Consolidated Financial Statements of

NEWPORT PARTNERS INCOME FUND

Years ended December 31, 2009 and December 31, 2008

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 and internal controls over financial reporting to provide reasonable assurance that the information used internally by management and disclosed externally is complete and reliable in all material respects. Management has evaluated the effectiveness of the disclosure controls and procedures and has concluded that they are effective.

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.

Ernst & Young 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. Ernst & Young LLP has full and free access to the Committee.

Dean T. MacDonald
President & CEO

Keith Halbert
Chief Financial Officer

Toronto, Canada
March 8, 2010

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Auditors' Report

To the Trustees of
Newport Partners Income Fund

We have audited the consolidated balance sheet of **Newport Partners Income Fund** (the "Fund") as at December 31, 2009 and the consolidated statements of loss and comprehensive loss, unitholders' equity and cash flows for the year 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements for the preceding year were audited by other auditors.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Canada,
March 8, 2010.

NEWPORT PARTNERS INCOME FUND

Consolidated Balance Sheets
December 31
(In thousands of dollars)

	2009	2008
Assets		
Current assets:		
Cash and cash equivalents	$ 43,882	$ 23,559
Cash and short-term investments held in trust (note 2)	20,142	14,154
Accounts receivable (note 2)	119,363	140,132
Inventories (note 3)	34,034	33,112
Prepaid expenses	2,951	2,942
Other current assets (notes 4 and 17)	14,249	22,830
Future tax asset (note 12)	-	1,393
Current assets of discontinued operations (note 5)	-	20,554
	234,621	258,676
Property, plant and equipment (note 6)	44,012	44,060
Long-term investments (note 7)	16,047	15,998
Goodwill (note 8)	68,914	70,640
Intangible assets (note 8)	101,979	168,953
Other assets (notes 4 and 17)	13,751	15,706
Long-lived assets of discontinued operations (note 5)	-	45,009
	$ 479,324	$ 619,042
Liabilities and Unitholders' Equity		
Current liabilities:		
Revolving credit facilities (note 10)	$ 10,089	$ 27,400
Current portion of long-term debt (note 10)	150,499	210,000
Convertible debentures (note 13)	156,136	-
Accounts payable and accrued liabilities	115,117	102,306
Deferred revenue	10,403	10,742
Current portion of obligations under capital leases (note 11)	4,588	5,695
Future tax liability (note 12)	105	-
Current liabilities of discontinued operations (note 5)	-	20,797
	446,937	376,940
Obligations under capital leases (note 11)	5,915	7,741
Future tax liability (note 12)	5,453	20,989
Long-term liabilities of discontinued operations (note 5)	-	5,087
Convertible debentures (note 13)	-	152,683
Non-controlling interest	-	15,649
Unitholders' equity (note 14)	21,019	39,953
	$ 479,324	$ 619,042

Going concern (note 1 (a))

Commitments and other contingencies (note 21)

Subsequent events (note 26)

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
Years Ended December 31
(In thousands of dollars, except per unit amounts)

	2009	2008
Revenues	$ 584,873	$ 652,719
Cost of revenues	438,485	483,172
	146,388	169,547
Expenses		
Selling, general and administrative	105,022	107,839
Amortization of intangible assets	30,368	35,180
Depreciation	13,329	11,450
	148,719	154,469
Income (loss) before the undernoted	(2,331)	15,078
Income from equity investments	1,106	1,824
Other income	-	330
Interest expense, net (note 2)	40,461	40,966
Loss on dilution of ownership interest	-	845
Write-down of goodwill and intangible assets (note 8)	42,973	231,299
Impairment in value of long-term investments (note 8)	-	29,000
Loss before income taxes	(84,659)	(284,878)
Income tax expense – current (note 12)	43	44
Income tax recovery – future (note 12)	(14,032)	(13,663)
Loss from continuing operations before non-controlling interest	(70,670)	(271,259)
Non-controlling interest relating to continuing operations	6,084	63,196
Loss from continuing operations	(64,586)	(208,063)
Income (loss) from discontinued operations before non-controlling interest (note 5)	32,528	(25,311)
Non-controlling interest relating to discontinued operations	(120)	8,965
Income (loss) from discontinued operations	32,408	(16,346)
Net loss and comprehensive loss	$ (32,178)	$ (224,409)
Income (loss) per unit (note 16)		
Basic and diluted:		
Continuing operations	$ (1.02)	$ (4.81)
Discontinued operations	$ 0.51	$ (0.37)
Net loss	$ (0.51)	$ (5.18)

See accompanying notes to consolidated financial statements.

NEWPORT PARTNERS INCOME FUND

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

	Number of Units	Unitholders' Capital	Equity Component of Convertible Debenture	Deficit	Contributed Surplus	Total Unitholders' Equity
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
Units of NPY exchanged (note 14)	25,090,701	13,244	-	-	-	13,244
Net loss for the year	-	-	-	(32,178)	-	(32,178)
Balance – December 31, 2009	71,631,431	$ 414,884	$ 9,850	$ (406,075)	$ 2,360	$ 21,019

See accompanying notes to consolidated financial statements.

NEWPORT PARTNERS INCOME FUND

Consolidated Statements of Cash Flows
Years Ended December 31
(In thousands of dollars)

	2009	2008
Cash provided by (used in):		
Operating activities:		
Net loss	$ (32,178)	$ (224,409)
Items not affecting cash:		
(Income) loss from discontinued operations before non-controlling interest	(32,528)	25,311
Amortization of intangible assets	30,368	35,180
Depreciation	13,411	11,662
Future income tax recovery	(14,032)	(13,663)
Income (loss) from equity investments, net of cash received	(256)	2,087
Non-cash interest expense	3,453	8,345
Loss on dilution of interest in operating partner	-	845
Write-down of goodwill and intangible assets	42,973	231,299
Impairment of long-term investment	-	29,000
Non-controlling interest	(5,964)	(72,161)
Changes in non-cash working capital (note 20)	41,498	(2,580)
Distributions from discontinued operations	5,579	9,260
Cash provided by discontinued operations	6,536	15,038
	58,860	55,214
Investing activities:		
Proceeds on disposal of business (note 5)	75,859	30,177
Acquisition of businesses, net of cash acquired (note 9)	(10,824)	(185)
Purchase of property, plant and equipment	(8,247)	(8,773)
Increase in other assets	-	(1,615)
Cash used in discontinued operations	(120)	(1,356)
	56,668	18,248
Financing activities:		
Decrease in long-term debt	(59,501)	-
Increase in revolving credit facilities	16,150	-
Decrease in revolving credit facilities	(33,461)	(20,127)
Decrease (increase) in cash held in trust	(5,988)	9,539
Repayment of capital lease obligations	(5,989)	(4,669)
Distributions to non-controlling interest	-	(14,152)
Distributions to unitholders	-	(20,906)
Repurchase of units	-	(216)
Cash used in discontinued operations	(6,712)	(19,354)
	(95,501)	(69,885)
Increase in cash and cash equivalents	20,027	3,577
Cash and cash equivalents, beginning of year - continuing operations	23,559	14,311
Cash and cash equivalents, beginning of year - discontinued operations	296	5,967
Cash and cash equivalents, end of year	43,882	23,559
Cash and cash equivalents, end of year - discontinued operations	-	296
Cash and cash equivalents, end of year – continuing operations	$ 43,882	$ 23,855
Supplemental cash flow information:		
Interest paid	$ 20,214	$ 32,481
Cash acquired upon acquisition	-	370
Supplemental disclosure of non-cash financial and investing activities:		
Acquisition of property, plant and equipment through capital leases	3,821	3,823

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"). 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 100% (2008 – 65%) of the outstanding LP units of NPY.

