iv) Effective interest method

Deferred financing charges are included in loan balances and are recognized in interest expense over the life of the resulting loan. Prior to January 1, 2007, deferred financing charges were included in Other Long Term Assets and an equal amount of deferred financing charges were recognized each period over the life of the resulting loan. Effective January 1, 2007, the Fund uses the effective interest method to recognize deferred financing charges whereby the amount recognized varies over the life of the loan based on principal outstanding. As at January 1, 2007, the Fund adjusted deferred financing charges to what the balance would have been had the effective interest method always been used to recognize deferred financing charges. The impact was a decrease in debt of $60 and an increase in opening deficit of $60.

(c) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Equipment under capital lease is initially recorded at the present value of minimum lease payments at the inception of the lease.

Depreciation is calculated using the following methods and annual rates based on the estimated useful life of the assets as follows:

Asset	Basis	Rate
Equipment under capital lease	Straight line	Term of lease
Furniture and equipment	Mainly declining balance	14% - 40%
Computer hardware and software	Mainly declining balance	20% - 100%
Automotive and heavy equipment	Mainly declining balance	30% - 40%
Land and buildings	Declining balance	4% and 5%
Leasehold improvements	Straight line	Shorter of expected useful life or term of the lease
ATMs	Declining balance	20%-30%

(d) Long-term investments

Investments over which the Fund is able to exercise significant influence are accounted for under the equity method. Under the equity method, the original cost of investment is adjusted for the Fund's share of post-acquisition earnings or losses, less distributions in the case of investments in partnerships and dividends in the case of investments in companies.

Investments are written down when there is evidence that a decline in value that is other than temporary has occurred.

(e) Impairment of long-lived assets

Long-lived assets, including property, plant and equipment and intangible assets with finite useful lives, are amortized over their useful lives. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are separately presented in the consolidated balance sheets and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposal group classified as held for sale have been presented separately in the appropriate asset and liability sections of the consolidated balance sheets.

(f) Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values. When the Fund enters into a business combination, the purchase method of accounting is used. Goodwill is assigned as of the date of the business combination to reporting units that are expected to benefit from the business combination.

Goodwill is not amortized and is tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the investment is compared with its fair value. When the fair value of an investment exceeds its carrying amount, goodwill relating to the investment is considered not to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of an investment exceeds its fair value, in which case, the implied fair value of the investment's goodwill, determined in the same manner as the value of goodwill is determined in a business combination, is compared with its carrying amount to measure the amount of the impairment loss, if any.

(g) Intangible assets

Intangible assets acquired individually or as part of a group of other assets are recognized and measured at cost. Intangible assets acquired in a transaction, including those acquired in business combinations, are recorded at their fair value. Intangible assets with determinable useful lives, such as customer relationships/contracts, management contracts, distribution licences, intellectual property

and non-competition agreements are amortized over their useful lives and are tested for impairment, as described in note 1(e). Intangible assets having an indefinite life, such as brands, are not amortized but instead are tested for impairment on an annual or more frequent basis by comparing their fair value with book value. An impairment loss on indefinite life intangible assets is recognized when the carrying amount of the asset exceeds its fair value.

Intangible assets with determinable lives are amortized on a straight line basis annually over their estimated useful lives as follows:

Customer relationships/contracts	2 - 10 years
ATM location contracts	4 - 5 years
Management contracts	5 years
Intellectual property	1 year
Non-competition agreements	term of contract

(h) Revenue recognition

(i) Financial services

Financial services revenue primarily includes management fee income generated from investment management services, commission income from insurance policies, and corporate finance and advisory fees.

Management fees are based on contracts, calculated as a percentage of the net asset value of the assets being managed and are recognized when earned, in accordance with contract terms. Commission income related to insurance policies is recognized when there is persuasive evidence of an agreement, service delivery has occurred and collectability is considered probable. Contingent profit commissions are recorded when receipt is probable and the amount is reasonably estimable. Corporate finance and advisory fees relate to financial advisory assignments and are recorded when the underlying transaction is substantially completed under the terms of the agreement.

Revenue from ATM operations includes surcharge fees charged to the cardholder when cash is dispensed, and interchange fees, which are the fees charged to the financial institution for the administrative service of agreeing to pay cash to the cardholder. These fees are recognized pursuant to written contracts in the period that the cash dispensing transaction occurs. Revenue from the sale of ATMs is recognized when the machines have been delivered and title has passed to the customer and the customer assumes risk of loss, collection of the relevant receivable is probable and the sales price is fixed or determinable.

(ii) Marketing

Marketing revenue includes revenue generated from marketing campaign projects, teleservice programs and the sale of advertisements. Revenues from marketing campaign projects are recognized using the percentage of completion method where dependable estimates of progress toward completion can be made. Revenue from teleservice programs are recognized as services are performed, generally based on hours incurred. Advertisements are recognized at the time the advertisement is displayed and when collection of the relevant receivable is probable and the sale price is fixed or determinable. Deposits received in excess of amounts billed for marketing campaign projects and on sales of advertisements not yet displayed are recorded as deferred revenue, and the related costs are included in work in progress or prepaid expenses.

(iii) Industrial services

Industrial services revenue includes revenue from contracts entered into to provide maintenance and construction services to the energy industry and from contracts to provide demolition and remediation services. Revenue from such contracts is recognized as services are performed and related costs are incurred. Provisions for estimated losses on all uncompleted contracts are made in the period in which such losses are determined.

(iv) Other

Other revenue includes revenue from a garment manufacturer, a container transportation service provider, and a distributor/manufacturer of heavy industrial equipment.

Revenue contributed by the garment manufacturer is recognized on the percentage-of-completion method for long-term contracts. The completed contract method is used on short- term contracts.

All other revenue is recognized when the service has been completed. Provisions for estimated losses on all uncompleted contracts are made in the period in which such losses are determined.

(i) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at exchange rates in effect at the balance sheet dates and non-monetary assets and liabilities are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenue and expenses other than depreciation and amortization are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in income.

(j) Income taxes

Income tax expense comprises current and future taxes. Current tax is the expected tax payable on the taxable income for the year and is recognized in the period to which it relates. Amounts included in current tax reflect the income tax expense or recovery relating to taxable corporations which are subsidiaries of the Operating Partnerships.

Future taxes are accounted for under the asset and liability method of accounting. Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying value and their respective tax bases. Future tax

assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period the enactment or substantive enactment occurs. The Fund's future tax liability represents the difference between the carrying value of the assets and liabilities on the financial statements and their respective tax bases.

(k) Leases

Leases entered into by the Fund as lessee that transfer substantially all the benefits and risks of ownership to the lessee are recorded as capital leases and included in property, plant and equipment and long-term debt. All other leases are classified as operating leases under which leasing costs are recorded as expenses in the period in which they are incurred.

(l) Income (loss) per unit

The income (loss) per unit of the Fund is computed by dividing the Fund's income by the weighted average units outstanding during the reporting period. Diluted income (loss) per unit is similar to basic income per unit, except that the denominator is increased to include the number of additional units that would have been outstanding if the potentially dilutive units had been issued, and the numerator excludes distributions. For the years ended December 31, 2008 and 2007 all potentially dilutive units are anti-dilutive.

The diluted effect of convertible debentures is computed by the application of the "if converted" method. The "if converted" method assumes conversion of convertible securities at the beginning of the reporting period or at time of issuance, if later.

(m) Cash and cash equivalents

Cash and cash equivalents consist of highly liquid investments with remaining maturities, at the date of purchase/investment, of three months or less, and cash on deposit with financial institutions, which are unrestricted as to their use.

(n) Non-controlling interest

Non-controlling interest represents the exchangeable units issued by NPY which are exchangeable for units of the Fund. Non-controlling interest on the consolidated balance sheet is recognized based on either the fair value (post initial public offering "IPO") or the carrying value (pre IPO) of the exchangeable shares on issuance together with a portion of the Fund's accumulated earnings or loss attributable to the non-controlling interest subsequent to their issuance. Net income or loss is reduced by the portion of earnings attributable to the non-controlling interest. As the exchangeable units are converted to Fund units, the non-controlling interest on the consolidated balance sheet is reduced on a pro-rata basis together with a corresponding increase in unitholders' equity for units which are recognized at fair value and for units which are recorded at carrying value the conversions are accounted for using step acquisition accounting, as their conversion would represent the acquisition of the non-controlling interest for fair value. If the balance sheet value for non-controlling interest becomes negative, the Fund will record an adjustment to allocate such loss to the Fund and consequently to unitholders' equity, to ensure that the non-controlling interest amount does not go below zero. Any future income earned by the Fund upon non-controlling interest balance being reduced to zero is first attributed to the Fund to the extent it has absorbed the share of non-controlling losses in the past and the balance, if any, is shared proportionately between the Fund and non-controlling interest based on percentages of ownership.

(o) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the periods. Significant items subject to such estimates and assumptions include the carrying amount of property, plant and equipment, accrued liabilities, intangible assets and goodwill, and valuation allowances for receivables and inventories. Actual results could differ from those estimates.

