Consolidated Financial Statements of

NEWPORT PARTNERS INCOME FUND

Years ended December 31, 2010 and December 31, 2009

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.

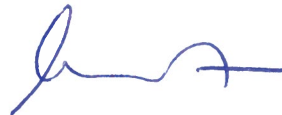
The Consolidated Financial Statements have been prepared by management in accordance with GAAP and include certain estimates that are based on management's best judgments. Actual results may differ from these estimates and judgments. Management has ensured that the Consolidated Financial Statements are 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 Trustees' 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 30, 2011

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Newport Partners Income Fund

We have audited the accompanying consolidated financial statements of Newport Partners Income Fund (the "Fund"), which comprise the consolidated balance sheets as at December 31, 2010 and 2009, and the consolidated statements of loss and comprehensive loss, unitholders' equity (deficit) and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Newport Partners Income Fund as at December 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada
30 March 2011

Ernst & Young LLP
Chartered Accountants
Licensed Public Accountants

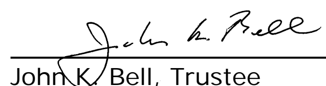
NEWPORT PARTNERS INCOME FUND
Consolidated Balance Sheets
December 31
(In thousands of dollars)

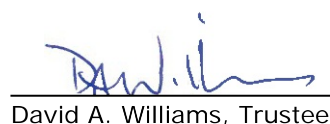
	2010	2009
Assets		
Current assets:		
Cash and cash equivalents	$ 27,739	$ 41,262
Cash and short-term investments held in trust (note 2)	18,767	20,142
Accounts receivable (note 2)	96,687	107,143
Inventories (note 3)	28,202	22,130
Prepaid expenses	3,583	2,377
Other current assets (notes 4 and 17)	9,683	14,059
Future tax asset (note 12)	-	2,472
Current assets of discontinued operations (note 5)	223	27,547
	184,884	237,132
Property, plant and equipment (note 6)	39,202	40,341
Long-term investments (note 7)	14,845	15,055
Goodwill (note 8)	31,413	46,986
Intangible assets (note 8)	76,551	64,770
Other assets (notes 4 and 17)	1,492	13,641
Future tax asset (note 12)	-	1,946
Long-lived assets of discontinued operations (note 5)	-	64,349
	$ 348,387	$ 484,220
Liabilities and Unitholders' Equity		
Current liabilities:		
Revolving credit facilities (note 10)	$ -	$ 10,089
Current portion of long-term debt (note 10)	-	150,499
Convertible debentures (note 13)	-	156,136
Accounts payable and accrued liabilities (note 2)	84,032	110,679
Deferred revenue	6,757	7,254
Current portion of obligations under capital leases (note 11)	4,534	4,516
Current liabilities of discontinued operations (note 5)	326	10,275
	95,649	449,448
Obligations under capital leases (note 11)	4,306	5,801
Long-term debt (note 10)	86,939	-
Revolving credit facilities (note 10)	10,089	-
Accrued interest on revolving credit facilities (note 13)	1,449	-
Long-term liabilities of discontinued operations (note 5)	-	7,952
Convertible debentures (note 13)	159,829	-
Accrued interest on convertible debentures (note 13)	23,870	-
Unitholders' (deficit) equity (note 14)	(33,744)	21,019
	$ 348,387	$ 484,220

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


David A. Williams, Trustee

NEWPORT PARTNERS INCOME FUND

Consolidated Statements of Loss and Comprehensive Loss
Years Ended December 31
(In thousands of dollars, except per unit amounts

		2010		2009
Revenues	$	467,769	$	504,913
Cost of revenues		357,373		385,096
		110,396		119,817
Expenses				
Selling, general and administrative		87,453		92,667
Amortization of intangible assets (note 8)		16,422		21,575
Depreciation		10,801		12,539
		114,676		126,781
Loss before the undernoted		(4,280)		(6,964)
Income from equity investments		2,483		1,160
Interest expense, net (note 2)		37,078		40,122
Loss on sale of investment		442		-
Write-down of goodwill and intangible assets (note 8)		19,023		41,699
Loss before income taxes		(58,340)		(87,625)
Income tax expense – current (note 12)		400		18
Income tax recovery – future (note 12)		(6,415)		(10,735)
Loss from continuing operations before non-controlling interest		(52,325)		(76,908)
Non-controlling interest relating to continuing operations		-		5,848
Loss from continuing operations		(52,325)		(71,060)
Income (loss) from discontinued operations before non-controlling interest		(3,823)		38,766
Non-controlling interest relating to discontinued operations		-		116
Income (loss) from discontinued operations (note 5)		(3,823)		38,882
Net loss and comprehensive loss	$	(56,148)	$	(32,178)
Income (loss) per unit (note 15)				
Basic and diluted:				
Continuing operations	$	(0.73)	$	(1.12)
Discontinued operations	$	(0.05)	$	0.61
Net loss	$	(0.78)	$	(0.51)

See accompanying notes to consolidated financial statements.

NEWPORT PARTNERS INCOME FUND

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

	Number of Units	Unitholders' Capital	Equity Component of Convertible Debenture	Deficit	Contributed Surplus	Total Unitholders' Equity (Deficit)
Balance – January 1, 2010	71,631,431	$ 414,884	$ 9,850	$ (406,075)	$ 2,360	$ 21,019
Net loss for the year	-	-	-	(56,148)	-	(56,148)
Stock-based compensation (note 16)	-	-	-	-	1,385	1,385
Balance – December 31, 2010	71,631,431	$ 414,884	$ 9,850	$ (462,223)	$ 3,745	$ (33,744)

	Number of Units	Unitholders' Capital	Equity Component of Convertible Debenture	Deficit	Contributed Surplus	Total Unitholders' Equity
Balance –January 1, 2009	46,540,730	$ 401,640	$ 9,850	$ (373,897)	$ 2,360	$ 39,953
Units of NPY exchanged	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)