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.

On July 21, 2009, the Fund announced that a Forbearance Agreement (the "Forbearance Agreement") had been entered into with a syndicate of lenders (the "Lenders") (refer to note 10). Under the terms of the Forbearance Agreement, the Lenders have agreed not to enforce their default related rights and remedies under the Senior Credit Agreement for a period of up to 365 days (the "Forbearance Period"). The agreement contemplates the full repayment of amounts outstanding under the Senior Credit Agreement by the end of the Forbearance Period.

The Fund was contractually prohibited from paying interest due on June 30, 2009 on its unsecured subordinated convertible debentures (the "Debentures") due to the above-noted covenant breach (refer to note 10). As of July 15, 2009 the failure to make the interest payment constituted an event of default under the terms of the trust indenture of the Debentures. The Fund has begun discussions with holders of the Debentures with a view to restructure this debt.

Because of the nature and extent of the terms included in the Forbearance Agreement relating to the repayment of amounts outstanding under the Senior Credit Agreement, and the requirements to resolve the event of default of the Debentures, to raise additional indebtedness and re-establish the profitability and cash flows of the Fund, there are material uncertainties resulting in significant doubt about the appropriateness of the use of the going concern assumption.

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

(b) Principles of consolidation

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. At the end of 2009 there was no non-controlling interest (2008 – 35%) 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 method.

The following table indicates the accounting method for each of the investments in Operating Partnerships as at December 31, 2009 for continuing operations. NPY invested in all Operating Partnerships indirectly together with their respective general partner.

(In thousands of dollars, except per unit amounts)

Operating Partnership	Initial Investment	December 31, 2009 Ownership	Accounting Method	Business Description
Newport Partners LP ("NP LP")	August 2005	100	Consolidation	Provider of investment management, corporate advisory and insurance services
Sports and Entertainment LP ("S&E")	August 2005	80	Proportionate consolidation	Provider of sports related marketing and advertising services
NPC Integrity Energy Services LP ("NPC")	August 2005	80	Proportionate consolidation	Provider of oil and gas maintenance, construction and wear technology services to both the conventional oil and gas industry and the oilsands
Gemma Communications LP ("Gemma")	March 2005	80[1]	Proportionate consolidation	Integrated direct marketing company
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	National provider of demolition, remediation and scrap metal services
Hargraft Schofield LP ("Hargraft")	April 2006	100[1]	Consolidation	Speciality liability products insurance brokers
Peerless Garments LP ("Peerless")	June 2006	90	Proportionate consolidation	Supplier of garments to the Canadian Military
IC Group LP ("IC Group")	July 2006	80	Proportionate consolidation	Provided of on-line promotional and loyalty programs and select insurance products
Titan Supply LP ("Titan")	September 2006	92	Proportionate consolidation	Distributor of rigging and wear products to the oil and gas, transportation, pipeline, construction, mining and forestry industries
Armstrong Partnership LP ("Armstrong")	October 2006	80	Proportionate consolidation	Provider of in-store promotional marketing services
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 sector

[1] refer to note 9

(c) 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 and other financial liabilities. The classification depends on the purpose for which the financial instruments were acquired and their characteristics. 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 assets are measured at fair value with changes in fair values generally recognized in other comprehensive income except for available-for-sale investments that do not have a quoted market price in an active market which are measured at cost. The Fund has classified its cash and cash equivalents as held-for-trading. Long-term investments are accounted for under the equity method. Accounts receivable, and long-term note receivables are classified as loans and receivables. Revolving credit facilities, 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.

The Fund expenses as incurred all transaction costs, including fees paid to advisors and other related costs. Financing costs, including underwriting and arrangement fees paid to lenders are deferred and netted against the carrying value of the related debt and amortized into interest expense using the effective interest rate method.

(ii) Comprehensive income (loss)

Comprehensive income (loss) 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 the fair value of certain financial instruments classified as available-for-sale. During the year ended December 31, 2009 and 2008 there were no transactions recorded in comprehensive income (loss).

(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, 2009 and 2008.

(In thousands of dollars, except per unit amounts)

(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. 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.

(d) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories includes 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 directly contribute to bringing the inventories to their present location and condition are specifically excluded from the cost of inventories and are expensed in the period incurred. The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects are assigned by using specific identification of their individual costs. The first-in, first-out or weighted average cost formula are used for inventories other than those dealt with by specific identification of costs formula.

(e) 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%
Buildings	Declining balance	4% and 5%
Leasehold improvements	Straight-line	Shorter of expected useful life or term of the lease
Automated Teller Machines ("ATMs")	Declining balance	20%-30%

(f) 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 an 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.

(g) Impairment of long-lived assets

Long-lived assets, including property, plant and equipment and intangible assets with finite useful lives, are amortized over their estimated 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.

(h) 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.

(i) 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 initially 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(g). 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
Non-competition agreements	term of contract

(j) Revenue recognition

Revenue is recorded on a net or gross basis depending on whether the Fund acts as an agent or principal in the respective transaction.

(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. Revenue from discontinued 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 discontinued 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 recorded using the percentage of completion method and revenue 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. Revenue for demolition services includes consideration in the form of scrap materials which are recorded as non-monetary transactions measured at fair value using active market prices.

(iv) Other

Other revenue includes revenue from a garment manufacturer, a container transportation service provider, and a distributor and 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.

(k) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at exchange rates in effect at the consolidated 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.

(l) 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 the undistributed taxable income of the Fund and 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 values and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates and laws 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 values of the assets and liabilities on the consolidated financial statements and their respective tax bases.

(m) 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 lease obligations and included in property, plant and equipment. All other leases are classified as operating leases under which leasing costs are recorded as expenses in the period in which they are incurred. In instances where there are periods of lease incentives, the benefit is allocated over the term of the lease.

(n) Income (loss) per unit

The income (loss) per unit of the Fund is computed by dividing the Fund's income (loss) 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.