(p) Changes in accounting policies

The Fund adopted the Canadian Institute of Chartered Accountants "CICA" Handbook Sections 1535, "Capital Disclosures", Section 3862, "Financial Instruments Disclosure", Section 3863, "Financial Instruments Presentation, and Section 3031, "Inventories" on January 1, 2008. The comparative consolidated financial statements have not been restated.

(i) Capital disclosures

Section 1535, "Capital Disclosures", establishes guidelines for the disclosure of information regarding a business' capital and how it is managed. The standard requires enhanced disclosures with respect to (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; and (iii) whether the entity has complied with any capital requirements, and if it has not complied, the consequences of such non-compliance. Disclosure is included in note 23.

(ii) Financial instruments

Section 3862, "Financial Instruments Disclosure", and Section 3863, "Financial Instruments Presentation", replace Section 3861, "Financial Instruments – Disclosure and Presentation". Section 3862 requires increased disclosures regarding the risks associated with financial instruments such as credit risk, liquidity risk and market risks and the techniques used to identify, monitor and manage these risks. Section 3863 carries forward standards for presentation of financial instruments and non-financial derivatives and provides additional guidance for the classification of financial instruments, from the perspective of the issuer, between liabilities and equity. Disclosure is included in note 2 and note 18.

(iii) Inventories

Section 3031, "Inventories", was issued in June 2007 and replaced existing Section 3030 of the same title. It provides guidance with respect to the determination of cost and requires inventories to be measured at the lower of cost and net realizable value. The cost of inventories include the costs to purchase and other costs incurred in bringing the inventories to their present location. Costs such as storage costs and administrative overheads that do not contribute to bringing the inventories to their present location and condition are specifically excluded from the cost of inventories and expensed in the period incurred. Reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of the inventories is now required. The cost of the inventories should be based on a first-in, first-out or a weighted average cost formula. Techniques used for the measurement of cost of

inventories, such as the retail method, may be used for convenience if the results approximate cost. The new standard also requires additional disclosures including the accounting policies used in measuring inventories, the carrying amount of the inventories, amounts recognized as an expense during the period, write-downs and the amount of any reversal of any write-downs recognized as a reduction in expenses.

The standard is effective for fiscal years beginning on or after January 1, 2008. There was no difference to be accounted for by the Fund.

(q) Future accounting standards

(i) In February 2008, the Canadian Accounting Standards Board confirmed that the use of International Financial Reporting Standards ("IFRS") will be required for Canadian publicly accountable enterprises for years beginning on or after January 1, 2011. The Fund is currently evaluating the impact of adopting IFRS.

(ii) General Standards on Financial Statement Presentation

CICA Handbook Section 1400, General Standards on Financial Statement Presentation, has been amended to include requirements to assess and disclose an entity's ability to continue as a going concern. The changes are effective for the Fund for interim and annual financial statements beginning April 1, 2008. The adoption of this standard is not expected to have any material impact on the consolidated financial statements.

(iii) Goodwill and Intangible Assets

In February 2008, the CICA issued Handbook Section 3064, Goodwill and Intangible Assets, replacing section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. The new section is effective for years beginning on or after October 1, 2008. The Fund has not yet determined the impact that the adoption of this change will have on its consolidated financial statements.

(iv) Business combinations

In January 2009, the CICA issued Handbook Section 1582, Business combinations, which replaces the existing standards. This section establishes the standards for the accounting of business combinations, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be

recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. This standard is equivalent to the International Financial Reporting Standards on business combinations. This standard is applied prospectively to business combinations with acquisition dates on or after January 1, 2011. Earlier adoption is permitted. The Fund is currently evaluating the impact of adopting this standard on its consolidated financial statements.

(v) Non-controlling interests

In January 2009, the CICA issued Handbook Section 1602, Non-controlling interests, which establishes standards for the accounting of non-controlling interests of a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. This standard is equivalent to the International Financial Reporting Standards on consolidated and separate financial statements. This standard is effective for 2011. Earlier adoption is permitted. The Fund is currently evaluating the impact of adopting this standard on its consolidated financial statements.

(vi) Consolidated financial statement

In January 2009, the CICA issued Handbook Section 1601, Consolidated financial statements, which replaces the existing standards. This section establishes the standards for preparing consolidated financial statements and is effective for 2011. Earlier adoption is permitted. The Fund is currently evaluating the impact of adopting this standard on its consolidated financial statements.

(vii) Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA issued EIC 173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities, which clarifies that the credit risk of counterparties should be taken into account in determining the fair value of derivative instruments. EIC 173 is to be applied retrospectively without restatement of prior periods to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after the date of issuance of EIC 173.

2. Restatement of consolidated financial statements

During the preparation of the June 30, 2009 interim consolidated financial statements, the Fund determined that values used to record the exchange of exchangeable units into trust units had been incorrectly calculated in prior and current years. As units are exchanged, increasing the Fund's ownership in NPY, value is transferred from non-controlling interest to unitholders' equity on the Fund's balance

sheet. Further, for exchangeable units which existed prior to the Fund's IPO, the exchange of these units is calculated as a step acquisition, resulting in the recording of goodwill on the exchange.

The consolidated financial statements have been restated to reflect the re-calculation of these values, which resulted in an increase in goodwill of $19,769 at December 31, 2008, and, consequently, a reversal of the reduction of intangible assets of $12,303, prior to the impairment write-downs, which had previously resulted from the pro rata allocation of the units exchange value. In the fourth quarter of 2008, the Fund had written off all of the goodwill associated with its investment in NPY, as well as recorded an impairment charge on intangible assets. The additional amount of goodwill of $19,769 has also been written off, and the Fund has also written down $12,303 of intangible assets to their fair value. These write offs have increased the net loss for the year to $224,409.

The following table outlines the impact of the adjustment by financial statement line item in the Fund's consolidated balance sheet, statement of loss and comprehensive loss and statement of cash flows as at and for the year December 31, 2008, and the Fund's consolidated balance sheet as at December 31, 2007. Only those line items impacted by the restatement have been disclosed.

	Previously reported	Impact of prior period restatement	Impact of current period recalculation	Current period write-off of goodwill	As restated
Consolidated balance sheet at December 31, 2008					
Goodwill	$ 94,362	$ 14,924	$ 4,845	$ (19,769)	$ 94,362
Intangible assets	189,306		12,303	(12,303)	189,306
Non-controlling interest	-	10,828	7,271	(2,450)	15,649
Unitholders' equity	55,602	4,096	9,877	(29,622)	39,953
Consolidated statements of loss and comprehensive loss					
Write-down of goodwill and intangibles	216,489			32,072	248,561
Loss before income taxes	(267,921)			(32,072)	(299,993)
Loss from continuing operations before non-controlling interest	(259,389)			(32,072)	(291,461)
Non-controlling interest relating to continuing operations	67,764			2,450	70,214
Loss from continuing operations	(191,625)			(29,622)	(221,247)
Net loss and comprehensive loss	(194,787)			(29,622)	(224,409)
Loss per unit					
Continuing operations	(4.43)				(5.11)
Net loss	(4.50)				(5.18)
Consolidated statements of unitholders' equity					
Opening balance, January 1, 2008	259,364	4,096			263,460
Units of NPY exchanged	12,147		9,877		22,024
Units purchased under normal course issuer bid	(216)				(216)
Net loss for the year	(194,787)			(29,622)	(224,409)
Distributions	(20,906)				(20,906)
Balance December 31, 2008	55,602	4,096	9,877	(29,622)	39,953
Consolidated statements of cash flows					
Net loss	(194,787)			(29,622)	(224,409)
Write-down of goodwill and intangibles	216,489			32,072	248,561
Non-controlling interest	(69,711)			(2,450)	(72,161)
Conolidated balance sheet at December 31, 2007					
Goodwill	256,669		14,924		271,593
Non-controlling interest	107,466		10,828		118,294
Unitholders' Equity	259,364		4,096		263,460
Consolidated statement of unitholders' equity					
Opening balance January 1, 2007	302,039				302,039
Cumulative impact of adopting new accounting rules	60				60
Units of NPY exchanged	25,089		4,096		29,185
Units purchased under normal course issuer bid	(11,798)				(11,798)
Convertible debenture	9,186				9,186
Net loss for the year	(25,926)				(25,926)
Distributions	(39,286)				(39,286)
Balance December 31, 2007	259,364		4,096		263,460

3. Financial instruments

(a) The Fund has classified its financial instruments as follows:

	December 31, 2008	December 31, 2007
Financial assets		
Held for trading, measured at fair value:		
Cash and cash equivalents	$ 23,855	$ 14,457
Short-term investments held in trust	8,593	9,588
Cash and cash equivalents held in trust	11,246	17,816
	43,694	41,861
Loans and receivables, measured at amortized cost:		
Accounts receivable	154,463	137,219
Advances to Operating Partners	29,071	28,328
	183,534	165,547
Financial liabilities, measured at amortized cost:		
Accounts payable and accrued liabilities	123,103	110,230
Revolving credit facility	27,400	47,527
Capital lease obligations	13,436	14,263
Current portion of long-term debt	210,000	-
Long-term debt	-	204,862
Convertible debentures	152,683	149,530
	$ 526,622	$ 526,412

Loans and receivables and financial liabilities measured at amortized cost do not differ significantly from their carrying value, except in the case of convertible debentures, for which the fair value is $57,700 at December 31, 2008.