	2010	2009
Cash provided by (used in):		
Operating activities:		
Net loss	$ (56,148)	$ (32,178)
Items not affecting cash:		
(Income) loss from discontinued operations before non-controlling interest (note 5)	3,823	(38,766)
Amortization of intangible assets	16,422	21,575
Depreciation	10,857	12,601
Future income tax recovery	(6,415)	(10,735)
Loss from equity investments, net of cash received	(480)	(283)
Loss on sale of investment	442	-
Non-cash interest expense	3,693	3,453
Stock based compensation expense (note 16)	1,385	-
Write-down of goodwill and intangible assets	19,023	41,699
Non-controlling interest	-	(5,964)
Changes in non-cash balances (note 20)	9,442	42,282
Distributions from discontinued operations	9,074	17,187
Cash provided by discontinued operations (note 5)	7,191	19,829
	18,309	70,700
Investing activities:		
Acquisition of businesses, net of cash acquired (notes 5 and 9)	(19,094)	(10,824)
Proceeds on disposal of business (note 5)	65,581	75,859
Purchase of property, plant and equipment	(3,303)	(7,760)
Purchase of software	(634)	-
Increase in other assets	(419)	-
Cash used in discontinued operations (note 5)	(737)	(607)
	41,394	56,668
Financing activities:		
Decrease in long-term debt	(63,560)	(59,501)
Increase in revolving credit facilities	-	16,150
Decrease in revolving credit facilities	-	(33,461)
Decrease (increase) in cash held in trust	1,375	(5,988)
Repayment of capital lease obligations	(4,587)	(5,885)
Cash used in discontinued operations (note 5)	(9,074)	(18,656)
	(75,846)	(107,341)
Increase (decrease) in cash and cash equivalents	(16,143)	20,027
Cash and cash equivalents, beginning of year - continuing operations	41,262	21,801
Cash and cash equivalents, beginning of year - discontinued operations	2,620	2,054
Cash and cash equivalents, end of year	27,739	43,882
Cash and cash equivalents, end of year - discontinued operations	-	2,620
Cash and cash equivalents, end of year - continuing operations	$ 27,739	$ 41,262
Supplemental cash flow information:		
Interest paid	$ 20,941	$ 20,214
Cash acquired upon acquisition	4	-
Supplemental disclosure of non-cash financing and investing activities:		
Acquisition of property, plant and equipment through capital leases	2,063	3,821

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 will be converted into a corporation, Newport Inc., on April 1, 2011, as later described in note 26(b).

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 Fund indirectly holds all of the A1 LP units of NPY.

1. Significant accounting policies

a) Basis of presentation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). 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. The consolidated financial statements of NPY include 100% of Newport Partners Holdings LP ("NPH") which includes wholly owned subsidiaries and investments in jointly controlled operations on a proportionate consolidation basis.

b) Principles of Consolidation

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

Under the proportionate consolidation method applied to jointly controlled operations, 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, 2010 for continuing operations. NPY invested in all Operating Partnerships indirectly together with their respective general partner.

Operating Partnership	Initial Investment	Dec 31, 2010 Ownership	Accounting Method	Business Description
Gemma Communications LP ("Gemma")	March 2005	100[1]	Consolidation	Integrated direct marketing company
NPC Integrity Energy Services LP ("NPC")	August 2005	100[1]	Consolidation	Provider of oil and gas maintenance, construction and wear technology services to both the conventional oil and gas industry and the oilsands
Hargraft Schofield LP ("Hargraft")	April 2006	100[1]	Consolidation	Speciality liability products insurance brokers
Morrison Williams Investment Management LP ("Morrison Williams")	August 2005	80	Proportionate consolidation	Institutional money manager
Quantum Murray LP ("Quantum Murray")	March 2006	64	Proportionate consolidation	National provider of demolition, remediation and scrap metal services
IC Group LP ("IC Group")	July 2006	80	Proportionate consolidation	Provider 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 used the following classifications:

Category	**Financial statement caption**
Held for trading	Cash and cash equivalents
Held-to-maturity investments	None owned
Loans and receivables	Accounts receivable and long-term note receivables
Available-for-sale financial assets	None owned
Other financial liabilities	Revolving credit facilities, accounts payable, long-term debt, convertible debentures and capital lease obligations (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 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, 2010 and 2009 there were no transactions recorded in comprehensive income (loss).

(iii) Effective interest method

Deferred financing charges are included in loan balances and are recognized in interest expense over the term of the related loan. The Fund uses the effective interest method to recognize deferred financing charges whereby the amount recognized varies over the term 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 or useful life
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

(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.

Some intangible assets are contained on a physical substance, such as a compact disc in the case of computer software. When the software is not an integral part of the related hardware, computer software is treated as an intangible asset.

Intangible assets with determinable lives are amortized using the following methods and rates based on the estimated useful life of the asset as follows:

Asset	Basis	Rate
Customer relationships/contracts	Straight-line	2 – 10 years
Computer software	Declining balance	40%

(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.

(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 container transportation service provider, and a distributor and manufacturer of heavy industrial equipment.

All other revenue is recognized when the service has been completed or the goods have been shipped. 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.

(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) Stock based compensation

The fair value of stock options granted is recognized on a grading vesting schedule on a straight-line basis over the applicable stock option vesting period as stock based compensation expense in the consolidation statements of loss and contributed surplus in the consolidated balance sheets. Upon the exercise of stock options, consideration received and the accumulated contributed surplus is credited to unitholder's capital.

(o) 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.

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

(p) 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.

(q) Non-controlling interest

Non-controlling interest represents the exchangeable units previously issued by NPY which were exchangeable for units of the Fund. 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, 2010 and 2009, the non-controlling interest was nil.

(r) 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.

2. Financial instruments

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

December 31	2010	2009
Financial assets		
Held-for-trading, measured at fair value:		
Cash and cash equivalents	$ 27,739	$ 41,262
Cash and cash equivalents held in trust	18,767	20,142
	46,506	61,404
Loans and receivables, measured at amortized cost:		
Accounts receivable	96,687	107,143
Advances to Operating Partners	2,846	24,016
Employee loans	1,869	3,470
	101,402	134,629
Financial liabilities, measured at amortized cost:		
Accounts payable and accrued liabilities	84,032	110,679
Capital lease obligations	8,840	10,317
Long-term debt	86,939	150,499
Revolving credit facilities	10,089	10,089
Accrued interest on revolving credit facilities	1,449	-
Convertible debentures	159,829	156,136
Accrued interest on convertible debentures	23,870	-
	$ 375,048	$ 437,720

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 $122,504 at December 31, 2010 (2009 - $68,231).

The Fund determines fair value of its financial instruments based on the following hierarchy:

- Level 1 – Where financial instruments are traded in active financial markets, fair value is determined by reference to the appropriate quoted market price at the reporting date. Active markets are those in which transactions occur in significant frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – If there is no active market, fair value is established using valuation techniques, including discounted cash flow models. The inputs to these models are taken from observable market data where possible, including recent arm's-length market transactions, and comparisons to the current fair value of similar instruments; but where this is not feasible, inputs such as liquidity risk, credit risk and volatility are used.
- Level 3 – Valuations in this level are those with inputs that are not based on observable market data.