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

(o) Cash and cash equivalents

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

(p) Non-controlling interest

Non-controlling interest represents the exchangeable units issued by NPY which were exchangeable for units of the Fund. Non-controlling interest on the consolidated balance sheets 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 sheets 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. At December 31, 2009, the non-controlling interest was nil.

(q) 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 reporting 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.

(r) Changes in accounting policies

The Fund adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3064 "Goodwill and Intangible Assets", Handbook Section 3862 "Financial Instruments: Disclosures" and EIC 173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities".

(i) 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, which was adopted by the Fund effective January 1, 2009, did not have any material impact on the consolidated financial statements.

(ii) Financial instrument disclosures

In March 2009, the Accounting Standards Board amended CICA Handbook Section 3862, "Financial Instruments – Disclosures", to enhance the disclosure requirements regarding fair value measurements including the relative reliability of the inputs used in those measurements and the liquidity risk of financial instruments. The standard also requires disclosure of a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The amendments are effective for the Fund's 2009 annual consolidated financial statements and the additional disclosures are included in note 2.

(iii) 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 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. The adoption by the Fund of EIC 173 effective January 1, 2009, did not have a material impact on the consolidated financial statements.

(s) Future accounting standards

(i) Business combinations

In January 2009, the CICA issued Handbook Section 1582, "Business Combinations", which replaces the existing standard. This section establishes the standards in the accounting for business combinations, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent consideration 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 ("IFRS") 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.

(ii) Non-controlling interests

In January 2009, the CICA issued Handbook Section 1602, "Non-controlling Interests", which establishes standards in the accounting for non-controlling interests of a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. This standard is equivalent to the IFRS 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

(iii) Consolidated financial statements

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.

(In thousands of dollars, except per unit amounts)

2. Financial instruments

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

December 31	2009	2008
Financial assets		
Held-for-trading, measured at fair value:		
Cash and cash equivalents	$ 43,882	$ 23,559
Short-term investments held in trust	-	8,593
Cash and cash equivalents held in trust	20,142	5,561
	64,024	37,713
Available-for-sale investments, measured at amortized cost	992	987
Loans and receivables, measured at amortized cost:		
Accounts receivable	119,363	140,132
Advances to Operating Partners	24,016	29,071
Other assets	3,984	9,465
	147,363	178,668
Financial liabilities, measured at amortized cost:		
Revolving credit facilities	10,089	27,400
Current portion of long-term debt	150,499	210,000
Convertible debentures	156,136	152,683
Accounts payable and accrued liabilities	115,117	102,306
Capital lease obligations	10,503	13,436
	$ 442,344	$ 505,825

The fair value of 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 $68,231 at December 31, 2009. The fair value measurement of the Convertible Debentures is categorized as level 1 as the inputs used reflect quoted prices in an active market.

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 estimates.

The Fund had $nil held-to-maturity financial instruments during the year ended December 31, 2009 and 2008.

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

(In thousands of dollars, except per unit amounts)

(b) Short-term investments

The Fund had $nil short-term investments held in trust at December 31, 2009. Short-term investments held in trust at December 31, 2008 were comprised of marketable securities.

(c) Net interest expense

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

December 31	2009	2008
Interest expense on debt	$ 26,008	$ 28,058
Interest expense on Convertible Debentures	15,388	15,087
Interest expense on capital leases	1,087	940
Interest expense - other	454	691
	$ 42,937	$ 44,776
Less:		
Net interest income earned on advances to Operating Partners	(2,086)	(2,700)
Interest income earned on cash	(252)	(785)
Interest income earned on short-term investments held in trust	(138)	(325)
	$ 40,461	$ 40,966

Interest expense on convertible debentures shown above include non-cash accretion of the convertible debentures back to par of $1,576 (2008 - $1,702).

(d) Accounts receivable

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

December 31	2009	2008
Trade receivables	$ 96,674	$ 116,918
Allowance for doubtful accounts	(1,496)	(1,876)
Other	24,185	25,090
	$ 119,363	$ 140,132

(In thousands of dollars, except per unit amounts)

3. Inventories

Inventories are comprised as follows:

December 31	2009	2008
Raw materials	$ 6,151	$ 6,201
Work in progress	16,029	13,323
Finished goods	1,339	2,440
Goods held for resale	9,769	10,887
Parts and supplies	746	261
	$ 34,034	$ 33,112

Work in progress also includes contracts accounted for using the percentage of completion method of $7,717 in 2009 (2008 - $9,226).

Goods held for re-sale reflects inventory held at Titan.

Peerless, Titan and Capital C recorded inventory write-downs of $2,067 for the year ended December 31, 2009 (2008 - $2,518). Included in cost of revenues is the cost of inventories of $80,889 (2008 - $124,501).

4. Other assets

December 31	2009	2008
Advances to Operating Partners (note 17)	$ 24,016	$ 29,071
Other	3,984	9,465
	28,000	38,536
Less current portion	14,429	22,830
	$ 13,751	$ 15,706

5. Discontinued operations

On October 1, 2009, the Fund sold 100% of its investment in Elliott Special Risks LP ("ESR") for net proceeds of $74,614, resulting in an accounting gain of $31,308 which is included in income from discontinued operations. Goodwill related to ESR was $27,832.

On September 30, 2008, the Fund sold 100% of the assets of its investment in Ezee ATM LP ("Ezee"). The investment was sold for net proceeds of $30,710 resulting in a loss of $6,848 which is included in loss from discontinued operations.

(In thousands of dollars, except per unit amounts)

The following table shows the revenue and net income from discontinued operations of ESR and Ezee for the years ended December 31, 2009 and 2008.

December 31			2009			2008
	ESR	Ezee	Total	ESR	Ezee	Total
Revenues	$ 14,502	$	$ 14,502	$ 17,011	$ 29,975	$ 46,986
Net income (loss)	32,528	-	32,408	(20,202)	(5,109)	(25,311)

Included in ESR's 2008 net income is a $5,460 write-down of goodwill, an $11,424 write-down of customer relationships and a $378 write-down of brands.

