Positioning for the future.

SECOND QUARTER REPORT 2010

Newport Partners
Income Fund

PORTFOLIO SUMMARY – BY OPERATING PARTNERSHIP ($000s)

THREE MONTHS ENDED JUNE 30, 2010

Operating Partner	Original Invested Capital	Ownership Interest	Date of Initial Investment	Q2 2010 ADJUSTED EBITDA	Q2 2010 DC	Q2 2010 Cash Yield LTM
NPC	$113,100	80%	Oct. 2004	$ 8,402	$ 7,506	21.3%
Quantum Murray	77,900	64%	Mar. 2006	868	(46)	1.2%
Morrison Williams	42,000	80%	Aug. 2005	665	665	9.3%
Peerless	36,000	90%	Jun. 2006	2,306	2,250	22.2%
Gemma	32,300	100%	Mar. 2005	873	768	9.9%
Brompton	27,200	42%	Aug. 2005	855	-	0%
Titan	25,200	92%	Sep. 2006	206	22	2.9%
Capital C	23,700	67%	Aug. 2005	1,292	1,146	20.6%
NP LP	20,700	100%	Aug. 2005	507	487	7.3%
Armstrong	20,000	80%	Oct. 2006	420	403	5.4%
Hargraft	18,300	100%	Apr. 2006	61	55	(8.4)%
BMI	18,200	78%	Apr. 2007	393	422	6.4%
Gusgo	12,500	80%	Oct. 2006	380	423	17.2%
IC Group	10,800	80%	Jul. 2006	9	5	13.9%
Rlogistics	10,000	36%	May 2006	300	300	9.5%
Total Current Portfolio	**$487,900**			**$ 17,537**	**$ 14,406**	**10.8%**

DEAR UNITHOLDERS

The goal for 2010 is to stabilize the Fund's balance sheet.

In July, 2010 the Fund reached an agreement with its lenders to extend the Forbearance Agreement for ninety days. Progress is being made on asset sales as we look to satisfy our obligations under the Forbearance Agreement. In addition, our plans to access bank facilities directly at certain of our investments are advancing, with term sheets signed and due diligence in progress. It is our intent that proceeds from asset sales and financings at our investments will allow the Fund to repay senior debt in full by October 19, 2010.

We continue to operate within the covenants of the Forbearance Agreement. As previously reported, the Fund is unable to pay interest on its unsecured subordinated convertible debentures during this forbearance period. The Fund is continuing its discussions with principal holders of the convertible debentures with a view to restructuring them. The first series of convertible debentures matures in December, 2010.

The Fund's operating performance in the second quarter was improved from the first quarter, and from last year's second quarter. Revenues for the quarter from continuing operations were $147.8 million compared to $124.6 million a year ago. Gross margins were $37.3 million compared to $31.6 million a year ago, and adjusted EBITDA was $14.7 million compared to $6.7 million from a year ago.

The second quarter is historically a strong quarter for NPC as most oil and gas clients schedule plant shutdown and turnaround work for this period. Last year was an exception to this as many clients deferred or postponed these maintenance expenditures given the economic climate. All sectors within NPC's maintenance services divisions reported increased business volumes, and gross margins were also improved. Results from the environmental remediation and demolition divisions of Quantum Murray were both improved from the first quarter and from a year ago. There is some indication of an improving economy as more bidding opportunities for industrial demolition and remediation projects are becoming more available.

The financial services and marketing portfolios have produced mixed results this quarter. Client pullbacks at a couple of our investments have hurt the overall performance of these segments. The other segment has performed well this quarter, driven by strong results from Peerless.

We continue to monitor our costs and cashflows carefully through this period. Our expectation is that the third quarter will see solid results, largely driven by our industrial services segment.

Thank you for your continued support.

Dean T. MacDonald
President and CEO

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 10, 2010

The following is management's discussion and analysis ("MD&A") of the consolidated results of operations, financial position and cash flows of Newport Partners Income Fund (the "Fund") for the three and six months ended June 30, 2010 and 2009. This MD&A should be read in conjunction with the Fund's unaudited interim consolidated financial statements for the three and six months ended June 30, 2010 and 2009 and the notes thereto.

All amounts in this MD&A are in Canadian dollars and expressed in '000's of dollars unless otherwise noted. The accompanying unaudited interim consolidated financial statements of the Fund have been prepared by and are the responsibility of management. The contents of this MD&A have been approved by the Board of Trustees of the Fund, on the recommendation of its Audit Committee. This MD&A is dated August 10, 2010 and is current to that date unless otherwise indicated.

The unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). This MD&A makes reference to certain non-GAAP measures and contains forward-looking information. Non-GAAP measures do not have any standard meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. See non-GAAP measures and forward-looking information.

Capitalized terms are defined terms, their meaning is explained in the "Definitions" section located on page 37. Reference to "we", "us", "our" or similar terms, refer to Newport Partners Income Fund, unless the context otherwise requires.