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 no held-to-maturity and available-for sale financial instruments during the years ended December 31, 2010 and 2009.

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

(b) Net interest expense

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

December 31	2010	2009
Interest expense on debt [(i)]	$ 22,107	$ 26,008
Interest expense on convertible debentures [(ii)]	15,628	15,388
Interest expense on capital leases	615	1,069
Interest expense - other	938	454
	39,288	42,919
Less:		
Net interest income earned on advances to Operating Partners	(1,936)	(2,452)
Interest income earned on cash	(274)	(207)
Interest income earned on short-term investments held in trust	-	(138)
	$ 37,078	$ 40,122

(i) Included in interest expense on debt are $5,738 in amendment fees, $3,286 in swap breakage fees, and $2,952 in default interest (2009 - $118, $963, $533 respectively). See note 10

(ii) Interest expense on convertible debentures shown above includes non-cash accretion of the convertible debentures back to par and amortization of deferred financing charges of $3,693 (2009 - $3,453).

(c) Accounts receivable

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

December 31		2010		2009
Trade receivables	$	81,403	$	86,337
Allowance for doubtful accounts (note 18 (b))		(1,022)		(1,018)
Other		16,306		21,824
	$	96,687	$	107,143

3. Inventories

Inventories are comprised as follows:

December 31		2010		2009
Raw materials	$	3,873	$	4,609
Work in progress		10,136		6,141
Finished goods		4,705		865
Goods held for resale		8,994		9,769
Parts and supplies		494		746
	$	28,202	$	22,130

Work in progress includes contracts accounted for using the percentage of completion method of $10,967 in 2010 (2009 - $5,610).

Goods held for resale reflects inventory held at NPC and Titan.

Titan recorded an inventory write-down of $431 for the year ended December 31, 2010 (2009 - $276). Included in cost of revenues is the cost of inventories of $59,250 (2009 - $56,826).

4. Other assets

December 31		2010		2009
Advances to Operating Partners (note 17)	$	2,846	$	24,016
Other (note 17)		8,329		3,684
		11,175		27,700
Less current portion		9,683		14,059
	$	1,492	$	13,641

5. Discontinued operations

On December 23, 2010 the Fund sold its 100% investment in Newport Partners LP ("NP LP") and certain related assets to a group of principals of NP LP. The investment (including goodwill of $9,037) was sold for net proceeds of $15,000, resulting in an accounting loss of $3,454 (net of tax of $1,935). See note 17 related party transactions.

On December 1, 2010 the Fund sold its 67.13% interest in Capital C Communications LP ("Capital C"). Capital C includes two divisions, Capital C and Kenna. The investment (including goodwill of $11,971) was sold for net proceeds of $27,000, resulting in an accounting gain of $1,539 (net of tax of $1,816).

On August 19, 2010 the Fund sold its 90% interest in Peerless Garments LP ("Peerless"). The investment was sold for net proceeds of $20,381 resulting in an accounting loss of $3,396 (net of tax of $4,404).

On June 23, 2010, the Fund sold substantially all of the assets of its investment in Sports and Entertainment LP ("S&E"), for net cash proceeds of $271 plus a promissory note for $250.

On January 30, 2009, the minority limited partner of Elliot Special Risks LP ("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 for net proceeds of $74,614 and an accounting gain of $23,682 (net of tax of $7,626).

The following table shows the revenue and net income (loss) from discontinued operations of for the years ended December 31, 2010 and 2009.

December 31, 2010	NP LP	Capital C	Peerless	S&E	Total
Revenues	$ 11,886	$ 31,580	$ 20,506	$ 575	$ 64,547
Net income (loss)	(4,752)	4,069	(2,464)	(676)	(3,823)

December 31 2009	ESR	NP LP	Capital C	Peerless	S&E	Total
Revenues	$ 14,502	$ 11,198	$ 31,844	$ 32,263	$ 2,771	$ 92,578
Net income (loss)	32,408	1,570	3,250	2,807	(1,153)	38,882

The following table shows the assets and liabilities of discontinued operations as at December 31, 2010 and 2009.

December 31, 2010	S & E
Current assets of discontinued operations	223
Long-lived assets of discontinued operations	-
Current liabilities of discontinued operations	326
Long-term liabilities of discontinued operations	-
Net assets of discontinued operations	(103)

December 31, 2009	NP LP	Capital C	Peerless	S & E	Total
Current assets of discontinued operations	3,542	9,897	12,894	1,214	27,547
Long-lived assets of discontinued operations	19,396	24,636	19,747	570	64,349
Current liabilities of discontinued operations	1,801	5,741	2,119	614	10,275
Long-term liabilities of discontinued operations	1,851	2,414	3,687	-	7,952
Net assets of discontinued operations	19,286	26,378	26,835	1,170	73,669

6. Property, plant and equipment

December 31, 2010		Cost		Accumulated Depreciation		Net Book Value
Equipment under capital lease	$	19,894	$	11,059	$	8,835
Furniture and equipment		12,456		4,199		8,257
Computer hardware and software		4,980		3,434		1,546
Automotive and heavy equipment		30,467		17,321		13,146
Land and buildings		5,420		1,559		3,861
Leasehold improvements		6,552		2,995		3,557
	$	79,769	$	40,567	$	39,202

December 31, 2009		Cost		Accumulated Depreciation		Net Book Value
Equipment under capital lease	$	18,796	$	8,330	$	10,466
Furniture and equipment		12,360		3,003		9,357
Computer hardware and software		5,941		3,440		2,501
Automotive and heavy equipment		22,938		11,358		11,580
Land and buildings		4,102		983		3,119
Leasehold improvements		5,492		2,174		3,318
	$	69,629	$	29,288	$	40,341

7. Long-term investments

December 31		2010		2009
Investments in:				
Brompton	$	7,251	$	7,498
Rlogistics		7,239		7,239
Other		355		318
	$	14,845	$	15,055

The amortization of the intangible assets included as part of the cost of investment of Brompton Funds LP ("Brompton") was $1,150 (2009- $1,150). The unamortized balance of such intangible assets at December 31, 2010 was $3,499 (2009 - $4,599).