The balance sheet of ESR at December 31, 2008 has been categorized as assets and liabilities of discontinued operations. The components of these items are as follows:

December 31	2008
Current assets of discontinued operations	$ 20,554
Long-lived assets of discontinued operations	45,009
Current liabilities of discontinued operations	20,797
Long-term liabilities of discontinued operations	5,087
Net assets of discontinued operations	39,679

6. Property, plant and equipment

December 31, 2009	Cost	Accumulated Depreciation	Net Book Value
Equipment under capital lease	$ 19,258	$ 8,495	$ 10,763
Furniture and equipment	13,655	3,748	9,907
Computer hardware and software	8,721	5,248	3,473
Automotive and heavy equipment	23,570	11,936	11,634
Land and buildings	5,538	1,548	3,990
Leasehold improvements	7,097	2,852	4,245
	$ 77,839	$ 33,827	$ 44,012

December 31, 2008	Cost	Accumulated Depreciation	Net Book Value
Equipment under capital lease	$ 20,694	$ 6,521	$ 14,173
Furniture and equipment	13,007	4,587	8,420
Computer hardware and software	9,471	5,557	3,914
Automotive and heavy equipment	17,434	6,077	11,357
Land and buildings	4,255	940	3,315
Leasehold improvements	4,473	1,592	2,881
	$ 69,334	$ 25,274	$ 44,060

(In thousands of dollars, except per unit amounts)

7. Long-term investments

December 31	2009	2008
Investments in:		
Brompton	$ 7,498	$ 7,423
RLogistics	7,239	7,238
Other	1,310	1,337
	$ 16,047	$ 15,998

The amortization of the intangible assets included as part of the cost of investment of Brompton Funds LP ("Brompton") was $1,150 (2008- $1,936). The unamortized balance of such intangible assets at December 31, 2009 was $4,599 (2008 - $5,749).

As part of management's annual investment review for the year ended December 31, 2008, 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 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.

8. Write-down of goodwill and intangible assets and impairment of long-term investments

Write-downs of goodwill, customer relationships and brands recorded by the Fund during the year ended December 31, 2009 were as follows:

Investment	Goodwill	Customer Relationships	Brands	Total
S&E	$ 371	$ 903	$ -	$ 1,274
NPC	132	11,163	6,278	17,573
Quantum Murray	-	-	1,067	1,067
Hargraft	3,086	7,698	864	11,648
Titan	-	3,655	3,552	7,207
Gusgo	-	-	347	347
BMI	-	-	290	290
	3,589	23,419	12,398	39,406
NPY	3,567	-	-	3,567
	$ 7,156	$ 23,419	$ 12,398	$ 42,973

(In thousands of dollars, except per unit amounts)

Write-downs of goodwill, customer relationships and brands recorded by the Fund during the year ended December 31, 2008 was as follows:

Investment	Goodwill	Customer Relationships	Brands	Total
NP LP	$ 37,338	$ 6,700	$ 2,952	$ 46,990
S&E	-	1,051	-	1,051
NPC	12,376	5,065	7,842	25,283
Morrison Williams	14,461	7,836	468	22,765
Quantum Murray	4,158	10,360	193	14,711
Hargraft	-	2,440	-	2,440
Titan	7,203	1,533	4,051	12,787
Armstrong	6,375	5,077	2,560	14,012
BMI	-	4,859	461	5,320
	81,911	44,921	18,527	145,359
NPY	85,940	-	-	85,940
	$ 167,851	$ 44,921	$ 18,527	$ 231,299

Goodwill

The Fund reviews all of its investments for possible impairment on an annual basis, or more frequently if there is an event, or series of events, which in the view of management would trigger an earlier review. In view of significantly reduced customer demand and customer attrition, the Fund performed an impairment test at September 30, 2009 with respect to its investments in Hargraft and Titan. There were no write-downs to goodwill as a result of this review. The Fund completed its annual impairment test in the fourth quarter of 2009. The Fund determined that the fair value of certain investments was lower than the carrying value, and as a result the Fund recorded a goodwill impairment charge of $3,589. In assessing whether there was an impairment, the Fund estimated the fair value of its investments using certain assumptions and estimates of earnings. 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 change in assumptions which would positively impact future valuation of its investments and goodwill would not result in an increase in goodwill or the recording of any gain.

Additional goodwill in NPY of $3,567, arising from step acquisitions on unit exchanges was written-off.

(In thousands of dollars, except per unit amounts)

For the year ended December 31, 2008, the Fund recorded a goodwill impairment charge of $81,911 relating to its investments. Additional goodwill in NPY of $85,940, arising from step acquisitions on unit exchanges was written-off.

December 31	2009	2008
January 1	$ 70,640	$ 242,411
Net increase (decrease) in investments	1,863	(8,765)
Increase relating to step acquisitions of NPY through unit exchanges	3,567	4,845
Write-downs	(7,156)	(167,851)
Goodwill	$ 68,914	$ 70,640

Intangibles

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. As a result of the September 30, 2009 impairment test, the Fund reduced the carrying value of intangible assets by $8,155 with respect to customer relationships and $3,952 with respect to brands. As a result of the fourth quarter impairment test, the Fund concluded that additional impairment had occurred, and consequently the Fund reduced the carrying value of intangible assets by $15,264 with respect to customer relationships and $8,446 with respect to brands. The total intangible asset write-off for the year ended December 31, 2009 was $23,419 of customer relationships and $12,398 of brands.

For the year ended December 31, 2008, the Fund reduced the carrying value of intangible assets by $44,921 with respect to customer relationships and $18,527 with respect to brands.

December 31	2009	2008
January 1	$ 168,953	$ 266,406
Net increase (decrease) in investments	(789)	1,175
Amortization	(30,368)	(35,180)
Write-downs	(35,817)	(63,448)
Intangible Assets	$ 101,979	$ 168,953

(In thousands of dollars, except per unit amounts)

Intangible assets as at December 31, 2009 and 2008 are as follows:

December 31, 2009	Cost	Accumulated Amortization	Net Book Value
Definite life intangible assets:			
Customer relationships/contracts	$ 146,321	$ 65,135	$ 81,186
Management contracts	567	567	-
Non-competition agreements	1,000	1,000	-
	147,888	66,702	81,186
Indefinite life intangible assets:			
Brands	20,793	-	20,793
	$ 168,681	$ 66,702	$ 101,979

December 31, 2008	Cost	Accumulated Amortization	Net Book Value
Definite life intangible assets:			
Customer relationships/contracts	$ 201,633	$ 65,957	$ 135,676
Management contracts	567	482	85
Non-competition agreements	1,000	1,000	-
	203,200	67,439	135,761
Indefinite life intangible assets:			
Brands	33,192	-	33,192
	$ 236,392	$ 67,439	$ 168,953

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

Long-term investments

Investments are written down when there is evidence that a decline in value that is other than temporary has occurred. The carrying amounts of the investments are compared to the discontinued cash flows expected from their use. There was no write-down of investments in 2009. During the 2008 impairment test, it was determined that the Fund's investment in Brompton was impaired, and accordingly a write-down of $29,000 was recorded.

9. Business combinations

(i) The following investment made by the Fund during the year ended December 31, 2009 was 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. The estimated fair values of the assets acquired and liabilities assumed for the significant investments made by the Fund are as follows:

(In thousands of dollars, except per unit amounts)

	ESR
Assets acquired:	
Current assets (includes cash of $113)	$ 3,584
Property, plant and equipment	112
Long-term investments	109
Goodwill	4,610
Intangible assets	4,852
	13,267
Liabilities assumed:	
Current liabilities	3,755
Future tax liability	912
	4,667
Net assets acquired:	
Consideration	
Cash	8,500
Transaction costs	100
	$ 8,600

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 20% interest in ESR. The transaction closed on March 31, 2009, at which time, the Fund paid $8,500 and its interest in ESR increased to 100%. This transaction has been accounted for using the purchase method. On October 1, 2009, the Fund sold its 100% interest in ESR (refer to note 5).