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Forward-looking information

This MD&A contains certain forward-looking information. Certain information included in this MD&A may constitute forward-looking information within the meaning of securities laws. In some cases, forward-looking information can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue" or the negative of these terms or other similar expressions concerning matters that are not historical facts. Forward-looking information may relate to management's future outlook and anticipated events or results and may include statements or information regarding the future plans or prospects of the Fund or the Operating Partnerships and reflects management's expectations and assumptions regarding the growth, results of operations, performance and business prospects and opportunities of the Fund and the Operating Partnerships. Without limitation, information regarding the future operating results and economic performance of the Fund and the Operating Partnerships constitute forward-looking information. Such forward-looking information reflects management's current beliefs and is based on information currently available to management of the Fund and the Operating Partnerships. Forward-looking information involves significant risks and uncertainties. A number of factors could cause actual events or results to differ materially from the events and results discussed in the forward-looking information including risks related to investments, conditions of capital markets, economic conditions, taxation of income trusts, dependence on key personnel, limited customer bases, interest rates, regulatory change, compliance with the terms of the Amended Forbearance Agreement with the senior lenders, ability to meet working capital requirements and capital expenditures needs of the Operating Partners, factors relating to the weather and availability of labour. These factors should not be considered exhaustive. In addition, in evaluating this information, investors should specifically consider various factors, including the risks outlined under "Risk Factors", which may cause actual events or results to differ materially from any forward-looking statement. In formulating forward-looking information herein, management has assumed that business and economic conditions affecting the Fund and the Operating Partnerships will continue substantially in the ordinary course, including without limitation with respect to general levels of economic activity, regulations, taxes and interest rates. Although the forward-looking information is based on what management of the Fund and the Operating Partnerships consider to be reasonable assumptions based on information currently available to it, there can be no assurance that actual events or results will be consistent with this forward-looking information, and management's assumptions may prove to be incorrect. This forward-looking information is made as of the date of this MD&A, and the Fund does not assume any obligation to update or revise it to reflect new events or circumstances except as required by law. Undue reliance should not be placed on forward-looking information. The Fund is providing the forward-looking financial information set out in this MD&A for the purpose of providing investors with some context for the "Third Quarter Outlook" presented. Readers are cautioned that this information may not be appropriate for any other purpose.

Non-GAAP measures

The terms "adjusted EBITDA", "LTM cash yield from the portfolio", ''distributable cash'', ''EBITDA'', ''invested capital'', (collectively the ''Non-GAAP Measures'') are financial measures used in this MD&A that are not standard measures under Canadian generally accepted accounting principles (''GAAP''). The Fund's method of calculating Non-GAAP Measures may differ from the methods used by other issuers. Therefore, the Fund's Non-GAAP Measures, as presented may not be comparable to similar measures presented by other issuers.

EBITDA refers to net earnings determined in accordance with GAAP, before depreciation and amortization, net of gain or loss on disposal of capital assets, interest expense and income tax expense. EBITDA is used by management and the Trustees as well as many investors to determine the ability of an issuer to generate cash from operations. Management also uses EBITDA to monitor the performance of the Fund's reportable segments and believes that in addition to net income or loss and cash provided by operating activities, EBITDA is a useful supplemental measure from which to determine the Fund's ability to generate cash available for debt service, working capital, capital expenditures, income taxes and distributions. The Fund has provided a reconciliation of income to EBITDA in its MD&A.

Adjusted EBITDA refers to EBITDA excluding the gain or loss on reduction of ownership interest (dilution gains or losses), the write-down of goodwill and intangibles and the impairment of long-term investments. The Fund has used Adjusted EBITDA as the basis for the analysis of its past operating financial performance. Adjusted EBITDA is used by the Fund and management believes it is a useful supplemental measure from which to determine the Fund's ability to generate cash available for debt service, working capital, capital expenditures, income taxes and distributions. Adjusted EBITDA is a measure that management believes facilitates the comparability of the results of historical periods and the analysis of its operating financial performance which may be useful to investors.

Distributable cash is not a standard measure under GAAP and is generally used by Canadian income funds as an indicator of financial performance. The Fund's method of calculating distributable cash may differ from similar computations as reported by other similar entities and, accordingly, may not be comparable to distributable cash as reported by such entities. The Fund suspended distributions paid to its unitholders in October 2008. Under the Amended Forbearance Agreement, the Fund is prohibited from making distributions to unitholders and the Fund is retaining cash to meet working capital requirements, capital expenditures needs of the Operating Partners and to repay debt. Management believes it is, therefore, a useful financial measure as an indication of the Fund's ability to generate cash and use such cash to repay debt and fund operations. Distributable cash generated by an Operating Partnership is also used by management in the calculation of yield which it uses to monitor the performance of the Fund's Operating Partnerships.

LTM cash yield from the portfolio refers to the Fund's cash on cash return for the last 12 months from an Operating Partnership based on free cash flow paid to the Fund as a percentage of weighted invested capital. Management believes that overall yield is a useful supplemental measure for investors to assess the quality of the investments in the Fund's portfolio and management's ability to invest in successful businesses at reasonable prices. Management uses this measure to monitor the performance of its investment strategy.

Invested capital refers to the cost to acquire an equity interest in an Operating Partnership and excludes transaction costs and any working capital provided to such Operating Partnership. Management uses this measure to monitor the performance of its investment strategy and as an input to the calculation of its targeted overall yield for an Operating Partnership. Management believes that invested capital is a useful supplemental measure that provides investors with useful information about the capital that the Fund deploys for each Operating Partnership which can subsequently be used to determine the performance of each Operating Partnership.

Investors are cautioned that the Non-GAAP Measures are not alternatives to measures under GAAP and should not, on their own, be construed as an indicator of performance or cash flows, a measure of liquidity or as a measure of actual return on the units. These Non-GAAP Measures should only be used in conjunction with the financial statements included in the MD&A and the Fund's annual audited financial statements available on SEDAR at www.sedar.com or at www.newportpartnersincomefund.ca

INDUSTRY SEGMENTS

Operating Partner by Industry Segment	Business Description	Ownership Interest
Financial Services		
BMI	Full service insurance broker focusing primarily on commercial clientele with expertise in the transportation sector	78%
Brompton	Asset manager of public and private investment funds	42%
Hargraft	Insurance broker specializing in the transportation, manufacturing and construction sectors	100%
Morrison Williams	Provider of investment management services to institutional clients	80%
NP LP	Provider of investment management, corporate advisory and insurance services	100%
Marketing		
Armstrong	Fully integrated marketing agency providing in-store promotional marketing, digital and social media marketing solutions	80%
Capital C	Integrated marketing services agency	67%
Gemma	An outsourced contact centre operator providing outbound revenue generation and inbound customer care services	100%
IC Group	Provider of on-line promotional and loyalty programs and select insurance products	80%
Industrial Services		
NPC	Provider of oil and gas maintenance, construction and wear technology services to both the conventional oil and gas industry and the oilsands	80%
Quantum Murray	National provider of demolition, remediation and scrap metal services	64%
Other		
Gusgo	Transportation and storage services provider	80%
Peerless	Supplier of garments to the Canadian military	90%
Rlogistics	Re-seller of closeout, discount and refurbished consumer electronic and household goods in Ontario	36%
Titan	Manufacturer and distributor of rigging products and services, and ground engaging tools to industries including oil and gas, and construction.	92%

SIMPLIFIED STRUCTURE – NEWPORT PARTNERS INCOME FUND AND NPY

The Fund is an unincorporated, open-ended, limited purpose trust, which was created to hold an indirect interest in NPY. NPY is a limited partnership formed to invest in securities of private businesses. Management at the Fund and Operating Partnerships, principals and employees of NP LP, Trustees of the Fund, and founding investors of NPY own approximately 50.4% of the 71,631,431 units outstanding as at June 30, 2010.