These estimates are subjective in nature and include uncertainties and matters of significant judgement and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimate.

The Fund had neither available for sale, nor held to maturity financial instruments during the year ended December 31, 2008 or during the year ended December 31, 2007.

The Fund's insurance operations maintain trust bank accounts for premiums collected but not yet remitted to insurance companies.

(b) Short-term investments

The Fund's short-term investments held in trust are comprised of marketable securities.

(c) Net interest expense

The Fund has recorded net interest expense in relation to the following financial instruments:

	Year ended December 31, 2008	2007
Interest expense on senior debt	$ 28,058	$ 21,991
Interest expense on convertible debentures	15,087	10,856
Interest expense on capital leases	940	588
Interest expense - other	691	379
	$ 44,776	$ 33,814
Less:		
Net interest income earned on advances to Operating Partners	(2,674)	(2,201)
Interest income earned on cash	(951)	(700)
Interest income earned on short-term investments held in trust	(325)	(361)
	$ 40,826	$ 30,552

Interest expenses shown above include non-cash accretion of the convertible debentures back to par and interest expense totalling $8,345 (2007 - $2,796).

(d) Accounts receivable

The Fund's accounts receivable is comprised of the following:

	December 31 2008	December 31, 2007
Trade receivables	$ 126,985	$ 131,056
Allowance for doubtful accounts	(1,876)	(1,461)
Other	29,352	7,624
	$ 154,463	$ 137,219

4. Inventories

Inventory is comprised as follows:

	December 31, 2008	December 31, 2007
Raw materials	$ 6,201	$ 4,647
Work in progress	13,323	16,236
Finished goods	2,440	2,045
Goods held for resale	10,887	11,105
Parts and supplies	261	604
	$ 33,112	$ 34,637

Work in progress also includes contracts accounted for using the percentage of completion method of $9,226 in 2008 and $6,020 in 2007.

Goods held for re-sale reflects inventory held at Titan, an independent distributor of wear parts and ground engaging tool products.

An inventory write-down of $2,518 was recorded for the year ended December 31, 2008.

5. Other assets

	December 31, 2008	December 31, 2007
Advances to operating partners (note 17)	$ 29,071	$ 28,328
Other	9,465	7,217
	38,536	35,545
Less current portion	22,830	21,455
	$ 15,706	$ 14,090

6. Discontinued operations

On January 1, 2008 the operations of On-Site LP (“On-Site”) were wound up into Ezee ATM LP (“Ezee”), and On-Site continued to operate as part of Ezee. On September 30, 2008, the Fund sold 100% of the assets of its investment in Ezee. The investment was sold for net proceeds of $30,177, resulting in a loss of $6,848 which is included in loss from discontinued operations. In addition, the Fund received an additional $5,500 as repayment of advances provided to Ezee for purposes of funding cash in circulation.

Management of the Fund, and the principals of SW International Inc. (“SW”), the owners of 20% of the units of RGC, signed on March 27, 2007, a definitive agreement whereby the Fund would sell the assets of RGC for an aggregate net consideration of $34,000. The transaction closed on April 30, 2007. Included in

the aggregate net consideration was a holdback in the amount of $4,000, the release of which was tied to achieving a target tangible net asset level and is dependent on the collection of accounts receivable and net realizations of inventory of the business sold. At the time of the transaction, and because of the uncertainty regarding the release of the holdback, the Fund recorded $24,000 as its share of proceeds. The conditions to release this holdback were not met, and as part of the financial settlement in this transaction, the aggregate net consideration was reduced to $27,870, resulting in final proceeds to the Fund of $23,496. RGC's 45% equity investment in RLogistics completed in May 2006, was not sold, and the equity income from this investment is included in the Other segment.

The following table shows the revenue and net income from discontinued operations of Ezee and RGC for the years ended December 31, 2008 and 2007.

	Year ended December 31 2008	Year ended December 31, 2007		
	Ezee	Ezee	RGC	Total
Revenues	$ 25,975	$ 33,311	$ 42,994	$ 76,305
Net income (loss)	(5,109)	2,045	(5,227)	(3,182)

The balance sheet of Ezee at December 31, 2007 has been categorized as assets and liabilities of discontinued operations. The components of these items are as follows:

	December 31, 2007
Current assets	
Cash	$ 5,821
Accounts receivable	507
Inventories	830
Prepaid expenses	66
Other current assets	222
Current assets of discontinued operations	7,446
Property, plant and equipment	2,476
Intangible assets	12,227
Goodwill	24,554
Long-lived assets of discontinued operations	39,257
Current liabilities	
Accounts payable and accrued liabilities	8,034
Current liabilities of discontinued operations	8,034
Future tax liability	882
Long-term liabilities of discontinued operations	882
Net assets of discontinued operations	$ 37,787

7. Property, plant and equipment

December 31, 2008	Cost	Accumulated Depreciation	Net Book Value
Equipment under capital lease	$ 20,694	$ 6,521	$ 14,172
Furniture and equipment	13,257	4,662	8,595
Computer hardware and software	9,873	5,702	4,172
Automotive and heavy equipment	17,434	6,077	11,357
Land and buildings	4,255	940	3,315
Leasehold improvements	4,478	1,592	2,887
	$ 69,992	$ 25,494	$ 44,498

December 31, 2007	Cost	Accumulated Depreciation	Net Book Value
Equipment under capital lease	$ 19,434	$ 4,590	$ 14,844
Furniture and equipment	10,509	3,351	7,158
Computer hardware and software	8,626	4,110	4,516
Automotive and heavy equipment	16,064	5,268	10,796
Land and buildings	4,630	1,407	3,223
Leasehold improvements	3,880	1,093	2,787
	$ 63,143	$ 19,819	$ 43,324

8. Long-term investments

	December 31,2008	December 31,2007
Investments in:		
Brompton	$ 7,423	$ 37,866
RLogistics	7,238	7,746
Other	1,833	1,642
	$ 16,494	$ 47,254

The amortization of the intangible assets included as part of the cost of investment of Brompton was $1,936 (2007- $1,936). In addition, as part of management's annual investment review, the Fund wrote-off $29,000 against its investment in Brompton. The write-off was in the amount of $20,783 against goodwill with the balance being applied to intangible assets.

On April 4, 2008, the Fund completed an Acquisition Agreement with Duntroon Energy Ltd. ("Duntroon") pursuant to which the Fund exchanged all of its 45% equity interest in Brompton Funds LP ("Brompton") to Duntroon for a 42% equity interest in Duntroon. Immediately following the transaction Duntroon changed it name to Brompton Corp. The transaction has been accounted for as a non-monetary transaction and accordingly, the shares in Brompton Corp. were recorded at the carrying value of the units of Brompton.

9. Goodwill and intangibles

The Fund completed its annual impairment test of carrying values of its investment in the third quarter of 2008, and subsequently due to market conditions, a further review of its impairment analysis was required in the fourth quarter of 2008. The original investment carrying value is based upon the consideration paid by the Fund for each investment. The consideration paid is typically based on a multiple of earnings of the business being acquired. Further, this consideration is allocated to the tangible and intangible assets of the business acquired based on estimates of fair value at the time of acquisition, with any excess being allocated to goodwill. The Fund determined that the fair value of certain investments was lower than the carrying value. As a result, the Fund recorded a goodwill impairment charge of $87,371. In assessing whether there was an impairment, the Fund estimated the fair value of its investments based on current or expected earnings multiples consistent with publicly available multiples of comparable businesses, as well as compared the aggregate fair value of its investment with the Fund's market capitalization at December 31, 2008. The Fund made certain assumptions for the estimated earnings of the businesses and earnings multiples. These assumptions may differ or change quickly depending on economic conditions or other events. Therefore, it is possible that future changes in assumptions may negatively impact future valuations of its investments and goodwill which would result in further impairment of goodwill. Future changes in assumptions which would positively impact future valuation of its investment and goodwill would not result in an increase in goodwill or the recording of any gain.

At the time of the IPO of the Fund, net proceeds raised were indirectly invested into NPY giving the Fund an initial indirect ownership of 35% of NPY. The Fund's ownership interest has increased to 65% as at December 31, 2008 through both an additional indirect investment in June 2006, following a public issue of units of the Fund, and also through the exchange by unit holders of units of NPY into units of the Fund. The investments made in NPY, and unit exchanges, resulted in goodwill of $85,940 at the Fund, as the consideration paid for units of NPY at the time of the indirect investments exceeded the fair value of the underlying net assets acquired through those investments. The Fund has determined that the goodwill created on these initial transactions is impaired and therefore have been written off.