(ii) Other investment transactions

On February 10, 2009, Hargraft sold the shares of its wholly owned subsidiary, Hargraft Schofield Benefits Inc. for proceeds of $1,274 to the Fund, and recorded a nominal gain on the transaction. As part of the transaction, goodwill and intangible assets written-off amounted to $240 and $994, respectively.

On August 31, 2009, the Fund paid to the vendor of IC Group, the final payment of a three year earn-out provision, pursuant to the original purchase and sale agreement dated July 2006. The payment amount of $2,337 has been added to goodwill.

On December 4, 2009, the Fund paid $96 to acquire an additional 6% interest in Hargraft. The Fund now owns 100% of Hargraft. The fair value of assets and liabilities acquired equalled the purchase consideration and consequently no goodwill was recognized.

For the year ended December 31, 2008

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 year 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.

10. Credit facilities and long-term debt

On December 7, 2006, the Fund entered into a Senior Credit Agreement with the Lenders to provide up to $320,000 in funding. The Senior Credit Agreement is collateralized by general security agreements covering assets of all of the operating partnerships of the Fund, other than Brompton and RGC LP. Repayment was required on the maturity date in 2012. Amounts owing under the Senior Credit Agreement bear interest at Banker's Acceptance ("BA") rate plus 5.95%.

As at December 31, 2008, the Fund was not in compliance with certain covenants under its Senior Credit Agreement.

On July 21, 2009, the Fund announced that a Forbearance Agreement had been entered into with the Lenders. Under the terms of the Forbearance Agreement, the Lenders agreed not to enforce their default related rights and remedies under the Senior Credit Agreement for a period of up to 365 days.

The Fund has agreed to repay the Lenders in full by the end of the Forbearance Period, by realizing minimum net proceeds on disposals of assets and from the proceeds of re-financings of the investee businesses of the Fund by certain agreed-upon dates. The minimum debt repayment targets and agreed upon dates were $70,000 by November 10, 2009; $55,000 by January 10, 2010 with the balance to be repaid by July 21, 2010.

From January 31, 2010, the Fund will be subject to a monthly minimum EBITDA covenant, and to a maximum capital expenditures covenant.

Assuming that the Fund is in compliance with the Forbearance Agreement, the Lenders have also agreed that no default interest will accrue or be payable during the Forbearance Period and have agreed to waive certain prepayment fees which would otherwise continue to apply. Default interest up until the beginning of the Forbearance Period will be paid in part from the proceeds of asset sales with the balance payable at the end of the Forbearance Period. Default interest accrued at December 31, 2009 was $2,969.

A forbearance fee is to be paid to the Lenders, in part from asset sales with the balance payable at the end of the Forbearance Period (refer to note 1(a)). The fee is initially 75 basis points of the principal amount outstanding under the Senior Credit Agreement, but may be reduced to 25 basis points upon certain repayment targets being achieved. A fee of $1,850 has been accrued for the year ended December 31 2009, and $92 has been paid.

At the inception of the Senior Credit Facility, when the term facility was drawn and on subsequent draws under the delayed draw term facility, the Lenders entered into currency swap arrangements to hedge payments received by the Fund under the Senior Credit Facility. In connection with any prepayments under the Senior Credit Facility, the Fund is required to pay the Lenders the amount of any breakage costs, fees or penalties incurred by the Lenders under their currency swap arrangements. As a result of the minimum debt repayment targets under the Forbearance Agreements, the Fund has paid the Lenders $963 during 2009 relating to prepayment penalties which are included in interest expense.

In conjunction with the signing of the Forbearance Agreement, NPH, a subsidiary of the Fund, has arranged for a $20,000 subordinated financing facility from an affiliate in order to provide sufficient working capital. The facility bears interest at 10% per annum and repayments of principal and interest can be made after the January 7, 2010 repayment to the senior lender has been completed. As at December 31, 2009, the Fund has drawn $10,089 on this facility. Interest expense accrued on this facility at December 31, 2009 was $449.

On October 1, 2009, $70,100 was paid to the Lenders and was applied as follows: $32,110 to the revolving credit facility, $30,023 to the term facility, $6,888 to collateralize existing and new letters of credit with the balance of $1,079 to pay default interest and fees. The collateral balance for the letters of credit is included in cash and cash equivalents in trust.

On November 25, 2009, the Fund announced an amendment to the Forbearance Agreement had been entered into with the Lenders (the "First Amendment").

Under the terms of the First Amendment, the requirement to repay $55,000 by January 7, 2010 by way of proceeds from the asset sales has been amended. The Lenders have agreed to allow for repayments by using cash on hand and proceeds from asset sales. $30,000 was repaid on November 25, 2009 and the next repayment was scheduled for February 28, 2010 in the amount of $35,000, with the balance to be repaid by July 21, 2010.

(In thousands of dollars, except per unit amounts)

On February 19, 2010, the Fund announced that a second amendment to the Forbearance Agreement had been entered into with the Lenders (the "Second Amendment"). Under the terms of the Second Amendment, the requirement to repay $35,000 by February 28, 2010 has been amended to a requirement to pay $18,500. On February 18, 2010 the Fund paid $20,000 from cash on hand which included a $1,500 rescheduling fee. The balance owing of $132,000 is to be repaid by July 21, 2010.

In addition, the Lenders consented to NPH acquiring all of the issued and outstanding equity interests of Gemma, that it does not currently own (refer to note 26).

By reason of the continuing events of default under the Senior Credit Agreement, the Fund was prohibited under its collateral covenant agreement with the Lenders from making the June 30, 2009 interest payment of $5,968 on the Debentures. As of July 15, 2009, the failure to make the interest payment constitutes an event of default under the terms of the trust indenture. Under the terms of the trust indenture, the debenture trustee could provide notice to the Fund to declare all principal and interest to become due and payable as a result of this default. Accordingly, after July 15, 2009 the Debentures have been classified as a current liability (refer to note 13). The Forbearance Agreement does not permit the Fund to make principal or interest payments on the Debentures during the Forbearance Period and as a result the additional interest payment of $5,968 due December 31, 2009 was not made. Accounts payable and accrued liabilities include $11,936 of accrued interest on the Debentures.