KEY PERFORMANCE INDICATORS AND FINANICAL HIGHLIGHTS

The Fund's key performance indicators and financial highlights are set out below:

	Key Performace Indicators			
	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
Revenues	$ 147,810	$ 124,649	$ 269,546	$ 278,984
Gross profit	37,351	31,558	67,769	65,385
Adjusted EBITDA from continuing operations	$ 14,740	$ 6,741	$ 21,339	$ 14,478
Distributable cash retained (used) by continuing operations [1]	6,352	(6,156)	1,392	(9,551)

	Key Financial Highlights	
	June 30, 2010	December 31, 2009
Total assets	$ 443,579	$ 479,803
Revolving credit facilities	10,089	10,089
Senior long-term debt	132,274	150,499
Convertible debt [2]	157,983	156,136
Unitholders' equity	8,037	21,019

1 The Fund ceased paying distributions after October 15, 2008. The Amended Forbearance Agreement prohibits distributions to unitholders and the Fund is retaining distributable cash in order to meet working capital requirements and capital expenditure needs of the Operating Partnerships, and to repay debt.

2 The Fund has not paid interest on its convertible debt since December, 2008. Included in accrued liabilities is accrued interest payable on the convertible debt of $17,904 at June 30, 2010 (December 31, 2009 - $11,936).

LIQUIDITY AND CAPITAL RESOURCES

FINANCING

The Fund, through Newport Finance Corp., a subsidiary of the Fund, has a Senior Credit Agreement (the "Senior Credit Agreement") with a syndicate of lenders (the "Lenders"). Since December 31, 2008, the Fund has not been in compliance with certain covenants under the Senior Credit Agreement. On April 1, 2009 and April 29, 2009, the Fund received from the Lenders notices confirming the events of default, advising that no future advances would be available to the Fund from any of the commitments under the Senior Credit Agreement, other than at the sole discretion of the Lenders, and that no other debt could be incurred by the Fund. In addition, the Lenders provided notice to the Fund that it would be charged default interest at 3% per annum for the period from January 31, 2009.

On July 21, 2009 the Fund announced that a Forbearance Agreement (the "Forbearance Agreement") had been entered into with the Lenders. Under the terms of the Forbearance Agreement, the Lenders agreed to forbear from exercising their default-related rights and remedies under the Senior Credit Agreement for a period of up to 365 days, which period may be reduced upon the occurrence of certain new defaults (the "Forbearance Period").

The Fund agreed to repay the Lenders in full by the end of the Forbearance Period, by realizing minimum net proceeds on disposals of assets and from the proceeds of re-financings of the investee businesses of the Fund by certain agreed-upon dates. The minimum debt repayment targets and agreed upon dates were $70,000 by November 10, 2009 and $55,000 by January 7, 2010 with the balance to be repaid by July 21, 2010. The Fund is also subject to a minimum monthly EBITDA covenant and to a maximum capital expenditures covenant during the Forbearance Period beginning with the period ended January 2010.

Assuming that the Fund is in compliance with the Forbearance Agreement, the Lenders have also agreed that no default interest will accrue or be payable during the Forbearance Period and have agreed to waive certain prepayment fees which would otherwise continue to apply. Default interest up until the beginning of the Forbearance Period in the amount of $3,500 is to be paid in part from the proceeds of asset sales with the balance payable at the end of the Forbearance Period.

A forbearance fee is to be paid to the Lenders, in part from asset sales with the balance payable at the end of the Forbearance Period. The fee was initially 75 basis points of the principal amount outstanding under the Senior Credit Agreement, but could be reduced to 25 basis points upon certain repayment targets being achieved. The repayment targets were not met. The maximum fee of $1,850 was recorded for the year ended December 31, 2009.

On October 1, 2009, the Fund sold its investment in Elliott Special Risks LP ("ESR") for $74,600, and the Fund used $70,100 to repay the Lenders.

On November 25, 2009, the Fund announced that an amendment to the Forbearance Agreement had been entered into with the Lenders (the "First Amendment"). Under the terms of the First Amendment, the requirement to repay $55,000 by January 7, 2010 by way of proceeds from the asset sales was amended. The Lenders agreed to allow for repayments by using cash on hand and proceeds from asset sales. On November 25, 2009, $30,000 was repaid from cash on hand and the next repayment was scheduled for February 28, 2010 in the amount of $35,000 with the balance to be repaid by July 21, 2010. As part of the First Amendment, the Lenders consented to Newport Partners Holdings LP ("NPH"), a subsidiary of the Fund, to acquire all of the issued and outstanding equity interests of Gemma that it did not currently own.

On February 19, 2010, the Fund announced a second amendment to the Forbearance Agreement (the "Second Amendment"). Under the terms of the Second Amendment, the requirement to repay $35,000 by February 28, 2010 was amended to a requirement to repay $18,500. The Fund paid $20,000 on February 18, 2010 from cash on hand which included a $1,500 rescheduling fee. In July 2010 the Fund repaid $3,661 using the proceeds from the sale of an NPC operating unit.

On July 12, 2010 the Fund announced that an amendment to the Forbearance Agreement was entered into (the "Third Amendment") with the Lenders. Under the terms of the Third Amendment, the expiry date was extended by 90 days. The Fund agreed to pay $1,300 on July 21, 2010 and $15,000 by August 31, 2010 and

the balance of $113,878 and associated fees and interest by October 19, 2010. On execution of this amendment, the interest rate payable on the obligations has increased by 3% per annum.