During the review of its carrying value of its investments, the Fund also performed an impairment test of its intangible assets, whereby the carrying amount of intangible assets was compared to the discounted future cash flows expected from their use. Impairment tests involve a significant degree of judgement, as expectations concerning future cash flows and the selection of an appropriate discount rate are subject to considerable risks and uncertainties. The Fund concluded that an impairment had occurred, and consequently the Fund reduced the carrying value of intangible assets by $56,345 with respect to customer relationships and $18,905 with respect to brands.

Write-downs of goodwill, customer relationships and brands recorded by the Fund during the year was as follows:

Investment	Goodwill (As restated)	Customer Relationships (As restated)	Brands	Total (As restated)
ESR	$ 5,460	$ 11,424	$ 378	$ 17,262
BMI	-	4,859	461	5,320
Hargraft	-	2,440	-	2,440
Morrison Williams	14,461	7,836	468	22,765
NP LP	37,338	6,700	2,952	46,990
NPC/Golosky	12,376	5,065	7,842	25,283
Quantum Murray	4,158	10,360	193	14,711
Armstrong	6,375	5,077	2,560	14,012
S&E	-	1,051	-	1,051
Titan	7,203	1,533	4,051	12,787
	87,371	56,345	18,905	162,621
NPY	85,940	-	-	85,940
	$ 173,311	$ 56,345	$ 18,905	$ 248,561

During 2007, the Fund wrote-down carrying values of goodwill and customer relationships relating to its investment in S&E in the amounts of $1,592 and $1,395 respectively.

Transactions recorded in 2008 relating to goodwill and intangible assets are as follows:

	Goodwill (As restated)	Intangible Assets (As restated)
January 1, 2008	$ 271,593	$ 303,156
Net increase (decrease) in investments	(8,765)	1,175
Increase relating to step acquisitions of NPY through unit exchanges	4,845	-
Amortization	-	(39,775)
Write-downs	(173,311)	(75,250)
December 31, 2008	$ 94,362	$ 189,306

Intangible assets as at December 31, 2008 and 2007 are as follows:

December 31, 2008	Cost	Accumulated Amortization	Net Book Value
Definite life intangible assets:			
Customer relationships/contracts	$ 220,704	$ 69,350	$ 151,354
Management contracts	567	482	85
Intellectual property	824	824	-
Non-competition agreements	1,000	1,000	-
	223,096	71,656	151,439
Indefinite life intangible assets:			
Brands	37,866	-	37,866
	$ 260,962	$ 71,656	$ 189,306

December 31, 2007	Cost	Accumulated Amortization	Net Book Value
Definite life intangible assets:			
Customer relationships/contracts	$ 317,634	$ 68,152	$ 249,482
Management contracts	461	262	199
Intellectual property	824	824	-
Non-competition agreements	1,000	777	223
	319,919	70,015	249,904
Indefinite life intangible assets:			
Brands	53,252	-	53,252
	$ 373,171	$ 70,015	$ 303,156

The above intangible assets reflect management's best estimates of intangibles recorded through acquisitions.

10. Business combinations

On January 1, 2008 Titan paid $1,235 ($1,074 net of cash acquired) to acquire and cancel 4% of its units. As a consequence, the Fund's ownership percentage of Titan increased to 92%, and goodwill relating to this investment has increased by $785.

On May 28, 2008, the vendors of Peerless refunded $305 to the Fund as a result of an adjustment to the opening inventory of Peerless. This amount was accounted for as a reduction in goodwill.

On August 1, 2008, as part of a three part earn-out arrangement relating to the Fund's investment in IC Group, a purchase price adjustment in the Fund's favour of $2,852 was calculated, and has been recorded

as a reduction in the carrying value of goodwill. $2,000 of this amount was received in cash from the vendor, and the balance is included as a receivable in other assets.

On November 19, 2008, the Fund paid $1,725 ($1,416 net of cash acquired) to acquire an additional 14% interest in Hargraft. As a consequence, the Fund's ownership percentage of Hargraft increased to 94%. Fair value of assets and liabilities acquired equalled the purchase consideration and consequently no goodwill was recognized on the investment.

The Fund reviewed all its investments during the fourth quarter of 2008, and compared the carrying value of its investments with the fair value and recognized write-downs. See also note 9.

The following investments made by the Fund during the year ended December 31, 2007 were accounted for using the purchase method, and the results of the operations have been included in the Fund's consolidated financial statements since the date of investment.

Year ended December 31, 2007	(a) Quantum	(b) TRM	(c) Skystone	(d) BMI	(e) Technoda	(f) Big Stone	(g) NorTech	(h) Thomson	(i) Hargraft	(j) Golosky	(k) Clad Tech	(l) Accel	(m) Echelon	(n) STR	Total
Date of investment	January	January	March	April	April	May	May	May	May	July	August	October	October	December	
Percentage acquired	62%	100%	64%	78%	100%	40%	64%	64%	5%	64%	64%	62%	64%	100%	
Accounting method	(1)	(2)	(1)	(1)	(2)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(2)	
Assets acquired:															
Current assets	$ 12,600	$ 202	$ 1,036	$ 22,482	$ 56	$ 948	$ 128	$ 4,215	$ 415	$ 16,705	$ 426	$ -	$ 399	$ 75	$ 59,687
Property, plant and equipment	792	950	518	830	245	238	781	5,322	12	6,147	814	272	113	27	17,061
Goodwill	7,223	2,256	803	1,664	144	15	590	1,307	158	8,463	45	533	18	30	23,249
Intangible assets	19,481	10,226	3,966	15,918	1,200	471	2,338	6,820	788	28,938	476	746	194	661	92,223
	40,096	13,634	6,323	40,894	1,645	1,672	3,837	17,664	1,373	60,253	1,761	1,551	724	793	192,220
Liabilities assumed:															
Current liabilities	8,897	-	23	22,481	-	405	-	2,779	401	19,061	97	-	272	43	54,459
Long-term liabilities	-	-	-	-	-	-	-	860	-	597	-	-	68	-	1,525
	8,897	-	23	22,481	-	405	-	3,639	401	19,658	97	-	340	43	55,984
Net assets acquired:	31,199	13,634	6,300	18,413	1,645	1,267	3,837	14,025	972	40,595	1,664	1,551	384	750	136,236
Consideration:															
Cash	17,585	13,444	6,160	18,213	1,600	1,252	2,974	11,751	972	39,540	1,664	1,551	384	750	117,840
Notes Payable	-	-	-	-	-	-	800	-	-	625	-	-	-	-	1,425
Units issued	13,266	-	-	-	-	-	-	2,074	-	-	-	-	-	-	15,340
Transaction costs	348	190	140	200	45	15	63	200	-	430	-	-	-	-	1,631
	$ 31,199	$ 13,634	$ 6,300	$ 18,413	$ 1,645	$ 1,267	$ 3,837	$ 14,025	$ 972	$ 40,595	$ 1,664	$ 1,551	$ 384	$ 750	$136,236

1) Proportionate consolidation
2) Consolidation

(a) On January 3, 2007, Murray invested $50,000 for the assets of privately-owned Quantum Environmental Group Inc. ("Quantum"). Under the terms of the transaction, Quantum received $28,500 in cash and $21,500 in units of Murray. Upon closing, the Fund has a 62% interest in the merged company which changed its name to Quantum Murray LP. The remaining 38% interest is controlled by the management of Quantum Murray LP. To facilitate this transaction, the Fund invested an additional $28,500 in Murray. A loss of $5,327 was recorded as a result of the decrease in ownership of Murray from 80% to 62%. Quantum is a nationally recognized leader in the clean-up and rehabilitation of commercial and industrial sites and facilities.

(b) On January 12, 2007, the Fund invested approximately $13,444 in cash into EZEE to allow it to acquire the Canadian ATM business of TRM Corp.

(c) On March 13, 2007, the Fund invested an additional $7,700 in NPC to allow NPC to acquire an 80% interest in Skystone LP ("Skystone"). The Fund's ownership interest in NPC did not change and as a result $1,540 was added to goodwill. Skystone is a provider of facilities design and engineering services to the oil and gas sector.

(d) On April 17, 2007, the Fund invested $18,213 cash for a 78% interest in the business of Baird MacGregor Insurance Brokers LP ("BMI"). BMI is an insurance broker specializing in the transportation and logistics industries in Ontario.

(e) On April 30, 2007, the Fund invested $1,600 cash into EZEE to allow it to acquire the Canadian ATM business of Les Systemes Electroniques Technoda Inc.

(f) On April 30, 2007, the Fund invested $1,566 cash to increase its interest from 45% to 95% in Big Stone Ventures Ltd., an oil and gas service business.

(g) On May 9, 2007, the Fund invested an additional $2,718 in NPC to allow NPC to acquire an 80% interest in Nor-Tech Systems LP ("Nor-Tech"). The total consideration for NPC's 80% interest is $4,718 with the balance of $2,000, also to be funded by the Fund. The Fund made a payment of $1,000 on November 9, 2007 and the remaining $1,000 on May 9, 2008. The Fund's ownership interest in NPC did not change, and as a result $544 was added to goodwill. Nor-Tech is a provider of services to the oil and gas sector.