11. Obligations under capital leases

Capital lease obligations relate to vehicles and heavy equipment. The leases bear interest at rates from 0% to 11.9% (2008 – 4.1% to 16%) per annum and are secured by specific assets. The Fund's proportionate interest in future minimum payments are as follows:

December 31	2009
2010	$ 5,184
2011	3,720
2012	1,673
2013	523
2014	616
Total minimum lease payments	11,716
Less amount representing interest (at rates ranging from 0% to 11.9%	1,213
Present value of net minimum capital lease payments	10,503
Less current portion of obligations under capital leases	4,588
	$ 5,915

Interest of $1,087 for the year December, 31, 2009 (2008 - $940) relating to capital lease obligations has been included in interest expense.

12. 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 and laws 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 of its taxable income to its unitholders 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.

(In thousands of dollars, except per unit amounts)

The reconciliation of statutory income tax rates to the Fund's effective tax rate is as follows:

December 31	2009
Income tax recovery at statutory rates	$ (26,244)
Permanent differences on goodwill and intangible assets	5,358
Future taxes as a result of units exchanged	4,869
Change in tax rates	239
Other	1,789
	(13,989)
Income tax expense- current	43
Income tax recovery - future	(14,032)
	$ (13,989)

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

December 31	2009	2008
Future tax liability:		
Intangible assets	$ 10,474	$ 21,070
Fixed assets	1,790	1,491
Other	(6,706)	(1,572)
Total future tax liability	5,558	20,989
Current future tax asset	-	1,393
Net future tax liability	5,558	19,596
Less current portion	105	-
	$ 5,453	$ 19,596

13. Convertible debentures

On June 30, 2009, the Fund was contractually prohibited from paying interest due on the Debentures. The Fund will continue to be prohibited from paying interest on the Debentures during the Forbearance Period (refer to note 1(a)). The failure to make the interest payment constitutes an event of default under the terms of the trust indenture of the Debentures. The Fund is currently in discussions with the holders of the Debentures to restructure the debt.

The Fund has completed two offerings of Debentures 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 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.

(In thousands of dollars, except per unit amounts)

Details of the Convertible Debentures are as follows:

Issue date	December 12, 2005	July 12, 2007
Principal amount	$ 85,000	$ 79,966[1]
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

[1] 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 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
Accretion	144	1,732	1,876
Deferred finance charges	806	771	1,577
Balance December 31, 2009	$ 83,554	$ 72,582	$ 156,136

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 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.

14. 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. As at December 31, 2009, all units have been exchanged and there are no remaining A2 LP units outstanding.

Pursuant to the Exchange Agreement between the Commercial Trust and NPY 25,090,701 (2008 – 5,411,273) A2 LP units were exchanged for A1 LP units. As 12,194,933 (2008 – 2,537,949) of the units exchanged were outstanding prior to the IPO, the conversions of these trust units were calculated as step acquisitions.

On January 20, 2009, the Fund received approval from the Toronto Stock Exchange ("TSX") for a Normal Course Issuer Bid ("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. No units have been purchased in 2009 for cancellation under the NCIB to date and, pursuant to the terms of the Forbearance Agreement, the Fund is prohibited from purchasing any units.

On December 18, 2007, the Fund received approval from the TSX for a NCIB to purchase for cancellation, up to 2,070,348 of its units, representing 5% of its then issued and outstanding units. For the year ended December 31, 2008 the Fund purchased 237,500 for cancellation.

15. Distributions and allocations to unitholders

On October 8, 2008, the Fund announced that it was suspending payments of its distribution. The total distributions paid and payable during the year ended December 31, 2008 were $20,906. The Fund's Forbearance Agreement with its Lenders prohibits the Fund from making distributions on its units during the Forbearance Period.

(In thousands of dollars, except per unit amounts)

16. Loss per unit

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

Year ended December 31	2009	2008
Numerator:		
Loss from continuing operations	$ (64,586)	$ (208,063)
Income (loss) from discontinued operations	32,408	(16,346)
Net loss	(32,178)	(224,409)
Denominator:		
Weighted average number of units outstanding Basic and diluted	63,359,738	43,282,729
Income (loss) per unit (basic and diluted)		
Continuing operations	$ (1.02)	$ (4.81)
Discontinued operations	0.51	(0.37)
Net loss	$ (0.51)	$ (5.18)

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.

17. Related party transactions

Employee loans, net of provisions, made to employees of the Fund and its subsidiary NP LP included in other assets are outstanding in the amount of $3,470 (2008 – $4,055). 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 $24,016 (2008 – $29,071) made to the Operating Partnerships. Advances classified as current bear interest at the Bank's prime rate plus 1%, are unsecured and have no fixed terms of repayment. A long term advance of $12,556 is due in 2017 unless certain future performance criteria are achieved by the borrower at which time the advance would be converted to equity. Interest income on the advances is $2,086 (2008 - $2,700).

Selling, General and Administrative expenses includes $2,803 of rent expense paid to related parties of Quantum Murray, Gusgo and NPC.

These transactions occurred in the normal course of business and are recorded at the exchange amount, which is the amount of consideration established and agreed to between the parties.

18. 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. Revenues of NPC are heavily concentrated, with its top three customers representing 22% of consolidated revenue for the Fund (2008 – 19%). NPC's customers are primarily multinational oil and gas and construction companies all of which have strong creditworthiness. Revenues from the top three customers represents 64% of NPC's total revenues for the year ended December 31, 2009 and 82% of the accounts receivable balance at December 31, 2009 is due from these customers (2008 – three customers comprised 42% of revenues and 27% of accounts receivable).

Revenues from the top three customers represents 74% of Quantum Murray's total revenues for the year ended December 31, 2009 and 82% of the accounts receivable balance at December 31, 2009 is due from these customers (2008 – three customers comprised 17% of revenues and 10% of accounts receivable).

Revenues from the top three customers represents 96% of Peerless' total revenues for the year ended December 31, 2009 and 92% of the accounts receivable balance at December 31, 2009 is due from these customers (2008 – three customers comprised 99% of revenues and 92% of accounts receivable).

On a consolidated basis, the aforementioned customers of NPC, Quantum Murray and Peerless represents 39% of the Fund's revenues for the year ended December 31, 2009 and 41% of the Fund's accounts receivable balance at December 31, 2009 (2008 – 27% of revenues and 15% of accounts receivable).

(In thousands of dollars, except per unit amounts)

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. When a receivable balance is considered uncollectible, it is written off against the allowance for accounts receivable.