If the Fund is unable to generate sufficient cash to repay the remaining amounts outstanding under the Forbearance Agreement on October 19, 2010, the Fund would be dependent on the continuing financial support of the Lenders to further amend the repayment terms.

In conjunction with the signing of the Forbearance Agreement, NPH arranged for a $20,000 subordinated financing facility from an affiliate in order to provide sufficient working capital. The facility bears interest at 10% per annum and repayments of principal and interest can be made after full repayment of amounts owing under the Senior Credit Agreement. The Fund has drawn $10,089 on this line.

Since July 21, 2009 the Fund has repaid a total of $126,524 to its Lenders. Of this amount $81,122 was applied against the term loan principal and $32,097 was applied against the remaining revolving credit facilities. The balance of the funds repaid represents $6,417 in interest and fees and $6,888 to cash collateralize letters of credit outstanding.

As a consequence of the continuing events of default under the Senior Credit Agreement, the Fund was contractually prohibited from remitting the June 30, 2010, December 31 and June 30, 2009 interest payments on the Unsecured Subordinated Convertible Debentures (the "Debentures") and as of July 15, 2009, the failure to make the interest payment on June 30, 2009 constituted an event of default under the terms of the Trust Indenture governing the Debentures. The Forbearance Agreement does not permit the Fund to make further interest payments during the Forbearance Period.

Under the terms of the Trust Indenture, the debenture trustee can provide notice to the Fund to declare all principal and interest to become due and payable as a result of the default. The Fund has been in discussions with principal holders of the Debentures with a view to reaching an agreement to restructure the Debentures.

OPERATING CASH FLOW AND WORKING CAPITAL

Cash used by operations was $568 for the quarter ended June 30, 2010, compared to cash provided of $17,736 for the quarter ended June 30, 2009. As a result of the reclassification of $132,274 of term debt and the reclassification of convertible debentures of $157,983, the Fund had a working capital deficiency of $214,100 at June 30, 2010.

The Fund will retain cash to meet working capital requirements and capital expenditure needs of the Operating Partners and repay debt.

Financing will be provided from cash from operations, the $20,000 subordinated financing facility and from portfolio sales, net of debt repayment and related expenses.

CAPITAL EXPENDITURES

The portfolio incurred total capital expenditures (capital lease payments and capital expenditures) of $1,687 in the three months ended June 30, 2010 compared with $5,125 in the prior year period primarily to support contracts at NPC and Quantum Murray. The industrial services segment accounted for 82.0% of the Fund's total capital expenditures for the three months ended June 30, 2010 (2009 – 72.1%). Restrictions and limits on capital expenditure have been put in place by the Fund.

INVESTMENT ACTIVITES

On August 4, 2009, the minority limited partner of Gemma Communications LP ("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%. This transaction had been accounted for using the purchase method.

On July 2, 2010 NPC sold its 80% ownership interest in Skystone International LP. Net proceeds of $3,661 from the sale were immediately repaid to NPH, as a reduction of advances, and NPH arranged for immediate repayment to the Fund's Lender, in accordance with the Amended Forbearance Agreement. The transaction resulted in no accounting gain or loss.

SECOND QUARTER PERFORMANCE

Summary Financial Tables – ($000s)

Three months ended June 30, 2010	Financial Services	Marketing	Industrial Services [2]	Other	Corporate [1]	Total
Revenues	$ 6,730	$ 22,149	$ 101,185	$ 17,746	$ -	$ 147,810
Gross profit	4,810	6,918	20,067	5,556	-	37,351
Income (loss) from continuing operations	1,062	(705)	1,795	1,768	(8,776)	(4,856)
EBITDA from continuing operations	2,481	2,594	7,491	3,192	(2,797)	12,961
Write-down of intangible assets	-	-	1,779	-	-	1,779
Adjusted EBITDA from continuing operations	2,481	2,594	9,270	3,192	(2,797)	14,740
Interest income (expense) [2]	31	(49)	(412)	(201)	(6,165)	(6,796)
Non-cash interest expense [3]	-	-	-	-	938	938
Income tax expense - current	(17)	-	(14)	-	(30)	(61)
Maintenance captial expenditures and reserves	(871)	(156)	(266)	(20)	-	(1,313)
Capital lease payments	5	(67)	(1,118)	(61)	-	(1,241)
Priority income per partnership agreement [4]	-	-	-	85	-	85
Distributable cash retained (used) by the fund [5]	$ 1,629	$ 2,322	$ 7,460	$ 2,995	$ (8,054)	$ 6,352

Three months ended June 30, 2009	Financial Services	Marketing	Industrial Services [2]	Other	Corporate [1]	Total
Revenues	$ 7,283	$ 21,379	$ 80,132	$ 15,855	$ -	$ 124,649
Gross profit	4,755	7,614	14,452	4,737	-	31,558
Income (loss) from continuing operations before non-controlling interest	(442)	1,158	(2,184)	(398)	(12,943)	(14,809)
EBITDA from continuing operations	2,581	3,195	2,122	2,389	(6,791)	3,496
Write-down of goodwill	-	-	-	-	3,245	3,245
Adjusted EBITDA	2,581	3,195	2,122	2,389	(3,546)	6,741
Interest income (expense) [2]	26	(36)	(675)	(222)	(9,644)	(10,551)
Non-cash interest expense [3]	-	-	-	-	853	853
Income tax expense - current	(6)	-	-	-	(8)	(14)
Maintenance captial expenditures and reserves	(576)	(164)	(1,060)	(35)	-	(1,835)
Capital lease payments	(13)	(30)	(1,328)	(57)	-	(1,428)
Priority income per partnership agreement [4]	-	-	-	78	-	78
Distributable cash retained (used) by the fund [5]	$ 2,012	$ 2,965	$ (941)	$ 2,153	$ (12,345)	$ (6,156)

1 The results of the Corporate segment include corporate costs and corporate interest expense.

2 The Fund advanced approximately $62,000 to NPC to allow it to complete its investment in Golosky on July 31, 2007. This long term facility can be converted into equity, if certain future performance criteria are met, and in anticipation of the triggering targets being met, and also in order to remove the financing component from the operating results of NPC, interest expense of NPC, and the Industrial Services segment in this Summary Financial table has been reduced by $1,502 and $2,989 for the three and six months ended June 30, 2010 and such amount has been added to the interest expense of the Corporate segment ($1,502 and $2,989 for the three and six months ended June 30, 2009).