(h) On May 30, 2007, the Fund invested an additional $18,275 in cash in Quantum Murray. Quantum Murray acquired 100% of the assets of Thomson Metals and Disposal ("Thomson") for cash of $18,275 and the issuance of units of Quantum Murray for $3,225. As a result of this transaction, the Fund's interest in Quantum Murray increased to 64%, and the Fund's goodwill relating to this investment increased by $2,508.

(i) On May 31, 2007, the Fund increased its investment in Hargraft, without increasing its ownership percentage, by $796 to allow Hargraft to satisfy its obligation to a vendor of Hargraft Schofield Benefits Inc., a 100% owned subsidiary of Hargraft pursuant to the original purchase and sale agreement. This amount has been added to goodwill.

Also on May 31, 2007, the Fund paid $972 in cash to the other limited partners of Hargraft to acquire an additional 5% of Hargraft to increase its ownership to 80%.

Both of these transactions were the final components to the Fund's original investment in Hargraft made in April 2006.

(j) On July 31, 2007, the Fund advanced NPC $60,000 at an interest rate of 12%, to allow NPC to acquire an 80% interest in Golosky LP ("Golosky"). If NPC meets certain milestones by July 31, 2010 a portion of the advance will be discharged by the Fund. Golosky is in the oil and gas sector.

NPC is obligated to pay to Golosky an amount based on an earn-out formula for two of the eight Golosky businesses. This payment is based on the two businesses meeting certain earnings targets for the period to December 31, 2007. In 2008, an amount of $779 was paid in satisfaction of the liability received in 2007.

(k) On August 30, 2007, the Fund advanced NPC $2,599 to allow Golosky to acquire an 80% interest in Cladtech. If NPC meets certain milestones a portion of the advance will be discharged by the Fund. Cladtech is a manufacturer of chrome carbide overlay.

(l) On October 15, 2007, the Fund advanced NPC $1,939 at an interest rate of 12% to acquire a 77.5% interest in Accel Testing Inc. ("Accel"). Accel is a production testing company.

(m) On October 31, 2007, the Fund advanced Quantum Murray $600 to allow Quantum Murray to acquire 100% of the assets of Echelon. The Fund's ownership interest in Quantum Murray did not change and as a result $214 was added to goodwill. Echelon is a provider of emergency response and training services on Ontario.

(n) On December 20, 2007, the Fund advanced Ezee $750 to allow Ezee to acquire the Canadian ATM assets of STR.

The Fund's purchase and sale agreement with the shareholders of IC Group contains an earn-out provision if certain performance targets are met. IC Group met these for the first year of the three year provision. As a result, the Fund paid $3,334 to these shareholders in 2007. This amount was added to goodwill.

The Fund reviewed all its investments during the fourth quarter of 2007, and compared the carrying value of its investments with the fair value and recognized write-downs. See also note 9.

11. Credit facilities and long-term debt

On December 7, 2006, the Fund entered into a senior credit facility with an affiliate of Fortress Credit Corp. ("Fortress") to provide up to $320,000 in funding.

As at December 31, 2008 the Fund was not in compliance with three financial covenants under its senior credit facility. These covenants were total leverage ratio, fixed charges coverage ratio and minimum

EBITDA. The Fund and Fortress are in active and cooperative negotiations and no adverse action has been taken by Fortress nor have they indicated their intent to demand payment of the term debt prior to its maturity date. However, as a result of the non-compliance and the continuing negotiation with Fortress, the outcome of which has not yet been determined, the Fund has reclassified the term debt of $210,000, being the $170,000 term loan and the $40,000 delayed-draw term loan, as a current liability.

The senior credit facility consisted originally of three components: a $75,000 revolving credit facility; a $170,000 term loan; and a $75,000 delayed-draw term loan ("DDTL"). The credit facility contains customary positive and negative covenants. The negative covenants include among others, a limit on the Fund's distributions relative to distributable cash ("DCR") and a leverage limit of 2.75 times total senior debt to last twelve months EBITDA ("LTM EBITDA") adjusted for priority income and other adjustments. If the DCR as calculated under the senior credit facility is greater than 1.00:1.00, the leverage limit is reduced to 2:25 times total debt to LTM EBITDA until such time as the DCR is less than 1.00:1.00.

On September 30, 2008, the Fund amended the senior credit facility. The material items included in the amendment were:

(i) Consent for the disposition of the assets of Ezee.

(ii) For the period ending September 30, 2008, only, the total leverage ratio limit was increased to 3 times LTM EBITDA, returning to 2.75 times LTM EBITDA for the quarter ending December 31, 2008 and all periods thereafter.

(iii) The interest rates on the revolver operating facility increased by 25 basis points, from Banker's Acceptance Rate (BA Rate) plus 2.50% per annum to BA Rate plus 2.75% per annum.

(iv) The interest rates on the term loan increased by 100 basis points from BA Rate plus 3.5% to 4.95% depending on total senior leverage ratio to BA Rate plus 4.5% to 5.95% depending on total senior leverage ratio.

(v) Cancellation of the undrawn portion of the delayed-draw term loan, being $35,000.

The following table highlights the key terms of the Agreement:

Structure	Term	Cost
$75,000 first-out revolving credit facility	Five years and one day	Banker's Acceptance (BA) rate plus 2.75%
$170,000 term loan	Five years and one day	BA rate plus 4.50% to 5.95% depending on total senior leverage ratio
$40,000 delayed draw term loan	Draws will be permitted up to two years following closing of the Agreement. Maturity date is five years and one day after the last draw and no later than seven years and one day after closing	BA rate plus 4.50% to 5.95% depending on total senior leverage ratio

Repayment of the term loan and DDTL is required on their maturity date.

At December 31, 2008, $42,267 of the first-out revolving credit facility was unused.

The Agreement is collateralized by general security agreements covering assets of all of the operating partnerships of the Fund, other than Brompton and RLogistics.

In December 2007, the Fund's lenders waived the requirement that the ratio of distributable cash to distributions paid be equal to or less than 100% at December 31, 2007 (the ratio was approximately 109% as calculated under the senior credit facility).

12. Obligations under capital leases

Capital lease obligations relate to vehicles and heavy equipment. The leases bear interest at rates from 4.1% to 16% (2007 – 4.0% to 13.9%) per annum and are secured by specific assets. The Fund's proportionate interest in future minimum payments are as follows:

	December 31, 2008
2009	$ 6,470
2010	4,076
2011	2,635
2012	1,211
2013	477
Total minimum lease payments	14,869
Less amount representing interest (at rates ranging from 4.1% to 16%	1,433
Present value of net minimum capital lease payments	13,436
Less current portion of obligations under capital leases	5,695
	$ 7,741

Interest of $940 for the year December, 31, 2008 (2007 - $588) relating to capital lease obligations has been included in interest expense.

13. Income taxes

Under the provisions of Bill C-52, Budget Implementation Act, 2007, which received Royal Assent on June 22, 2007, the Fund, as a publicly traded income trust, is considered a specified investment flow-through ("SIFT") and will become subject to tax commencing January 1, 2011. Prior to 2011, the Fund continues to qualify for special income tax treatment that permits a tax deduction by the Fund for distributions paid to its unitholders. For accounting purposes, the Fund has computed future income tax based on temporary differences expected to reverse after December 31, 2010 at the substantively enacted tax rates expected to apply for such periods. For periods prior to January 1, 2011, the Fund has also recognized future income tax assets and liabilities on temporary differences expected to reverse prior to 2011 as the Fund has suspended distributions to its unitholders of its taxable income and does not intend to make future distributions of taxable income. Accordingly, the Fund does not qualify for the exemption under EIC-107, applicable to income funds, from having to account for future income taxes where the Fund is committed to distributing all or virtually all of its taxable income to its unitholders.

Under the SIFT Rules, flow-through subsidiaries of the Fund may also themselves be within the definition of a SIFT. Since the SIFT Rules have only recently been enacted, the Canada Revenue Agency's administrative policies regarding the interpretation of the SIFT Rules and their application to the trusts and partnerships in which a publicly traded income fund holds a direct or indirect interest are still under review. It is not entirely clear whether the legislation arrives at such result nor that this is the intent and no judicial precedents as yet exist to assist in interpreting the legislation. Accordingly this gives rise to a tax uncertainty which the Fund was required to assess and the Fund concluded that even if it is determined that these flow-through subsidiaries meet the definition of a SIFT, there should be no material impact on the income tax provision and future tax assets and liabilities of the Fund. On November 28, 2008, the Minister of Finance released draft legislation to amend the SIFT Rules under which certain flow-through subsidiaries of a SIFT, which would include the majority of those of the Fund, will not themselves be SIFTs. This legislation was not substantively enacted as at the Fund's year end and would not materially impact the Fund's provision for income taxes.

The following provision for income taxes reflects the impact of the SIFT legislation and the tax rate changes and the impact of the suspension of distributions to unitholders.