Accounts receivable are non-interest bearing and are generally due within periods up to 90 days. At December 31, 2009, the allowance for doubtful accounts was $1,496 (2008- $1,876). The changes in the allowance during the year were as follows:

	2009
Allowance, January 1, 2009	$ 1,876
Impairment of receivables	2,312
Receivables written-off as uncollectible	(2,692)
Allowance, December 31, 2009	$ 1,496

Trade receivables over 90 days that are past due were:

December 31, 2009	>90 Days	>120 Days
Gross trade accounts receivable	$ 1,077	$ 1,331
Allowance at end of year	-	407
	1,077	924
December 31, 2008		
Gross trade accounts receivable	11,031	933
Allowance at end of year	1,620	255
	9,471	677

(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, 2009, the Fund had financial assets held-for-trading of $64,024, available-for-sale investments of $992, loans and receivables of $147,363 and financial liabilities of $442,344. As at December 31, 2008, the Fund had financial assets held-for-trading of $37,713, available-for-sale investments of $987, loans and receivables of $178,668 and financial liabilities of $505,825. The original maturity dates for long-term debt were in 2011 and 2012, and 2010 and 2012 for the Debentures. Both the debt and Debentures have been reclassified as current (refer to notes 10 and 13). The capital lease obligations expire primarily in the years 2010 to 2013.

(In thousands of dollars, except per unit amounts)

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 or restructure, 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, commodity prices 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, 2009 and December 31, 2008, the Fund's consolidated financial statements included the Canadian equivalent of the following U.S. dollar denominated balances:

December 31	2009	2008
Accounts receivable	$ 3,874	$ 6,926
Accounts payable and accrued liabilities	(1,694)	(3,747)
	$ 2,180	$ 3,179

The Fund's interest rate on the long term debt facility is based on a floating BA rate. If the interest payments continue to be based on the floating rate, a 1% increase (decrease) in the interest rate would have resulted in $1,505 decrease (increase) in the earnings from operations of the Fund for the year ended December 31, 2009 (2008 - $2,100). This analysis assumes that all other variables remain constant.

19. Interests in jointly controlled entities

At December 31, 2009, the Fund holds a 92% interest in Titan, a 90% interest in Peerless, 80% interests in S&E, NPC, Gemma, 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 (2008- 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). The consolidated financial statements include the Fund's proportionate share of the revenue, expenses, assets and liabilities of these jointly controlled entities as follows:

(In thousands of dollars, except per unit amounts)

December 31	2009	2008
Current assets	$ 164,951	$ 202,778
Property, plant and equipment	42,617	42,411
Long-term investments	7,559	350
Goodwill and intangible assets	45,564	89,265
Other assets	1,153	2,027
	$ 261,844	$ 336,831
Current liabilities	211,667	243,192
Long-term obligations	1,267	6,682
	$ 212,934	$ 249,874

Year ended December 31	2009	2008
Revenue	$ 569,512	$ 638,084
Expenses	563,383	660,869
Net income (loss)	$ 6,129	$ (22,785)
Cash provided by (used in):		
Operating activities	$ 38,104	$ 43,209
Financing activities	(37,652)	(37,085)
Investing activities	8,592	(18,625)
	$ 9,044	$ (12,501)

20. Changes in non-cash working capital

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

December 31	2009	2008
Accounts receivable	$ 20,557	$ (18,986)
Inventories	(922)	2,060
Prepaid expenses	(12)	(313)
Other current assets	8,566	(392)
Accounts payable and accrued liabilities [1]	13,648	12,920
Deferred revenue	(339)	2,131
	$ 41,498	$ (2,580)

[1] Includes increase in accrued interest for the year ended December 31, 2009 of $17,112 (refer to note 10).

(In thousands of dollars, except per unit amounts)

21. Commitments and other contingencies

(a) The Fund is committed to payments under operating leases for equipment and office premises through 2019 in the total amount of approximately $39,714. The minimum annual payments, exclusive of operating costs under these lease arrangements, are as follows:

2010	$ 11,408
2011	9,672
2012	7,441
2013	5,156
2014	2,580
Thereafter	3,457
	$ 39,714

The Fund's contractual obligations for the years 2010 to 2014, and thereafter are as follows:

	2010	2011	2012	2013	2014	Thereafter	Total
Interest expense	$ 36,211	$ 5,598	$ 5,598	$ -	$ -	$ -	$ 47,407
Long-term debt (note 10)	150,499	-	-	-	-	-	150,499
Convertible debenture (note 13)	164,466	-	-	-	-	-	164,466
Revolving credit facility	10,089	-	-	-	-	-	10,089
Capital lease obligations	5,184	3,720	1,673	523	616	-	11,716
Operating leases	11,408	9,672	7,441	5,156	2,580	3,457	39,714
Total contractual obligations	$377,857	$18,990	$14,712	$5,679	$ 3,196	$ 3,457	$423,891

The obligation for interest expense includes $18,276 related to the settlement of accrued interest at December 31, 2009.

(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 Operating 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.

A statement of claim has been filed alleging breach of contract and negligence. NPH signed a letter of intent with a third party to acquire several businesses. The transaction was not completed. The claim is for $630 relating to third party costs relating to the transaction and $38,600 in damages. A statement of defence has been filed. Management is of the opinion that this claim is without merit.

A statement of claim has been filed by the controlling shareholder of the minority unitholder of a subsidiary business and their related companies for an amount $4,000 plus interest and costs relating to the acquisition of a company. In addition, damages of a further $900 are being claimed by the plaintiff who alleges that the subsidiary business is the rightful owner of this company. Management is assessing this claim but its current view is that the claim is without merit.

A statement of claim has been filed by a minority unitholder of a subsidiary business for damages of $10,000 alleging that the subsidiary business has breached its fiduciary obligations to the unitholder group. Management feels that the claim is without merit, and intends to vigorously defend itself.

A statement of claim has been filed by a former senior employee of a subsidiary business alleging wrongful dismissal. The claim is for an amount of $700 along with such damages as may be proven at trial. Management feels that the claim is without merit and has filed a counter claim of $2,300 including damages.

A statement of claim has been filed by a former employee of the Fund alleging breach of contract, wrongful dismissal, defamation, and intentional interference with economic relations. The claim is for an amount of $6,500. Management feels the claim is without merit, and will vigorously defend itself.

(d) Certain 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 $3,285 of letters of credit outstanding at December 31, 2009. 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. The letters of credit are collateralized and the balance is included in cash and cash equivalents held in trust (note 2).

22. 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 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.

(In thousands of dollars, except per unit amounts)

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 earnings 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.