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

Write-downs of goodwill and customer relationships recorded by the Fund during the year ended December 31, 2010 were as follows:

Investment	Goodwill	Customer Relationships	Total
NPC (Skystone)	-	1,779	1,779
Morrison Williams	17,244	-	17,244
	17,244	1,779	19,023

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
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
	3,218	22,516	12,398	38,132
NPY	3,567	-	-	3,567
	$ 6,785	$ 22,516	$ 12,398	$ 41,699

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. The Fund completed its annual impairment test in the fourth quarter of 2010. The Fund determined that the fair value of its investment in Morrison Williams was lower than the carrying value, and as a result the Fund recorded a goodwill impairment charge of $17,244. 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.

For the year ended December 31, 2009, the Fund recorded a goodwill impairment charge of $3,218 relating to its investments. Additional goodwill in NPY of $3,567, arising from step acquisitions on unit exchanges was written-off.

December 31	2010	2009
January 1	$ 46,986	$ 48,341
Net increase in investments	1,671	1,863
Increase relating to step acquisitions of NPY through unit exchanges	-	3,567
Write-downs	(17,244)	(6,785)
Goodwill	$ 31,413	$ 46,986

Intangible assets

During the review of its carrying value of its investments, the Fund also performed an impairment test of its intangible assets, whereby the carrying amount of intangible assets was compared to the discounted future cash flows expected from their use. Impairment tests involve a significant degree of judgement, as expectations concerning future cash flows and the selection of an appropriate discount rate are subject to considerable risks and uncertainties. The Fund completed its annual impairment test in the fourth quarter of 2010. The Fund determined that the fair value of certain investments was lower than the carrying value, and as a result the Fund reduced the carrying value of intangible assets by $1,779 with respect to customer relationships.

For the year ended December 31, 2009, the Fund reduced the carrying value of intangible assets by $22,516 with respect to customer relationships and $12,398 with respect to brands.

December 31	2010	2009
January 1	$ 64,770	$ 122,047
Net increase (decrease) in investments	29,982	(788)
Amortization	(16,422)	(21,575)
Write-downs	(1,779)	(34,914)
Intangible Assets	$ 76,551	$ 64,770

Intangible assets as at December 31, 2010 and 2009 are as follows:

December 31, 2010	Cost	Accumulated Amortization	Net Book Value
Definite life intangible assets:			
Customer relationships/contracts	$ 131,002	$ 74,883	$ 56,119
Computer software	919	332	587
Indefinite life intangible assets:			
Brands	19,845	-	19,845
	$ 151,766	$ 75,215	$ 76,551

December 31, 2009	Cost	Accumulated Amortization	Net Book Value
Definite life intangible assets:			
Customer relationships/contracts	$ 82,864	$ 35,449	$ 47,415
Indefinite life intangible assets:			
Brands	17,355	-	17,355
	$ 100,219	$ 35,449	$ 64,770

The above intangible assets reflect management's best estimates of intangible assets 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 during 2010 or 2009.

9. Business combinations

(i) The following investments made by the Fund during the year ended December 31, 2010 were accounted for using the purchase method, and the results of the operations have been included in the Fund's consolidated financial statements since the date of investment.

On December 20, 2010 the Fund paid $14,488 to acquire the remaining 20% interest in NPC. The Fund now owns 100% of NPC.

On August 4, 2009, the minority limited partner of Gemma delivered to Newport Partners Holdings LP ("NPH") an offer letter 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 buy-sell transaction closed on January 4, 2010, at which time, the Fund paid $4,285 and its interest in Gemma increased to 100%.

The estimated fair values of the assets acquired and liabilities assumed for this interest were as follows:

	NPC	Gemma
Assets acquired:		
Current assets (net of cash of $4)	$ 14,636	$ 830
Property, plant and equipment	4,973	293
Goodwill	208	1,804
Intangible assets	26,391	2,700
	46,208	5,627
Liabilities assumed:		
Current liabilities	24,776	544
Long-term liabilities	251	56
Future tax liability	6,412	702
	$ 31,439	$ 1,302
Net assets acquired:		
Consideration		
Cash	14,488	4,285
Transaction costs	281	40
	14,769	4,325

Final fair value estimates relating to the NPC acquisition are not complete and therefore the purchase price allocation is preliminary and subject to adjustment. Upon finalization of the purchase price allocation related to the Gemma acquisition, $1,037 was reclassed from customer relationships to goodwill.

For the year ended December 31, 2009

(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 are as follows:

		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%. 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 was 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.

10. Credit facilities and long-term debt

(i) Background

As at December 31, 2008, the Fund through its subsidiary Newport Finance Corporation ("NFC") was not in compliance with certain covenants under its senior credit agreement with a syndicate of lenders ("Lenders")

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.

During the period July 21, 2009 to December 21, 2010 there were four amendments and extensions to the forbearance agreement. During this same period the Fund repaid $155,158 in principal and $13,590 in fees and default interest as detailed below:

	Jan 1 – Dec 31 2010	July 21 – Dec 31 2009
Principal repayments	$63,560	$91,598
Amendment fees	5,738	118
Swap breakage fees	3,286	963
Default interest	2,952	533

In addition the Fund paid $6,888 in October 2009 to cash collateralize letters of credit of which $3,296 expired in 2010 and the cash was returned to the Fund.

In conjunction with the signing of the forbearance agreement, NPH, a subsidiary of the Fund, arranged for a $20,000 subordinated revolving facility from an affiliate (the "Subordinated Revolving Credit Facility") in order to provide sufficient working capital. The facility bears interest at 10% per annum and repayments of principal and interest could be made after full repayment to the senior lender. As at December 31, 2010, the Fund had drawn $10,089 on this facility. Interest expense accrued on this facility at December 31, 2010 was $1,449 (2009 - $449). [See note 13]

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 interest payments on its unsecured 7.5% subordinated convertible debentures due December 31, 2010 and on its unsecured subordinated 7.0% convertible debentures due December 31, 2012 (together, "Debentures"). The failure to make interest payments constituted an event of default under the terms of the trust indentures.

(ii) Refinancing

On November 30, 2010 the Fund announced it had entered into support agreements ("Support Agreements") for comprehensive senior debt and Debenture refinancing. These Support Agreements, between Marret Asset Management ("Marret"), K2 Associates Investment Management Inc. ("K2") and the Fund, secured the support of Marret and K2 for (i) the assignment to Marret and amendment of NFC's senior secured credit facility and (ii) an exchange transaction pursuant to which the terms of the indentures for the Fund's Debentures will be amended to provide for the mandatory exchange of the Debentures and the related unpaid accrued interest for newly created second lien notes and subordinated unsecured notes of the Fund, respectively (see note 13).