	Year ended December 31, 2008	Year ended December 31, 2007
Current tax expenses based on combined Federal and Provincial statutory income tax rates	$ 44	$ 10
Future income tax (recovery) expense	(8,576)	32,349
,	$ (8,532)	$ 32,359

The tax effects of temporary differences that give rise to future income tax liabilities are as follows:

	2008	2007
Future income tax liabilities:		
Intangibles	$ 25,870	$ 32,764
Fixed assets	1,778	446
Other	(1,572)	49
Non-current future tax liabilities	26,076	33,259
Future tax current asset	1,393	-
Net future tax liability	$ 24,683	$ 33,259

14. Convertible debentures

The Fund has completed two offerings of subordinated unsecured convertible debenture units since inception. Each debenture can be converted into units of the Fund at the option of the holder at any time prior to maturity at a stated conversion price. The convertible debentures are classified as debt, net of the fair value of the conversion feature and net of deferred financing charges. The fair value of the conversion feature has been classified as unitholders' equity. Issue costs are amortized over the term of the debentures, and the debt portion will accrete up to the principal balance at maturity.

On July 12, 2007, the Fund issued $75,000 principal amount of 7% subordinated unsecured convertible debentures for net proceeds of $71,226 after issue and related costs. On August 8, 2007 the over-allotment option was exercised and an additional $4,966 principal amount of 7% subordinated unsecured convertible debentures were issued for net proceeds of $4,799 after issue costs. Following the exercise of the over-allotment issue, a total of $79,966 aggregate principal amount of debentures have been issued for total net proceeds of $76,025. Details of the convertible debentures are as follows:

Issue date	December 12, 2005	July 12, 2007
Principal amount	$ 85,000	$ 79,966*
Interest rate	7.5%	7.0%
Net proceeds (after issue and related costs)	81,298	75,994
Conversion price	9.50	6.90
Maturity	December 31, 2010	December 31, 2012
Equity component	669	9,186

* Includes the over-allotment option exercised on August 8, 2007.

After December 31, 2008, the debentures issued in 2005 may be redeemed in whole or in part by the Fund, at the amount outstanding plus accrued and unpaid interest thereon, except that for redemption on or prior to December 31, 2009 the current market price of the units must not be less than 125% of the conversion price.

After December 31, 2010, the debentures issued in 2007 may be redeemed in whole or in part by the Fund, at the amount outstanding plus accrued and unpaid interest thereon, except that for redemption on or prior to December 31, 2011 the current market price of the units must not be less than 125% of the conversion price.

	December 12, 2005 Issue	July 12, 2007 Issue	Total
Balance January 1, 2006	$ 84,339	$ -	$ 84,339
Amount converted to units	(500)	-	(500)
Accretion	131	-	131
Balance December 31, 2006	83,970	-	83,970
Issued July 12, 2007	-	79,966	79,966
Equity component	-	(9,186)	(9,186)
Accretion	108	728	836
Deferred finance charges**	(2,348)	(3,708)	(6,056)
Balance December 31, 2007	$ 81,730	$ 67,800	$ 149,530
Accretion	134	1,569	1,703
Deferred finance charges**	740	710	1,450
Balance December 31, 2008	82,604	70,079	152,683

** Deferred financing charges were reclassified as a reduction of the outstanding convertible debenture balance in accordance with CICA Handbook section 3855 Financial Instruments. These amounts are amortized to income as non-cash interest expense.

The Fund, Commercial Trust and NPH, the wholly owned subsidiary of NPY, entered into an agreement pursuant to which NPH agrees to bear the costs that the Fund would otherwise incur as a condition of the Fund arranging for Commercial Trust to invest $85,000 and $79,966 in the Convertible Class B and Class C LP units of NPH respectively.

NPH has issued three series of units, Class A LP units, which are 100% owned by NPY, and the Class B and Class C LP units which are 100% owned by Commercial Trust. In the case of conversion of the convertible debentures of Newport into units of Newport, Commercial Trust will transfer the corresponding number of Class B and Class C LP units of NPH to NPY for a corresponding number of NPY Class A1 LP units, and NPY will then exchange its Class B and Class C LP units of NPH for a corresponding number of Class A LP units of NPH.

15. Unitholders' equity

Each trust unit represents an equal undivided beneficial interest in the Fund and any distributions from the Fund. Each unit is transferable, entitles the holder thereof to participate equally in distributions of the Fund, is not subject to future calls or assessments, entitles the holder to rights of redemption and entitles the holder to one vote at all meetings of unitholders.

The beneficial interests of the Fund are divided into interests of two classes, described and designated as "Units" and "Special Voting Units", respectively.

Special Voting Units are only issued to the holders of A2 LP Units of NPY and, if determined by the trustees of the Fund, other exchangeable securities, in each case, for the purpose of providing voting rights with respect of the Fund to the holders of such securities.

Upon the exchange or conversion of an A2 LP Unit or other exchangeable security for Units, the Special Voting Unit that relates to such A2 LP Unit of NPY or other exchangeable security will immediately be cancelled without any further action and the former holder of such Special Voting Unit will cease to have any rights with respect thereto.

Pursuant to the Exchange Agreement between the Commercial Trust and NPY 5,411,273 (2007 – 4,047,964) A2 LP units were exchanged for A1 LP units (i.e. units of the Fund). As 2,537,949 (2007 – 1,197,626) of the units exchanged were outstanding prior to the IPO, the conversions of these trust units were calculated as step acquisitions. In addition during 2007 1,536,216 B1 LP units, 843,173 B2 LP units, 1,303,456 B4 LP units and 2,237,600 C LP units were re-designated as A2 LP units due to the expiry of subordination periods negotiated at the time of the initial investment and 1,303,456 of these re-designated A2 LP units were then exchanged for A1 LP units.

On December 18, 2007, the Fund received approval from the TSX for a Normal Course Issuer Bid ("NCIB") to purchase for cancellation, through the facilities of the TSX, up to 2,070,348 of its units, representing 5% of its then issued and outstanding units. For the year ended December 31, 2008 and 2007 the Fund purchased 237,500 and 40,000 units for cancellation respectively. In 2007, 1,924,572 units were cancelled under the NCIB program initiated on December 8, 2006, thus completing the program. The Fund cancelled the same number of units of NPY and recorded a loss on dilution of its ownership interest of $845 ($306 net of non-controlling interest) and $1,631 ($914 net of non-controlling interest) in 2008 and 2007 respectively.

16. Distributions and allocations to unitholders

On October 8, 2008, the Fund announced that, given the financial turmoil of the marketplace, it was suspending payments of its distribution. Any future distributions will be at the discretion of the trustees.

The total distributions paid and payable during the year ended December 31, 2008 were $20,906 (2007 - $39,286). Distributions per unit were reduced from $1.00 to $0.65 effective January 15, 2008.

All of the taxable income and realized capital gains of the Fund are allocated to the unitholders.

17. Loss per unit

The following table sets forth the computation of basic and diluted loss per unit:

	Year ended December 31, 2008 (As restated)	Year ended December 31, 2007
Numerator:		
Loss from continuing operations	$ (221,247)	$ (24,174)
Loss from discontinued operations	(3,162)	(1,752)
Net loss	(224,409)	(25,926)
Denominator:		
Weighted average number of units outstanding Basic and diluted	43,282,729	40,378,834
Income (loss) per unit (basic and diluted)		
Continuing operations	$ (5.11)	$ (0.60)
Discontinued operations	(0.07)	(0.04)
Net loss	(5.18)	(0.64)

The units issuable on the conversion of the convertible debentures are the only potentially dilutive units. The computation of fully diluted loss per unit is anti-dilutive and is not shown here.

18. Related party transactions

Employee loans made to employees of the Fund and its subsidiary NPLP were outstanding in the amount of $4,055 (2007 – $2,571). The amount in 2007 includes $221 loaned to an employee of Ezee. This amount was repaid in 2008. In accordance with the terms and condition of the loans, the loans are interest bearing and were used to purchase units of the Fund and are secured by units and in certain cases personal guarantees.

Included in Other Assets are advances of $29,071 (2007 – $28,328) made to the Operating Partnerships. Advances bear interest at bank prime plus 1% are unsecured and have no fixed terms of repayment. Interest income on the advances is $2,674 (2007 - $2,201).

Account payables include on demand advances of $2,729 (2007 - $3,733) including accrued interest payable to related parties of Quantum Murray. The balances including interest were repaid in January 2009.

Cost of sales includes $601 (2007 - $1,533) of trade expenses paid to related parties of Quantum Murray, primarily for environmental disposal services.

19. Financial risk management

(a) Overview

The Fund has exposure to credit risk, liquidity risk and market risk. The Fund's board of trustees has overall responsibility for the establishment and oversight of the Fund's risk management framework.

(b) Credit risk

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Fund's accounts receivable. The carrying amount of financial assets represents the maximum credit exposure.

The Fund has adopted a credit policy under which each new customer is analyzed individually for creditworthiness before the Fund's standard payment terms and conditions are offered. The Fund's exposure to credit risk with its customers is influenced mainly by the individual characteristics of each customer. When available, the Fund reviews credit bureau ratings, bank accounts and financial information for each new customer. The majority of the Fund's customers are located in Canada and represent various industries. Revenue of NPC/Golosky in the oil and gas sector is heavily concentrated with its top three customers, which represent 19% of consolidated revenue for the Fund. Revenues from the top three customers represents 42% of NPC/Golosky's total revenues for

the year ended December 31, 2008 and 27% of the accounts receivable balance at December 31, 2008 is due from these customers (2007 – three customers comprised 30% of revenues and 27% of accounts receivable).