3 Non-cash interest expense relates to the amortization of deferred financings charges and the accretion of the equity component of the Convertible Debentures. Issue costs are amortized over the term of the Debentures, and the debt portion will accrete up to the principal balance at maturity.

4 To the extent that in any reporting period, calculated on a cumulative basis, the Fund's proportionate share of distributable cash is more or less than its priority amount, an adjustment to distributable cash is made to reflect the actual cash distributions payable to the Fund by the operating partner.

5 As there were no distributions made in 2009 or 2010, distributable cash per unit information has not been provided.

Summary Financial Tables – ($000s)

Six months ended June 30, 2010	Financial Services	Marketing	Industrial Services [2]	Other	Corporate [1]	Total
Revenues	$ 13,618	$ 43,742	$ 174,614	$ 37,572	$ -	$ 269,546
Gross profit	9,539	14,199	32,735	11,296	-	67,769
Income (loss) from continuing operations	1,393	1,921	(3,473)	3,559	(17,763)	(14,363)
EBITDA from continuing operations	4,604	5,330	9,178	6,427	(5,979)	19,560
Write-down of intangible assets	-	-	1,779	-	-	1,779
Adjusted EBITDA from continuing operations	4,604	5,330	10,957	6,427	(5,979)	21,339
Interest income (expense) [2]	62	(93)	(909)	(415)	(15,126)	(16,481)
Non-cash interest expense [3]	-	-	-	-	1,850	1,850
Income tax expense - current	(20)	-	(14)	-	(30)	(64)
Maintenance captial expenditures and reserves	(1,584)	(459)	(881)	(50)	-	(2,974)
Capital lease payments	-	(138)	(2,194)	(121)	-	(2,453)
Priority income per partnership agreement [4]	-	-	-	175	-	175
Distributable cash retained (used) by the fund [5]	$ 3,062	$ 4,640	$ 6,959	$ 6,016	$ (19,285)	$ 1,392

Six months ended June 30, 2009	Financial Services	Marketing	Industrial Services [2]	Other	Corporate [1]	Total
Revenues	$ 14,110	$ 43,036	$ 187,306	$ 34,532	$ -	$ 278,984
Gross profit	9,249	15,764	30,155	10,217	-	65,385
Income (loss) from continuing operations before non-controlling interest	(1,047)	2,814	(6,721)	82	(23,147)	(28,019)
EBITDA from continuing operations	4,299	6,884	4,344	4,818	(9,382)	10,963
Write-down of goodwill	-	-	-	-	3,515	3,515
Adjusted EBITDA	4,299	6,884	4,344	4,818	(5,867)	14,478
Interest income (expense) [2]	61	(62)	(1,411)	(472)	(18,699)	(20,583)
Non-cash interest expense [3]	-	-	-	-	1,687	1,687
Income tax expense - current	(12)	-	-	-	(19)	(31)
Maintenance capital expenditures and reserves	(545)	(377)	(1,414)	(87)	-	(2,423)
Capital lease payments	(14)	(64)	(2,649)	(124)	-	(2,851)
Priority income per partnership agreement [4]	20	-	-	152	-	172
Distributable cash retained (used) by the fund [5]	$ 3,809	$ 6,381	$ (1,130)	$ 4,287	$ (22,898)	$ (9,551)

Summary Results From Continuing Operations – ($000s)

	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
Revenues	$ 147,810	$ 124,649	$ 269,546	$ 278,984
Cost of revenues	(110,459)	(93,091)	(201,777)	(213,599)
Gross profit	37,351	31,558	67,769	65,385
Selling, general and administrative expenses	(23,820)	(25,617)	(48,416)	(52,036)
Amortization expense	(6,230)	(8,209)	(12,646)	(15,475)
Depreciation expense	(2,912)	(2,985)	(5,871)	(6,036)
Income from equity investments	903	494	1,373	512
Interest expense	(6,796)	(10,551)	(16,481)	(20,583)
Write-down of goodwill and intangible assets	(1,779)	(3,245)	(1,779)	(3,515)
Income tax expense - current	(61)	(14)	(64)	(31)
Income tax (expense) recovery - future	(1,512)	3,760	1,752	3,760
Loss from continuing operations before non-controlling interest	$ (4,856)	$ (14,809)	$ (14,363)	$ (28,019)
Add:				
Amortization	6,230	8,209	12,646	15,475
Depreciation [1]	2,931	3,004	5,909	6,078
Amortization of Brompton intangible assets	287	287	575	575
Interest expense	6,796	10,551	16,481	20,583
Income tax expense - current	61	14	64	31
Income tax recovery - future	1,512	(3,760)	(1,752)	(3,760)
EBITDA	$ 12,961	$ 3,496	$ 19,560	$ 10,963
Write-down of goodwill and intangible assets	1,779	3,245	1,779	3,515
Adjusted EBITDA	$ 14,740	$ 6,741	$ 21,339	$ 14,478

1 Depreciation of $19 and $38 was recorded in cost of revenues for the three and six months ended June 30, 2010 (2009 - $19 and $42)

SECOND QUARTER RESULTS

The Fund's continuing operations from its portfolio investments are reported in four operating segments: Financial Services, Marketing, Industrial Services and Other.