Year ended December 31, 2009	Financial Services	Marketing	Industrial Services		Other	Corporate	Total
			NPC	Quantum Murray			
Revenue	$ 27,789	$ 88,400	$ 255,159	$ 142,366	$ 71,159	$ -	$ 584,873
Cost of revenue	9,882	56,148	206,798	115,203	50,454	-	438,485
	17,907	32,252	48,361	27,163	20,705	-	146,388
Expenses							
Selling, general and administrative	12,245	18,535	28,883	21,598	10,958	12,803	105,022
Amortization of intangible assets	7,545	7,052	5,291	3,127	7,353	-	30,368
Depreciation	317	1,485	5,964	4,716	728	119	13,329
	20,107	27,072	40,138	29,441	19,039	12,922	148,719
Income (loss) before the undernoted	(2,200)	5,180	8,223	(2,278)	1,666	(12,922)	(2,331)
Income (loss) from equity investment	46	(50)	-	-	1,110	-	1,106
Interest (income) expense	(121)	184	8,222	485	923	30,768	40,461
Write-down of goodwill and intangibles	11,938	1,274	17,573	1,067	7,554	3,567	42,973
Income tax expense- current	25	-	-	-	-	18	43
Income tax expense (recovery) – future	(5,441)	82	(2,112)	(2,252)	(1,633)	(2,676)	(14,032)
Income (loss) from continuing operations	$ (8,555)	$ 3,590	$ (15,460)	$ (1,578)	$ (4,068)	$ (44,599)	$ (70,670)
Add back:							
Interest (income) expenses	(121)	184	8,222	485	923	30,768	40,461
Depreciation and amortization	7,862	8,537	11,255	7,843	8,163	119	43,779
Amortization of Brompton intangible asset (i)	1,150	-	-	-	-	-	1,150
Income tax expense – current	25	-	-	-	-	18	43
Income tax expense (recovery) – future	(5,441)	82	(2,112)	(2,252)	(1,633)	(2,676)	(14,032)
EBITDA	$ (5,080)	$ 12,393	$ 1,905	$ 4,498	$ 3,385	$ (16,370)	$ 731
Goodwill acquired (ii)	-	2,337	-	-	-	4,610	6,947
Expenditures for property, plant and equipment	(20)	949	5,258	1,914	146	-	8,247
Total assets	96,684	71,056	91,371	85,634	66,140	68,439	479,324
Total goodwill	27,493	18,269	10,681	7,183	5,288	-	68,914

(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 financial services segment are included in the corporate segment (refer to note 5).

(In thousands of dollars, except per unit amounts)

Year ended December 31, 2008	Financial Services	Marketing	Industrial Services NPC	Industrial Services Quantum Murray	Other	Corporate	Total
Revenue	$ 34,368	$ 94,036	$ 294,963	$ 143,818	$ 85,534	$ -	$ 652,719
Cost of revenue	11,622	58,181	242,175	109,698	61,496	-	483,172
	22,746	35,855	52,788	34,120	24,038	-	169,547
Expenses							
Selling, general and administrative	10,079	20,642	30,841	26,231	13,238	6,808	107,839
Amortization of intangible assets	8,635	6,268	6,326	7,122	6,829	-	35,180
Depreciation	323	1,474	5,970	2,960	596	127	11,450
	19,037	28,384	43,137	36,313	20,663	6,935	154,469
Income (loss) before the undernoted	3,709	7,471	9,651	(2,193)	3,375	(6,935)	15,078
Income from equity investment	310	43	-	-	1,471	-	1,824
Other income	330	-	-	-	-	-	330
Interest (income) expense	(304)	309	9,118	336	1,486	30,021	40,966
Loss on dilution of ownership interest	-	-	-	-	-	845	845
Write-down of goodwill and intangibles	77,516	15,063	25,283	14,711	12,786	85,940	231,299
Impairment of long-term investment	29,000	-	-	-	-	-	29,000
Income tax expense- current	19	19	6	-	-	-	44
Income tax recovery– future	(9,092)	(2,518)	(1,151)	1,333	(1,607)	(628)	(13,663)
Loss from continuing operations	$ (92,790)	$ (5,359)	$ (23,605)	$ (18,573)	$ (7,819)	$ (123,113)	$ (271,259)
Add back:							
Interest (income) expenses	(304)	309	9,118	336	1,486	30,021	40,966
Depreciation and amortization	8,958	7,742	12,415	10,082	7,518	127	46,842
Amortization of Brompton intangible asset (i)	1,936	-	-	-	-	-	1,936
Income tax expense – current	19	19	6	-	-	-	44
Income tax recovery– future	(9,092)	(2,518)	(1,151)	1,333	(1,607)	(628)	(13,663)
EBITDA	$ (91,273)	$ 193	$ (3,217)	$ (6,822)	$ (422)	$ (93,593)	$ (195,134)
Goodwill acquired (ii)	-	-	-	-	1,090	-	1,090
Expenditures for property, plant and equipment	123	1,237	4,096	3,008	309	-	8,773
Total assets	190,552	78,917	147,211	78,349	84,334	39,679	619,042
Total goodwill	31,021	16,335	10,813	7,183	5,288	-	70,640

(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 financial services segment are included in the corporate segment (refer to note 5).

23. Capital management

The Fund's objective is to maintain access to diverse and cost-effective sources of capital with which to finance its operations, cash resources and investments made by it in the Operating Partnerships. The Fund also provides working capital advances to the Operating Partnerships.

As at December 31, 2008, the Fund was not in compliance with certain covenants under the senior credit facility. Subsequently, in July 2009, the Fund entered into a Forbearance Agreement with its Lenders. The terms of the Forbearance Agreement includes positive and negative covenants that can be categorized as externally imposed capital requirements, which the Fund was in compliance as at December 31, 2009.

As at December 31, 2009, total managed capital was $327,654 (2008 - $402,636) consisting of unitholders equity of $21,019 (2008 - $39,953), convertible debentures of $156,136 (2008 - $152,683) and long-term debt of $150,499 (2008 - $210,000).

For 2010 the Fund has set two priorities relating to capital management: restructure its balance sheet and reduce debt.

24. Non-monetary transactions

The receipt of consideration in the form of scrap materials was recorded as non-monetary transactions measured at fair value using active market prices. During the year ended December 31, 2009, $7,212 (2008 - $20,459) of scrap materials was received as consideration for demolition services provided and is recorded as revenue.

25. Comparative figures

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation in the December 31, 2009 annual consolidated financial statements.

26. Subsequent events

The unitholders of the Fund approved an Incentive Option Plan (the "Plan") on November 30, 2009. Pursuant to the Plan 7,100,590 units of the Fund have been listed and reserved for issuance upon the exercise of the stock options granted. On January 13, 2010, 7,000,000 options were granted to employees and directors at an exercise price of $0.403 per unit with options vesting in 2010 through to 2013.

On August 4, 2009, the minority limited partner Gemma delivered to NPH an offer letter to pursuant to the Shotgun Buy-Sell provision of the limited partnership agreement governing Gemma. NPH elected to accept the minority limited partner's offer to sell its 20% interest in Gemma. The transaction closed on January 4, 2010, at which time, the Fund paid $4,316 and its interest in Gemma increased to 100%. This transaction will be accounted for using the purchase method.

On February 19, 2010, the Fund announced that a Second Amendment to the Forbearance Agreement had been entered into with the Lenders. Under the terms of the Second Amendment, the requirement to repay $35,000 by February 28, 2010 has been amended to a requirement to pay $18,500. On February 18, 2010 the Fund paid $20,000 from cash on hand, which included a $1,500 rescheduling fee.