Revenues from the top three customers represents 64% of Gemma's total revenues for the year ended December 31, 2008 and 74% of the accounts receivable balance at December 31, 2008 is due from these customers (2007 – three customers comprised 66% of revenues and three customers comprised 76% of accounts receivable).

Revenues from the top three customers represents 17% of Quantum Murray's total revenues for the year ended December 31, 2008 and 10% of the accounts receivable balance at December 31, 2008 is due from these customers (2007 – three customers comprised 34% of revenues and 24% of accounts receivable).

On a consolidated basis, the aforementioned customers of NPC/Golosky, Gemma and Quantum Murray represents 25% of the Fund's revenues for the year ended December 31, 2008 and 13% of the Fund's accounts receivable at December 31, 2008 (2007 – 21% and 19%).

The Fund establishes an allowance for doubtful accounts that represent its estimate of incurred losses in respect of trade receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and an overall loss component established based on historical trends and other information.

Accounts receivable are non-interest bearing and are generally due within periods up to 90 days. At December 31, 2008, the allowance for doubtful accounts was $1,876. The changes in the allowance during the period were as follows:

	December 31, 2008
Allowance at beginning of year	$ 1,461
Impairment of receivables	735
Receivables written-off as uncollectible	(320)
Allowance at end of year	$ 1,876

At December 31, 2008, the trade receivables over 90 days that are past due but not impaired was:

	>90 Days	>120 Days
Gross trade accounts receivable	$ 11,043	$ 943
Allowance at end of year	1,620	256
	$ 9,423	$ 687

(c) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

As at December 31, 2008, the Fund had financial assets held for trading of $43,694, loans and receivables of $183,534 and financial liabilities of $526,622. As at December 31, 2007, the Fund had financial assets held for trading of $41,861, loans and receivables of $165,547 and financial liabilities of $526,412. The revolving credit facility and long-term debt have maturity dates in 2011 and 2012, and the convertible debentures have maturity dates in 2010 and 2012. As at December 31, 2008 the Fund was not in compliance with certain covenants on its revolving credit facility and long-term debt. The Fund is in negotiations with its lenders and the long-term debt has been reclassified as a current liability (see note 10). The capital lease obligations expire primarily in the years 2009 to 2013.

The Fund's strategy is that long-term debt should always form part of its capital structure, assuming an appropriate cost. As existing debt approaches maturity, the Fund will either replace it with new debt, convert into equity or refinance, depending on the state of the capital markets at the time.

The Fund manages its liquidity risk by continuously monitoring forecast and actual gross profit and cash flows from operations.

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Fund's income or the value of its financial instruments. The Fund markets its products primarily in Canada and substantially all of the Fund's financial assets and liabilities originate in Canadian dollars. The Fund is exposed to currency risk for purchases that are denominated in U.S. dollars. The Fund believes this risk is minimal and has not entered into any currency hedging transactions.

The Fund is exposed to currency risk on certain sales and purchases. At December 31, 2008 and December 31, 2007, the Fund's financial statements included the Canadian equivalent of the following U.S. dollar denominated balances:

	December 31, 2008	December 31, 2007
Accounts receivable	$ 7,106	$ 5,447
Accounts payable and accrued liabilities	(4,093)	(2,466)
	$ 3,013	$ 2,981

A 10% strengthening (weakening) of the Canadian dollar against the U.S. dollar would have decreased (increased) earnings from operations based on December 31, 2008 balance by $301 (2007-$298).

For the long-term debt facility, the Fund's interest is a floating rate based on the BA rate of the outstanding principal balance of the loan. If the interest payments continue to be based on the floating rate, a 1% increase (decrease) in the interest rate would have resulted in $2,100 decrease (increase) in the earnings from operations of the Fund for the year ended December 31, 2008. This analysis assumes that all other variables remain constant.

20. Interests in jointly controlled entities

At December 31, 2008, the Fund holds a 94% interest in Hargraft, a 92% interest in Titan, a 90% interest in Peerless, 80% interests in S&E, NPC, Gemma, ESR, Morrison Williams, Gusgo, Armstrong and IC Group, a 78% interest in BMI, a 67% interest in Capital C and a 64% interest in Quantum Murray (2007 - a 90% interest in Peerless, an 88% interest in Titan, 80% interests in S&E, NPC, Gemma, ESR, Morrison Williams, Gusgo, Armstrong, IC Group, and Hargraft, a 78% interest in BMI a 67% interest in Capital C and a 64% interest in Quantum Murray). The consolidated financial statements include the Fund's proportionate share of the revenue, expenses, assets and liabilities of these jointly controlled entities as follows:

	December 31, 2008	December 31, 2007
Current assets	$ 223,332	$ 212,292
Other assets	2,027	1,154
Property, plant and equipment	42,849	41,418
Long-term investments	846	8,401
Goodwill and intangibles	89,265	150,273
	$ 358,319	$ 413,538
Current liabilities	$ 263,992	$ 249,605
Long-term obligations	6,682	8,997
	$ 270,675	$ 258,602

	Year ended December 31, 2008	Year ended December 31, 2007
Revenue	$ 655,095	$ 517,493
Expenses	669,450	472,086
Net income	$ (14,355)	$ 45,407
Cash provided by (used in):		
Operating activities	$ 54,357	$ 56,538
Financing activities	(47,980)	42,718
Investing activities	(18,729)	(99,444)

21. Changes in non-cash working capital

Changes in non-cash working capital balances related to operations are as follows:

	December 31, 2008	December 31, 2007
Accounts receivable	$ (16,553)	$ (7,191)
Inventories	2,060	4,207
Prepaid expenses	(301)	420
Other current assets	(392)	(7,987)
Accounts payable and accrued liabilities	18,785	(17,977)
Deferred revenue	2,131	5,956
	$ 5,730	$ (22,572)

22. Commitments and contingencies

(a) The Fund is committed to payments under operating leases for equipment and office premises through 2019 in the total amount of approximately $40,807. The minimum annual payments, exclusive of operating costs under these lease arrangements, are as follows:

2009	$ 10,234
2010	8,082
2011	7,009
2012	5,369
2013	3,754
Thereafter	6,359

The Fund's contractual obligations for the years 2009 – 2012, and thereafter are as follows:

	2009	2010	2011	2012	Thereafter	Total
Interest expense	$ 29,234	$ 29,234	$ 22,897	$ 5,598	$ -	$ 86,963
Long-term debt (note)	210,000	-	-	-	-	210,000
Convertible debenture	-	84,500	-	79,966		164,466
Capital lease obligations	6,470	4,076	2,635	1,211	477	14,869
Operating leases	10,234	8,082	7,009	5,369	10,113	40,807
Total contractual	$255,938	$125,892	$32,541	$92,144	$10,590	$517,105

Note - $170,000 of this amount is due in December 2011, and $40,000 is due in December 2012. Both amounts have been classified as current while negotiations with the lender are underway.

(b) The various Acquisition Agreements provide that elections may be made under the Income Tax Act (Canada) to transfer the assets of the predecessor businesses to the various respective limited partnerships on a tax deferred basis. Accordingly, the tax cost to the Operating Partnership of the assets transferred where such elections are made may be less than the fair market value of such assets and, as such, some of the investee partnerships may realize a taxable gain on a future disposition of the assets.

(c) The Fund and its Operating Partnerships are subject to claims and litigation proceedings arising in the normal course of operations. These contingencies are provided for when they are likely to occur and can be reasonably estimated. Management believes that the ultimate resolution of these matters will not have a material effect on the Fund's consolidated financial statements.

(d) The acquisitions involved various corporate structuring steps to complete the transactions in a tax-effective manner. These transactions involved interpretations of the Income Tax Act (Canada) which could if interpreted differently, result in additional tax liabilities.

(e) The Fund has $5,315 of letters of credit outstanding at December 31, 2008. The letters of credit are predominantly to secure cash management services provided by Royal Bank of Canada and as security for programs in the Marketing and Industrial Services segment.

23. Segmented information

The Fund has six reportable operating segments, each of which has separate operational management and management reporting information. All of the Fund's operations, assets and employees are located in Canada. The financial services segment incorporates investment management, institutional money management, wealth management, specialty insurance underwriting and insurance brokerage services. The marketing segment represents the investment in non-traditional marketing operations that acquires rights in media, publications and television, and an investment in an integrated direct marketing company with its primary focus on inbound and outbound teleservices, an investment in a fully integrated marketing services agency and investments in two promotional solutions marketing firms. The industrial services segment includes two reportable segments and represents the investments in fully integrated providers of mid-stream production services to the energy industry and in a provider of demolition contract service and site remediation services. The other segment incorporates a manufacturer of protective outerwear, a distributor and manufacturer of heavy equipment, a container transportation business and a reverse logistics provider. The corporate segment represents head office administrative and financing costs incurred by the Partnership. The accounting policies of the segments are the same as those described in the summary of significant accounting policies in note 1. The Fund utilizes earning before interest, taxes, depreciation and amortization ("EBITDA") as a performance measure for its operating partners and segment results, and accordingly a reconciliation from net income to EBITDA is included herein.