Total revenues for the quarter ended June 30, 2010 were $147,810 compared to $124,649 in 2009, an increase of 19%. This increase was primarily driven by the Industrial Services segment. Both Quantum Murray and NPC had a strong second quarter. At NPC, the conventional oil and gas maintenance services revenue volumes were significantly improved and were at the highest level since Q1 2009. However, the wear technology division had lower volumes than expected. Revenues at Quantum Murray were below prior year levels at both the environmental and demolition divisions. The environmental division benefitted from several large and profitable remediation projects in 2009. However, there were several smaller projects in the current quarter with better margins which contributed to stronger bottom line results. The demolition division continues to suffer from the lack of available large industrial demolition projects.

Revenues in the Financial Services segment were down from prior year. Both Morrison Williams and Hargraft contributed to the decline as there has been some reduction to their client base due to competitive pressures. BMI had a solid quarter with revenues exceeding prior levels. NP LP's revenues were comparable to the prior period.

The Marketing segment revenues exceeded prior year levels. Capital C had a strong quarter with sales significantly improved over prior year, however higher direct costs eroded the EBITDA impact. Revenues at Gemma, IC Group and Armstrong were below prior year levels mostly due to client budget constraints. Sports and Entertainment LP ("S&E") results are included in discontinued operations since substantially all of the assets of this investment were sold during the quarter (see discontinued operations).

Revenue in the Other segment exceeded the prior year quarter. Peerless had very strong results as it executed on two large military garment contracts. Gusgo also had increased revenues, reflecting the improving

economy and the stimulation to the transportation industry. Titan's revenues were below prior year levels, as it continues to be impacted by the slow Alberta economy.

Gross profit for the quarter ended June 30, 2010 was $37,351 compared to $31,558 in 2009, an increase of 18%. Gross profit margins have remained constant at 25.3%.

Corporate general and administrative costs were $2,797 for the current quarter compared to $3,546 in 2009.

EBITDA was $12,691 in the current quarter compared to $3,496 in the previous year. EBITDA was reduced by $1,779 in the current quarter from an intangible impairment at NPC's investment in Skystone International LP which was sold subsequent to the quarter. Write-down of intangibles are added back to arrive at Adjusted EBITDA.

Adjusted EBITDA was $14,740 for the quarter compared to $6,741 in the prior year period.

The main items that reduced Adjusted EBITDA to arrive at distributable cash were interest expense and maintenance capital expenditures. For the quarter, cash interest costs were $6,796 compared with $10,551 in 2009.

During the quarter ended June 30, 2010, the operating segments had maintenance capital expenditures, reserves and capital lease payments of $2,554, compared to $3,263 in 2009. The majority of these expenditures are incurred in the Industrial Services segments.

Distributable cash generated by continuing operations for the quarter ended June 30, 2010 was $6,352 compared to distributable cash used of $(6,156) in 2009.

Non-cash items that impacted the results were depreciation and amortization, and future income taxes. Depreciation and amortization was $9,161 for the quarter ended June 30, 2010, compared to $11,213 in 2009. The largest component of this expense is the amortization of intangible assets.

Future tax expense of $1,512 was recorded in the current quarter compared to future tax recovery of $3,760 in 2009. These amounts are non-cash items that have no current impact on the Fund's cash from operating activities.

Net loss for the quarter ended June 30, 2010 from continuing operations before non-controlling interest was $4,856 compared to a net loss of $14,809 in 2009.

SECOND QUARTER PERFORMANCE SUMMARY – BY OPERATING PARTNERSHIPS

Operating Partnership	Adjusted EBITDA ($000's) Q2 2010	Q2 2009	Commentary
Financial services			
Brompton	855	554	During the second quarter AUM increased by approximately $178 million as a result of the exercise of warrants issued by existing funds partially offset by market depreciation of the value of assets held by the funds and redemptions. Brompton continues to search for and structure new investment products which can be brought to market.
Morrison Williams	665	1,143	Morrison Williams had a disappointing quarter with revenue and EBITDA below prior year levels. AUM was reduced by 24% in the quarter. The decline was attributed to a reduction in client base, clients rebalancing assets and continuing redemptions in the mutual funds. In addition, equity markets were down 5.5% in the quarter where the majority of Morrison Williams' assets are held.
NP LP	507	716	NP LP had a mixed quarter with revenue levels at a comparable level to the prior year period, however, EBITDA was below the prior year. Asset management fees were higher than the prior year period, but were offset by lower contribution from insurance and corporate advisory services. AUM is up 3% from the prior year period despite unsettled market conditions and some client attrition. EBITDA was lower than prior year period as a result of lower insurance and corporate advisory revenues and changes in staffing costs
Hargraft	61	(97)	While revenues have decreased as a result of very competitive market conditions, Hargraft's results show improvement from the prior year period. Restructuring efforts resulting in a more cost effective operating platform for the brokerage have contributed to the improved results. The commercial portfolio has been impacted by aggressive competition but the executive services portfolio has maintained its market share. Hargraft now has a broader spectrum of markets available to its clientele and it is anticipated that this will help position the brokerage well for business retention and growth. However, continuing competition is expected.
BMI	393	265	BMI had a strong quarter with results exceeding the prior year period and the first quarter of the year. Improvements were not consistent across all business segments but, overall, business gains were achieved. Certain segments are strengthening as marketing efforts are showing results. Some insurance renewal business continues to be impacted by business closures and reductions in coverage driven by current economic conditions. BMI has been successful in retaining and attracting new clients in the general commercial portfolio which contributed to the improved results.
	2,481	**2,581**	
Marketing			
Gemma	873	1,051	Gemma had a challenging quarter with revenues and EBITDA below prior year levels. This was primarily due to one large client reducing its outbound telesales program in the quarter in light of budget constraints. In addition, some new inbound programs were delayed and are expected to ramp up in the third quarter. The Fund's ownership of Gemma is 100% in 2010 compared to 80% ownership in 2009.