On December 20, 2010 the Fund announced the successful assignment of senior debt financing to Marret, on behalf of various funds under management ("Marret Lenders"). In connection with the assignment, the Marret Lenders received an assignment of all of the rights and obligations of the Lenders under the senior credit facility, including under the current forbearance agreement and the related forbearance period, which the Marret Lenders agreed to extend until December 31, 2011, unless amendments curing existing events of default are entered into prior to that date. Marret, as agent and on behalf of the Marret Lenders, also at the same time entered into an amended and restated credit agreement with NFC and certain of its affiliates, providing improved borrowing terms to the Newport group of companies, as well as an amended and restated forbearance agreement. The Fund has provided security over all of its assets. In addition, the operating partnerships have guaranteed the obligations of NFC by a general security agreement on the present and future property of the limited partnerships.

The key terms under the assignment are as follows: the principal amount of advances were not to exceed $112,000, the interest rate is 9.5% per annum but may be adjusted downward based on the Total Leverage Ratio, mandatory prepayments of 100% of all net proceeds on any asset sale and 75% of excess cash flow from operations. The forbearance agreement was extended to December 31, 2011. A consent fee of $1,000 was paid to Marret on the completion of the assignment.

On March 23, 2011 the Fund, through NFC, entered into a second amended restated credit agreement with the Marret Lenders, at which time the amended and restated forbearance agreement was cancelled. (See subsequent event note 26). The key terms of the second amended restated credit agreement are as follows: mandatory repayment of 100% of the net proceeds on sale of investments, repayments based on 75% of excess cash flow beginning in the final quarter of 2011, maturity date of December 20, 2013, annual covenants for 2011 and 2012 requiring a minimum EBITDA, senior debt ratio and fixed charge ratios, and similar quarterly covenants through 2013. In addition, the agreement provides for an additional $10,000 advance available for working capital purposes and $5,000 advance available for acquisitions.

11. Obligations under capital leases

Capital lease obligations relate to vehicles and heavy equipment. The leases bear interest at rates from 0% to 18% (2009 – 0% to 11.9%) per annum and are secured by specific assets. The Fund's proportionate interest in future minimum payments are as follows:

December 31	2010	2009
2011	$ 4,916	$ 5,107
2012	2,421	3,644
2013	1,196	1,618
2014	902	523
2015	150	616
Total minimum lease payments	9,585	11,508
Less amount representing interest (at rates ranging from 0% to 28%)	745	1,191
Present value of net minimum capital lease payments	8,840	10,317
Less current portion of obligations under capital leases	4,534	4,516
	$ 4,306	$ 5,801

Interest of $615 for the year December, 31, 2010 (2009 - $1,069) 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. 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 substantively enacted in March 2009.

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.

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

December 31	2010	2009
Income tax recovery at statutory rates	$ (18,085)	$ (27,164)
Permanent differences	8,032	5,173
Future taxes as a result of units exchanged	-	4,869
Change in valuation allowance	471	
Change in tax rates	1,153	239
Other	2,414	6,166
	(6,015)	(10,717)
Income tax expense- current	400	18
Income tax recovery - future	(6,415)	(10,735)
	$ (6,015)	$ (10,717)

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

December 31	2010	2009
Future tax asset (liability):		
Intangible assets	$ (4,917)	$ (682)
Fixed assets	(790)	(1,608)
Other	6,178	6,708
Total future tax asset	471	4,418
Valuation allowance	(471)	-
Current future tax asset	-	2,472
	$ -	$ 1,946

Due to uncertainty related to the future use of the net future tax asset of $471 as at December 31, 2010 in connection with net operating loss carry forward, a full valuation allowance was applied.

The Fund has approximately $20,497 of capital losses that have not been recognized as of December 31, 2010 due to the uncertainty of benefitting from capital losses in the future. There is no expiry of capital losses.

See note 26 (d) regarding the Fund's conversion to a Corporation.

13. Convertible debentures

On June 30, 2009, the Fund was contractually prohibited from paying interest due on the Debentures. The Fund continues to be prohibited from paying interest on the Debentures during the forbearance period (refer to note 10). The failure to make the interest payment constitutes an event of default under the terms of the trust indenture of the Debentures. On November 30, 2010 the Fund announced it had entered into a support agreement for comprehensive senior debt and debenture refinancing.

The Fund has completed two offerings of convertible debentures since inception. Each convertible debenture could previously have been converted into units of the Fund at the option of the holder at any time prior to maturity at a stated conversion price. The convertible debentures are classified as debt, net of the fair value of the conversion feature and net of deferred financing charges. The fair value of the conversion feature has been classified as unitholders' equity. Issue costs are amortized over the term of the convertible debentures, and the debt portion will accrete up to the principal balance at maturity. 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	7.50%	7.00%
Net proceeds (after issue and related costs)	81,298	75,994
Conversion price	9.5	6.9
Maturity	December 31, 2010	December 31, 2012
Equity component	669	9,186

[1] Includes the over-allotment option exercised on August 8, 2007.

	December 12, 2005 Issue	July 12, 2007 Issue	Total
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
Accretion	143	1,911	2,054
Deferred finance charges	802	837	1,639
Balance December 31, 2010	$ 84,499	$ 75,330	$ 159,829

On February 28, 2011, the Fund issued a management information circular to debenture holders which provided details of the proposed exchange of the Debentures (the "Exchange'). Under the proposed Exchange, the existing Debentures will be mandatorily exchanged for second lien notes (the "Secured Debentures") and the unpaid accrued interest on the Debentures would be exchanged for unsecured subordinated notes (the "Unsecured Debentures"). On March 18, 2011 the serial meetings of the debenture holders were held and at each meeting the debenture holders voted in favour of the exchange transaction. As a result, the Secured Debentures and the Unsecured Debentures ("the New Debentures") were issued on March 23, 2011 pursuant to a new indenture.