NEWPORT PARTNERS INCOME FUND

Notes to Consolidated Financial Statements
(In thousands of dollars, except per unit amounts)

Years ended December 31, 2008 and December 31, 2007

Year ended December 31, 2008	Financial Services	Marketing	Industrial Services		Other	Corporate	Total
			NPC	Murray			
	(As restated) (iii)					(As restated) (iii)	(As restated) (iii)
Revenue	$ 51,379	$ 94,036	$ 294,963	$ 143,818	$ 85,534	$ -	$ 669,730
Cost of revenue	20,203	43,869	242,175	109,698	61,496	-	477,441
	31,176	50,167	52,788	34,120	24,038	-	192,289
Expenses							
Selling, general and administrative	12,074	34,954	30,841	26,231	13,238	6,808	124,146
Amortization of intangible assets	13,230	6,268	6,326	7,122	6,829	-	39,775
Depreciation	444	1,474	5,970	2,960	596	127	11,571
	25,748	42,696	43,137	36,313	20,663	6,935	175,492
Income (loss) before the undernoted	5,428	7,471	9,651	(2,193)	3,375	(6,935)	16,797
Income from equity investment	598	43	-	-	1,471	-	2,112
Other income	330	-	-	-	-	-	330
Interest (income) expense	(444)	309	9,118	336	1,486	30,021	40,826
Loss on dilution of ownership interest	-	-	-	-	-	845	845
Write-down of goodwill and intangibles	94,778	15,063	25,283	14,711	12,786	85,940	248,561
Impairment of long-term investment	29,000	-	-	-	-	-	29,000
Income tax expense- current	19	19	6	-	-	-	44
Income tax expense (recovery) – future	(4,005)	(2,518)	(1,151)	1,333	(1,607)	(628)	(8,576)
Income (loss) from continuing operations	$ (112,992)	$ (5,359)	$ (23,605)	$ (18,573)	$ (7,819)	$ (123,113)	$ (291,461)
Add back:							
Interest (income) expenses	(444)	309	9,118	336	1,486	30,021	40,826
Depreciation and amortization	13,674	7,742	12,415	10,082	7,518	127	51,558
Amortization of Brompton intangible asset (i)	1,936	-	-	-	-	-	1,936
Income tax recovery – current	19	19	6	-	-	-	44
Income tax expense (recovery) – future	(4,005)	(2,518)	(1,151)	1,333	(1,607)	(628)	(8,576)
EBITDA	$ (101,812)	$ 193	$ (3,217)	$ (6,822)	$ (422)	$ (93,593)	$ (205,673)
Goodwill acquired	-	-	-	-	785	-	785
Expenditures for property, plant and equipment (ii)	227	1,237	4,096	3,008	309	-	8,877
Total assets (ii)	190,582	78,917	147,211	78,349	84,334	39,649	619,042
Total goodwill	54,743	16,335	10,813	7,183	5,288	-	94,362

(i) The amortization of the intangible asset related to the investment in Brompton is included in income from equity investment
(ii) Discontinued operations previously part of the distribution segment are included in the corporate segment (note 7)
(iii) The consolidated financial statements have been restated to reflect the re-calculation of exchangeable unit values, which resulted in an increase in goodwill of $19,769 at December 31, 2008, and consequently, a reversal of the reduction of intangible assets of $12,303, prior to the impairment write-downs, which had previously resulted from the pro rata allocation of the units exchange value. In the fourth quarter of 2008, the Fund had written off all of the goodwill associated with its investment in NPY as well as recorded an impairment charge on intangible assets. The additional amount of goodwill of $19,769 has also been written-off and the Fund has also written-down $12,303 of intangible assets to their fair value. These write-offs have increased the net loss for the year to $224,409. See Note 2 in the consolidated financial statement for further discussion on the restatement. .

NEWPORT PARTNERS INCOME FUND

Notes to Consolidated Financial Statements
(In thousands of dollars, except per unit amounts)

Years ended December 31, 2008 and December 31, 2007

Year ended December 31, 2007	Financial Services	Marketing	Industrial Services		Other	Corporate	Total
			NPC	Murray			
						(As restated)	(As restated)
Revenue	$ 54,604	$ 86,816	$ 186,695	$ 110,248	$ 93,015	$ -	$ 531,378
Cost of revenue	20,097	40,158	156,720	77,528	68,742	-	363,245
	34,507	46,658	29,975	32,720	24,273	-	168,133
Expenses							
Selling, general and administrative	10,969	32,088	14,036	19,768	13,437	6,009	96,307
Amortization of intangible assets	12,692	6,586	4,102	6,430	6,870	-	36,680
Depreciation	539	1,542	3,998	1,721	704	-	8,504
	24,200	40,216	22,136	27,919	21,011	6,009	141,491
Income (loss) before the undernoted	10,307	6,442	7,839	4,801	3,262	(6,009)	26,642
Income(loss) from equity investment	2,111	-	-	-	1,307	-	3,418
Other income	1,119	-	-	-	-	-	1,119
Interest (income) expense	(488)	309	4,692	175	2,427	23,437	30,552
Loss on dilution of ownership interest	-	-	-	-	-	6,958	6,958
Write-down of goodwill and intangibles	-	2,987	-	-	-	-	2,987
Income tax expense- current	6	-	-	-	-	4	10
Income tax expense (recovery) – future	18,238	6,224	(320)	994	7,164	49	32,349
Income (loss) from continuing operations	$ (4,219)	$ (3,078)	$ 3,467	$ 3,632	$ (5,022)	$ (36,457)	$ (41,677)
Add back:							
Interest (income) expenses	(488)	309	4,692	175	2,427	23,437	30,552
Depreciation and amortization	13,231	8,128	8,100	8,151	7,574	-	45,184
Amortization of Brompton intangible asset and future income tax recovery (i)	2,387	-	-	-	-	-	2,387
Income tax recovery – current	6	-	-	-	-	4	10
Income tax expense (recovery) – future	18,238	6,224	(320)	994	7,164	49	32,349
EBITDA	$ 29,155	$ 11,583	$ 15,939	$ 12,952	$ 12,143	$ (12,967)	$ 68,805
Goodwill acquired	2,618	3,334	12,533	11,270	-	-	29,755
Expenditures for property, plant and equipment (ii)	254	1,915	1,616	1,198	325	-	5,308
Total assets (ii)	333,680	112,668	165,609	104,589	102,019	145,595	964,160
Total goodwill	155,604	35,351	30,334	19,926	15,454	14,924	271,593

(i) The amortization of the intangible asset related to the investment in Brompton is included in income from equity investment
(ii) Discontinued operations previously part of the distribution segment are included in the corporate segment (note 7).

24. Capital management

The Fund's objective is to maintain access to diverse and cost-effective sources of capital with which to finance its operations and, where appropriate, its investment program. The Fund maintains a balanced and flexible capital structure composed of permanent equity, equity-linked debt and a senior credit facility. The Fund provides working capital advances to the Operating Partnerships as well as funding for tuck-in acquisitions (i.e. strategic acquisitions made by Operating Partnerships directly).

The Fund manages its capital structure and makes changes to it in light of changes in economic conditions and the risk characteristics of the underlying assets. Over the long term, the Fund will balance its overall capital structure through new unit issues, unit repurchases and redemptions, issuance of debt, repayment of debt or by undertaking other activities as deemed appropriate in the specific circumstances.

For 2009 the Fund has set two priorities relating to capital management: restructure its balance sheet and reduce debt.

The Fund's senior credit facility includes customary positive and negative covenants that can be categorized as externally imposed capital requirements. As at December 31, 2008, the Fund was not in compliance with certain covenants under the senior credit facility, and is currently negotiating with its lenders.

25. Comparative figures

The comparative financial statements have been reclassified from statements previously presented to conform to the December 31, 2008 annual consolidated financial statements.

26. Subsequent events

On January 20, 2009 the Fund received approval from the TSX for a NCIB to purchase for cancellation, through the facilities of the TSX, up to 2,327,194 units through to January 22, 2010, representing 5% of its then issued and outstanding units.

On February 10, 2009 Hargraft sold its wholly owned subsidiary Hargraft Schofield Benefits Inc. to the president of that business. There was no gain or loss on this transaction and proceeds of $1,350 were used to pay down the revolving credit facility.

On January 30, 2009, the minority limited partner of ESR delivered to NPH an offer letter pursuant to the Shotgun Buy-Sell provision of the limited partnership agreement governing ESR. On February 27, 2009 NPH elected to accept the minority limited partner's offer to sell its interest in ESR representing 20%. The closing of the buy-sell transaction is scheduled for March 31, 2009. Following the closing of the transaction, the Fund's interest in ESR will be 100%.