Operating Partnership	Adjusted EBITDA ($000's) Q2 2010	Q2 2009	Commentary
Capital C	1,292	1,276	Capital C had a solid second quarter with results comparable to the prior year period. Revenues were significantly higher than prior year however gross margins were slightly lower due to higher labor costs. The key reason for the increasing direct labor costs is that senior strategic resources are required to attract and service a more complex business model. More non-recoverable time is being invested in clients to learn their businesses. This investment is being made at the same time clients are applying pricing pressure and competition for business remains strong. Overall EBITDA was slightly better than the prior year period and the first quarter of this year due to a reduction in overhead costs.
IC Group	9	649	IC Group had a disappointing quarter with breakeven results. One major client continues to reduce it loyalty program spending due to budget constraints. In addition, a loyalty program that was in place in 2009 was discontinued in 2010. Some of the reduction in business has been offset by new programs with new and existing clients. IC Group is also investing in standardizing and improving the delivery platforms in order to increase future efficiencies of program delivery which will reduce project costs in the future. This investment is expected to support higher margin projects in the future.
Armstrong	420	219	Armstrong had a solid second quarter as business began to accelerate after the slow start to the year. Revenue levels were slightly lower in the quarter compared to the prior year period however were improved from the first quarter of the year. Gross margins were improved in the quarter due to the shift in service mix to fee based revenue from lower margin purchased goods and services. Business development efforts have been challenging due to competition in the industry, however there has been some traction which has lead to a more diversified revenue base. Resources have been realigned to pursue growth opportunities.
	2,594	**3,195**	
Industrial services			
NPC	8,402	2,120	NPC had a very strong quarter with results significantly improved over the prior year. All sectors within the maintenance services division had increased volumes in particular from two large oil and gas clients. The wear technology division had satisfactory results however volumes were not as strong as seen in 2009. Gross margins were improved due to the absence of project losses experienced in the prior year; however these improvements were offset to a degree by lower margin industrial services volumes. Also contributing to the strong results were lower general and administration costs. Salary costs were significantly reduced and reflect the restructuring undertaken over the last twelve months.

Operating Partnership	Adjusted EBITDA ($000's) Q2 2010	Q2 2009	Commentary
Quantum Murray	868	2	Quantum Murray had a solid quarter with the environmental and demolition divisions providing improved EBITDA contribution. Revenue levels were slightly down compared to prior year as the remediation division benefited from a large environmental project that was in place in the prior year. Revenues were improved from the first quarter of this year as more bidding opportunities for industrial demolition and remediation projects are becoming available. Gross margins have improved over the prior year as last year's margins were impacted by lower margins on a large environmental project. Remediation and hazmat/abatement activity is improving in particular in Ontario and Alberta. The remediation division also benefited in the quarter from additional work on the same large environmental project that was substantially completed in 2009. The metals division continues to struggle as scrap metal volumes and margins are below prior year levels.
	9,270	**2,122**	
Other			
Peerless	2,306	1,442	Peerless had another strong quarter with results exceeding the prior year quarter. Revenues were improved primarily due to two large government contracts that were in full production in the quarter, whereas during the prior year period only one contract was in full production. As these two contracts mature, Peerless has been able to improve gross margins through production and material consumption efficiencies.
Titan	206	147	The second quarter results reflect a slight improvement to prior year levels. In particular, the rigging and wear product lines increased compared to the prior year. Titan is starting to benefit from the slow recovery in conventional oil drilling activity in Alberta. Gross margins continue to be compressed due to the competitive market. Strict cost controls remain in place while revenues slowly stabilize.
Gusgo	380	500	Gusgo had a solid quarter with revenue levels comparable to the prior year levels. The overall transportation industry is strengthening with increased demand as the economy recovers. Gusgo continues to service a solid client base and has been able to maintain consistent margins and cost controls. As the economy continues to improve, it is expected that Gusgo's results will return to levels seen prior to the economic downturn.
Rlogistics	300	300	The retail market continues to be challenging and competitive. Sales for the majority of the year have been weak, however there were some positive signs as June sales were stronger than expected. Some non-productive stores were closed and plans were made to add new stores in more receptive markets. Plans were also made to move smaller stores to larger footprint locations as inventory has outgrown the smaller format.
	3,192	**2,389**	

SEGMENT OPERATING RESULTS

FINANCIAL SERVICES

The Financial Services segment includes 100% of the results of NP LP and Hargraft (2009 – 94.0%), and the Fund's proportionate share of Morrison Williams and BMI. The results of Brompton are accounted for using the equity method of accounting. The results of ESR, sold on October 1 2009, are included in Discontinued Operations and are not reflected in the tables below.

Summary Financial Table - ($000s)

	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
Revenues	$ 6,730	$ 7,283	$ 13,618	$ 14,110
Cost of revenues	(1,920)	(2,528)	(4,079)	(4,861)
Gross profit	4,810	4,755	9,539	9,249
Selling, general and administrative expenses	(3,184)	(2,684)	(6,397)	(5,446)
Amortization expense	(1,512)	(1,963)	(3,023)	(3,945)
Depreciation expense	(52)	(80)	(104)	(162)
Income (loss) from equity investments	568	223	887	(79)
Interest income	31	26	62	61
Income tax expense - current	(17)	(6)	(20)	(12)
Income tax (expense) recovery - future	418	(713)	449	(713)
Income (loss) for the period	$ 1,062	$ (442)	$ 1,393	$ (1,047)
Add:				
Amortization	1,512	1,963	3,023	3,945
Depreciation	52	80	104	162
Amortization of Brompton intangible assets	287	287	575	575
Interest income (expense)	(31)	(26)	(62)	(61)
Income tax expense - current	17	6	20	12
Income tax expense (recovery) - future	(418)	713	(449)	713
EBITDA	$ 2,481	$ 2,581	$ 4,604	$ 4,299

Supplementary Financial Information - AUM (millions)

	June 30, 2010	December 31, 2009	June 30, 2009
NP LP	$ 1,002	$ 1,006	$ 974
Morrison Williams	2,052	3,035	2,987
Brompton	1,961	1,540	1,440
Total	$ 5,015	$ 5,581	$ 5,401

I. REVENUES

Revenue from the Financial Services segment was $6,730 in the quarter ended June 30, 2010, which represents a 7.6% decrease over the $7,283 reported for the same prior year period. For the six month period ended June 30 2010 revenues were $13,618 compared to $14,110 in the prior year period. MWI revenues decreased due to the reduction in AUM and the decline in the equity markets. This was slightly offset by higher revenues at BMI where there are signs of some hardening in the insurance business. NP LP maintained consistent revenues from the prior year quarter. Hargraft's revenues were down due to lost business from competitive pressure and lower premiums and commissions.