The aggregate principal amount of the Secured Debentures will be approximately $176,229 which satisfies the principal amount of the Debentures and principal amount and interest outstanding on the Subordinated Revolving Credit Facility on March 23, 2011 (which at December 31, 2010 was $176,004). The maturity date of the Secured Debentures will be March 23, 2016 (the "Secured Debenture Maturity Date). The interest rate will be 8% per annum, payable semi-annually in arrears on June 30 and December 31 in each year until the Secured Debenture Maturity Date. The Fund has the option to repurchase any or all Secured Debentures outstanding at any time. The Fund also has the right to redeem in cash any or all Secured Debentures outstanding at any time in its sole discretion without bonus or penalty, provided all accrued interest is paid at redemption. The Fund is also obligated to redeem a portion of the Secured Debentures prior to the Secured Debenture Maturity Date in certain circumstances based on proceeds from specified dispositions, proceeds from the issuance of equity instruments or based on excess operating cash flow as defined. The Fund is unable to estimate any amounts repayable in 2011 in connection with this mandatory redemption provision. The Secured Debentures will have a security interest in substantially all of the Funds assets which is subordinated to similar security interests granted in connection with the Replacement Senior Credit Facility or certain debt incurred in the future by the Fund's subsidiaries. The Secured Debentures were listed on the Toronto Stock Exchange ("TSX") on the date of closing of March 23, 2011.

The aggregate principal amount of the Unsecured Debentures is equal to the accrued and unpaid interest on the Debentures at March 23, 2011 of $26,552 (which at December 31, 2010 was $23,870). The maturity date is March 23, 2014 (the "Unsecured Debenture Maturity Date"). Interest will accrue on the principal amount of the Unsecured Debentures at a non-compounding rate of 3.624% per annum, payable in cash at the Unsecured Debenture Maturity Date. The Fund will repay the principal amount of the Unsecured Debentures on the Unsecured Debenture Maturity Date either in cash or by delivering common shares of Newport Inc. at a conversion price of $0.2254 per common share. The total number of common shares to be issued on the repayment of the Unsecured Debentures is capped at 10% of the outstanding common shares of Newport Inc. on the repayment date. The Unsecured Debentures were listed on the TSX on the closing date of March 23, 2011.

For accounting purposes, the Exchange transactions will be accounted for as extinguishments of the Debentures, the Subordinated Revolving Credit Facility and the related accrued interest payable. The Secured Debentures and Unsecured Debentures will be initially recorded at their estimated fair value. All costs incurred in connection with the issuance of the New Debentures will be expensed as a reduction of this gain on extinguishment. The Secured Debenture and Unsecured Debenture liability will be accreted up to its principal amount over the period to the respective Maturity Dates using the effective interest method.

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.

On January 20, 2009, the Fund received approval from the TSX for a Normal Course Issuer Bid ("NCIB") to purchase for cancellation through the facilities of the TSX, up to 2,327,194 units through to January 22, 2010, representing 5% of its then-issued and outstanding units. No units have been purchased in 2010 or 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 October 8, 2008, the Fund announced that it was suspending payments of its distribution. The Fund's forbearance agreement with its Lenders prohibits the Fund from making distributions on its units during the forbearance period.

15. Loss per unit

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

Year ended December 31		2010		2009
Numerator:				
Loss from continuing operations	$	(52,325)	$	(71,060)
Income (loss) from discontinued operations		(3,823)		38,882
Net loss		(56,148)		(32,178)
Denominator:				
Weighted average number of units outstanding		71,631,431		63,359,738
Basic and diluted				
Income (loss) per unit (basic and diluted)				
Continuing operations	$	(0.73)	$	(1.12)
Discontinued operations		(0.05)		0.61
Net loss	$	(0.78)	$	(0.51)

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

16. Stock based compensation

On November 30, 2009 the unitholders of the Fund approved an Incentive Option Plan (the "Plan"). Pursuant to the Plan, 7,100,590 units of the Fund were listed and reserved for issuance upon the exercise of the stock options granted. On January 13, 2010, and December 14, 2010, 7,000,000 and 50,000 options respectively were granted to employees and directors at an exercise price of $0.403 per unit with options vesting in 2010 through to 2013. All option grants have a term of five years from the date of grant and generally vest over three years. As at December 31, 2010, 3,225,000 units were exercisable. No options were forfeited, exercised or expired during the year ended December 31, 2010.

The Fund estimates stock-based compensation expense at the grant date based on the fair value of the options as calculated by the Black-Scholes fair value option-pricing model. This fair value model requires various judgmental assumptions including volatility and expected life of the options. The resulting fair value is charged to compensation expense over the vesting period of the options. The following assumptions were used in arriving at the fair value of $1,793 for options granted on January 13, 2010:

	2010
Risk free interest rate	1.63%
Expected volatility	141%
Expected weighted average life of options	2.42 years
Expected dividend yield	0%

The Fund recorded stock-based compensation expense for the year ended December 31, 2010 of $1,385 for options granted on January 13, 2010. See subsequent event (note 26) regarding additional options granted under the management incentive option plan.

17. Related party transactions

Employee loans, net of provisions, made to employees of the Fund included in other assets are outstanding in the amount of $1,869 (2009 – $3,470). 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 collateralized by units and in certain cases personal guarantees.

Included in Other Assets are advances of $2,846 (2009 – $24,016) 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. Interest income on the advances is $1,936 (2009 - $2,452).

Selling, general and administrative expenses includes $3,379 of rent expense paid to related parties of Quantum Murray, Gusgo and NPC (2009 - $2,803).

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.

On December 23, 2010 the Fund sold its 100% investment in NP LP to a group of principals of NP LP who are also board members of Newport Partners GP Inc. The transaction was recorded at the exchange amount.

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 37% of consolidated revenue for the Fund (2009 – 26%). NPC's customers are primarily multinational oil and gas and construction companies all of which have strong creditworthiness.

Revenues from the top three customers represent 66% of NPC's total revenues for the year ended December 31, 2010 and 34% of the accounts receivable balance at December 31, 2010 is due from these customers (2009 – 64% of revenues and 82% of accounts receivable).

Revenues from its top three customers represent 17% of Quantum Murray's total revenues for the year ended December 31, 2010 and 7% of the accounts receivable balance at December 31, 2010 is due from these customers (2009 – 74% of revenues and 82% of accounts receivable).

Revenues from its top three customers represent 9% of Titan's total revenues for the year ended December 31, 2010 and 7% of the accounts receivable balance at December 31, 2010 is due from these customers (2009 – 10% of revenues and 7% of accounts receivable).

On a consolidated basis, the aforementioned customers of NPC, Quantum Murray and Titan represent 41% of the Fund's revenues for the year ended December 31, 2010 and 16% of the Fund's accounts receivable balance at December 31, 2010 (2009 – 35% of revenues and 30% of accounts receivable).

The Fund establishes an allowance for doubtful accounts that represents its estimate of expected 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, 2010, the allowance for doubtful accounts was $1,022 (2009- $1,018). The changes in the allowance during the year were as follows:

	2010	2009
Allowance, January 1	$ 1,018	$ 1,876
Impairment of receivables	424	1,779
Receivables written-off as uncollectible	(420)	(2,637)
Allowance, December 31	$ 1,022	$ 1,018

Trade receivables over 90 days that are past due were:

December 31, 2010	>90 Days	>120 Days
Gross trade accounts receivable [1]	$ 3,470	$ 368
Allowance at end of year	290	-
	3,180	368
December 31, 2009		
Gross trade accounts receivable	639	901
Allowance at end of year	-	407
	639	494

1 As of March 15, 2011 $3,224 of the total balance had been collected.

(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.

The original maturity dates for long-term debt were in 2011 and 2012, and 2010 and 2012 for the convertible debentures. Both the debt and convertible debentures were reclassified as current in 2009 (refer to notes 10 and 13). The capital lease obligations expire primarily in the years 2011 to 2015.

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 sales and 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, 2010 and December 31, 2009, the Fund's consolidated financial statements included the Canadian equivalent of the following U.S. dollar denominated balances:

December 31	2010	2009
Accounts receivable	$ 3,261	$ 3,436
Accounts payable and accrued liabilities	(2,743)	(1,649)
	$ 518	$ 1,787

19. Interests in jointly controlled entities

At December 31, 2010, the Fund holds a 92% interest in Titan, 80% interests in Morrison Williams, Gusgo, Armstrong and IC Group, a 78% interest in BMI, and a 64% interest in Quantum Murray. During 2010, the Fund increased its 80% interests in NPC and Gemma to 100% and the comparative 2009 information and 2010 operating results include these 80% interests to the date of the step acquisitions. The consolidated financial statements include the Fund's proportionate share of the revenue, expenses, assets and liabilities of the jointly controlled entities described in note 1 as follows:

December 31	2010	2009
Current assets	$ 78,967	$ 140,946
Property, plant and equipment	12,580	39,371
Long-term investments	7,594	7,559
Goodwill and intangible assets	23,923	40,704
Other assets	1,489	646
	$ 124,553	$ 229,226
Current liabilities	75,191	202,056
Long-term obligations	2,300	1,153
	$ 77,491	$ 203,209

Year ended December 31	2010	2009
Revenue	$ 436,814	$ 502,634
Expenses	435,421	506,894
Net income (loss)	$ 1,393	$ (4,260)
Cash provided by (used in):		
Operating activities	$ 7,418	$ 27,435
Financing activities	(11,244)	(28,125)
Investing activities	(1,491)	8,982
	$ (5,317)	$ 8,292

20. Changes in non-cash balances

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

December 31	2010	2009
Accounts receivable	$ 22,276	$ 17,825
Inventories	(4,454)	2,462
Prepaid expenses	(894)	175
Other current assets	16,883	8,836
Accounts payable and accrued liabilities	(36,806)	917
Deferred revenue	(498)	(317)
Interest on revolving credit facility and convertible debentures	12,935	12,384
	$ 9,442	$ 42,282

21. Commitments and other contingencies

(a) The Fund is committed to payments under operating leases for equipment and office premises through 2018 in the total amount of approximately $36,632. The minimum annual payments, exclusive of operating costs under these lease arrangements, are as follows:

2011	$ 11,891
2012	8,607
2013	5,956
2014	3,820
2015	2,610
Thereafter	3,748
	$ 36,632

The Fund's contractual obligations for the years 2011 to 2015, and thereafter are as follows:

	2011	2012	2013	2014	2015	Thereafter	Total
Interest expense	$ 24,028	$ 23,320	$ 23,320	$ 14,314	$ 14,098	$ 3,167	$102,247
Senior loan [1]	-	-	86,939	-	-	-	86,939
Secured debentures [2]	-	-	-	-	-	176,229	176,229
Unsecured debentures [2]	-	-	-	26,552	-	-	26,552
Capital lease obligations	4,916	2,421	1,196	902	150	-	9,585
Operating leases	11,891	8,607	5,956	3,820	2,610	3,748	36,632
Total contractual obligations	$ 40,835	$ 34,348	$117,411	$ 45,588	$ 16,858	$183,144	$438,184

[1] See note 10
[2] Balance reflects the maturity face value of convertible debentures. See note 13.

The obligation for interest expense includes $1,274 related to the settlement of accrued interest at December 31, 2010 (2009 - $18,276).

(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 in the Court of Queen's Bench Alberta alleging breach of contract and negligence. NP Holdings LP 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. The claim is being defended and management is of the opinion that the claim is without merit.

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. The claim is being defended and management is of the opinion that the claim is without merit.

A statement of claim has been filed by a purchaser of the assets of a Subsidiary of the Fund in connection with the calculation of income as related to a promissory note forming part of a transaction. The claim is being defended and management feels the claim is without merit.

(d) Certain acquisitions involved various corporate structuring steps to complete the transactions in the 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 $3,411 of letters of credit outstanding at December 31, 2010. The letters of credit are predominantly to secure cash management services provided by Royal Bank of Canada and as a performance guarantee in certain operating partnerships. 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, and insurance brokerage services. The marketing segment represents the investment in a fully integrated marketing agency providing in-store promotional marketing, digital and social media marketing solutions, an outsourced contact centre operator providing outbound revenue generation and inbound customer care services and a provider of on-line promotional and loyalty programs and select insurance products. 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 a provider of demolition contract service and site remediation services. The other segment incorporates a distributor and manufacturer of heavy equipment, a container transportation business and a liquidation retailer. The corporate segment represents head office administrative and financing costs incurred by the Partnership.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies in note 1. The Fund utilizes 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, 2010	Financial Services	Marketing	Industrial Services		Other	Corporate	Total
			NPC	Quantum Murray			
Revenue	$ 13,483	$ 52,189	$ 258,949	$ 100,884	$ 42,264	$ -	$ 467,769
Cost of revenue	1,297	35,313	214,579	77,600	28,584	-	357,373
	12,186	16,876	44,370	23,284	13,680	-	110,396
Expenses							
Selling, general and administrative	9,206	12,120	23,387	20,803	9,394	12,543	87,453
Amortization of intangible assets	4,058	5,021	2,813	3,127	1,316	87	16,422
Depreciation	83	898	5,431	3,857	532	-	10,801
	13,347	18,039	31,631	27,787	11,242	12,630	114,676
Income (loss) before the undernoted	(1,161)	(1,163)	12,739	(4,503)	2,438	(12,630)	(4,280)
Income from equity investment	1,417	35	-	-	1,031	-	2,483
Interest (income) expense	(95)	129	7,591	298	612	28,543	37,078
Loss on sale of investment	-	-	442	-	-	-	442
Write-down of goodwill and intangibles	17,244	-	1,779	-	-	-	19,023
Income tax expense - current	-	-	49	-	-	351	400
Income tax expense (recovery) – future	(2,145)	(2,206)	(761)	1,652	(271)	(2,684)	(6,415)
Income (loss) from continuing operations	$ (14,748)	$ 949	$ 3,639	$ (6,453)	$ 3,128	$ (38,840)	$ (52,325)
Add back:							
Interest (income) expenses	(95)	129	7,591	298	612	28,543	37,078
Depreciation and amortization[(iii)]	4,141	5,919	8,244	6,984	1,904	87	27,279
Amortization of Brompton intangible asset [(i)]	1,150						1,150
Income tax expense – current	-	-	49	-	-	351	400
Income tax expense (recovery) – future	(2,145)	(2,206)	(761)	1,652	(271)	(2,684)	(6,415)
EBITDA	$ (11,697)	$ 4,791	$ 18,762	$ 2,481	$ 5,373	$ (12,543)	$ 7,167
Goodwill acquired [(ii)]	-	1,804	208	-	-	-	2,012
Expenditures for property, plant and equipment	74	375	1,339	1,423	92	-	3,303
Total assets	52,589	33,349	120,879	64,899	34,250	42,421	348,387
Total goodwill	1,212	8,102	10,888	7,183	4,028	-	31,413

(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 and marketing segments are included in the corporate segment (refer to note 5).

(iii) Depreciation of $56 relating to production equipment has been included in cost of revenue.

Year ended December 31, 2009	Financial Services	Marketing	Industrial Services		Other	Corporate	Total
			NPC	Quantum Murray			
Revenue	$ 16,591	$ 51,901	$ 255,159	$ 142,366	$ 38,896	$ -	$ 504,913
Cost of revenue	3,342	33,470	206,798	115,203	26,283	-	385,096
	13,249	18,431	48,361	27,163	12,613	-	119,817
Expenses							
Selling, general and administrative	9,115	10,789	28,883	21,598	9,479	12,803	92,667
Amortization of intangible assets	5,558	4,717	5,291	3,127	2,882	-	21,575
Depreciation	126	910	5,964	4,716	704	119	12,539
	14,799	16,416	40,138	29,441	13,065	12,922	126,781
Income (loss) before the undernoted	(1,550)	2,015	8,223	(2,278)	(452)	(12,922)	(6,964)
Income (loss) from equity investment	46	4	-	-	1,110	-	1,160
Interest (income) expense	(113)	68	8,222	485	692	30,768	40,122
Write-down of goodwill and intangibles	11,938	-	17,573	1,067	7,554	3,567	41,699
Income tax expense - current	-	-	-	-	-	18	18
Income tax expense (recovery) – future	(3,137)	218	(2,112)	(2,252)	(776)	(2,676)	(10,735)
Income (loss) from continuing operations	$ (10,192)	$ 1,733	$ (15,460)	$ (1,578)	$ (6,812)	$ (44,599)	$ (76,908)
Add back:							
Interest (income) expenses	(113)	68	8,222	485	692	30,768	40,122
Depreciation and amortization (iii)	5,684	5,627	11,255	7,843	3,648	119	34,176
Amortization of Brompton intangible asset (i)	1,150	-	-	-	-	-	1,150
Income tax expense – current	-	-	-	-	-	18	18
Income tax expense (recovery) – future	(3,137)	218	(2,112)	(2,252)	(776)	(2,676)	(10,735)
EBITDA	$ (6,608)	$ 7,646	$ 1,905	$ 4,498	$ (3,248)	$ (16,370)	$ (12,177)
Goodwill acquired (ii)	-	2,337	-	-	-	4,610	6,947
Expenditures for property, plant and equipment	(44)	515	5,247	1,914	128	-	7,760
Total assets	94,543	68,878	93,045	87,761	66,082	73,911	484,220
Total goodwill	18,456	6,298	10,681	7,183	4,368	-	46,986

(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 and marketing segments are included in the corporate segment (refer to note 5).

(iii) Depreciation of $62 relating to production equipment has been included in cost of revenue.

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, 2010.

As at December 31, 2010, total managed capital was $213,024 (2009 - $327,654) consisting of unitholders' deficit of $33,744 (2009 – unitholders' equity of $21,019), convertible debentures of $159,829 (2009 - $156,136) and long-term debt of $86,939 (2009 - $150,499).

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, 2010, $5,223 (2009 - $7,212) 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, 2010 annual consolidated financial statements.

26. Subsequent events

(a) Acquisitions

On February 10, 2011 the Fund announced that NPC acquired the remaining units of Golosky Holdings LP and Clearwater Holdings LP that it did not own. As a result of the transaction NPC now owns 100% of the oil sands division. NPC paid $19,766 in cash for the additional 20% investment.

(b) Debenture Restructuring

On March 18, 2011 a meeting of the debenture holders of the Fund was held to approve the restructuring of the convertible debentures and the Subordinated Revolving Credit Facility.

(c) Amended Senior Credit Facility

On March 23, 2011 The Fund entered into a new senior debt agreement with the Marret Lenders, under the terms of this Agreement, the Fund will exit the Forbearance Period. See note 10.

(d) Conversion to a Corporation

On March 25, 2011 a special meeting of the unitholders of the Fund was held to approve the conversion of the Fund to a corporation pursuant to a plan of arrangement ("Arrangement") under the Business Corporations Act. The unitholders of the Fund approved the Arrangement which will result in the reorganization of the Fund's income trust structure into a public corporation to be named Newport Inc. and the holders of Fund units will become shareholders of Newport Inc. The anticipated date of conversion is April 1, 2011.

(e) Incentive Plan

At the March 25, 2011 unitholder meeting a resolution was approved to amend the Fund's existing Incentive Option Plan ("IOP"). The amendment permitted the adoption of a new Management Incentive Plan ("MIP"). Another resolution was approved to adopt the new MIP and the grant of options. Pursuant to the MIP, 7,150,000 of Fund Units were listed and reserved for issuance upon the exercise of the stock options. The MIP provides that 50% of the options granted to an optionee vest on March 25, 2012 and the remaining 50% of the options granted to each optionee will vest on March 25, 2013. The exercise price under the MIP is $0.358. Each option granted will have a five year term.