II. GROSS PROFIT

Gross profit for the quarter ended June 30, 2010 was $4,810, which translated into a 71.5% gross profit margin. This compares to gross profit of $4,755 for the prior year period reflecting a gross profit margin of 65.3%. Gross profit for the six months period ended June 30, 2010 was $9,539 compared

to $9,249 in the same prior year period. The improved gross margins reflect higher investment management fee revenue at NP LP and salary reclassification to indirect expenses.

III. SELLING, GENERAL AND ADMINISTRATIVE EXPENSE

Selling, general and administrative expenses were $3,184 for the quarter ended June 30, 2010 compared with $2,684 for the quarter ended June 30, 2009. Selling, general and administrative expenses as a percentage of revenues was 47.3%, compared to 36.9% in 2009. For the six month period ended June 30, 2010 selling, general and administrative expenses were $6,397 compared to $5,446 in the same prior year period. These costs are typically fixed, however this quarter's increase in selling, general and administrative expenses is primarily due to increased costs at NP LP, including additional severance costs, higher trading fees and reclassification of some salaries to indirect expenses.

IV. DEPRECIATION AND AMORTIZATION

Depreciation and amortization was $1,564 for the quarter ended June 30, 2010, compared to $2,043 for the quarter ended June 30, 2009. For the six month period ended June 30, 2010 depreciation and amortization was $3,127 compared to $4,107 in the prior year period. The largest component of this expense is the amortization of intangible assets, which were recorded as investments were made in Operating Partnerships.

V. EBITDA

EBITDA was $2,481 and $4,604 for the three and six months ended June 30, 2010 compared to $2,581 and $4,299 in the same prior years periods. EBITDA also includes the income from the Fund's equity investment in Brompton.

VI. INCOME TAX

Current tax expense for the three and six months ended June 30, 2010 was $17 and $20 compared to $6 and $12 in 2009. Future tax recovery for the three and six months ended June 30, 2010 was $418 and $449 compared to expense of $ 713 for the three and six months ended June 30, 2009.

VI. SEASONALITY

The asset management businesses and insurance businesses are not subject to material seasonality factors.

MARKETING

The Marketing segment includes 100% of the results of Gemma (2009 – 80.0%), and the Fund's proportionate share of the results of Capital C, IC Group and Armstrong. The results of S & E, sold on June 23, 2010 are included in Discontinued Operations and are not reflected in the table below.

Summary Financial Table - ($000s)

	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
Revenues	$ 22,149	$ 21,379	$ 43,742	$ 43,036
Cost of revenues	(15,231)	(13,765)	(29,543)	(27,272)
Gross profit	6,918	7,614	14,199	15,764
Selling, general and administrative expenses	(4,359)	(4,390)	(8,905)	(8,871)
Amortization expense	(1,690)	(1,702)	(3,578)	(3,382)
Depreciation expense	(376)	(332)	(764)	(659)
Income (loss) from equity investments	35	(29)	36	(9)
Interest expense	(49)	(36)	(93)	(62)
Income tax (expense) recovery - future	(1,184)	33	1,026	33
Income for the period	$ (705)	$ 1,158	$ 1,921	$ 2,814
Add:				
Amortization	1,690	1,702	3,578	3,382
Depreciation	376	332	764	659
Interest expense	49	36	93	62
Income tax recovery - future	1,184	(33)	(1,026)	(33)
EBITDA	$ 2,594	$ 3,195	$ 5,330	$ 6,884

I. REVENUES

Revenues for the Marketing segment were $22,149 for the quarter ended June 30, 2010, a 3.6% increase over 2009 revenues of $21,379. For the six months period ended June 30, 2010 revenues were $43,742 compared to $43,036 for the same prior year period. Higher revenues were driven by Capital C. Gemma, Armstrong and IC Group all experienced lower revenues due to decreases in client spending and program postponements and cancellations.

II. GROSS PROFIT

Gross profit was $6,918 for the quarter ended June 30, 2010, compared with $7,614 for 2009. Gross profit margins were 31.2%, compared to 35.6% in 2009. Gross profit for the six month period ended June 30, 2010 was $14,199, compared with $15,764 in the same prior year period. While Capital C revenue was improved, higher direct labour costs eroded gross margin. Direct costs increased due to higher salaries paid to more senior strategic resources required to attract and service a more complex business model. Gross margins at Gemma, Armstrong and IC Group also decreased due to higher non-billable hours.

III. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses were $4,359 for the quarter ended June 30, 2010, compared with $4,390 for 2009. These expenses as a percentage of revenues were 19.7% compared to 20.5% in 2009. For the six month period ended June 30, 2010 selling, general and administrative expenses were $8,905, compared with $8,871 in the same prior year period.

IV. DEPRECIATION AND AMORTIZATION

Depreciation and amortization was $2,066 for the quarter ended June 30, 2010, compared with $2,034 in 2009. Depreciation and amortization for the six months ended June 30, 2010 was $4,342, compared to $4,041 in the prior year period. The largest component of this expense is the amortization of intangible assets, which were recorded as investments were made in Operating Partnerships.

V. EBITDA

EBITDA was $2,594 and $5,330 for the three and six months ended June 30, 2010, compared with $3,195 and $6,884 in 2009 in the same prior year periods.

VI. INCOME TAX

Future tax expense for the three months ended June 30, 2010 was $1,184. There was a future tax recovery of $1,026 for the six months ended June 30, 2010, compared to a future tax recovery of $33 for the three and six months ended June 20, 2009. Current tax was $nil for both periods. ($nil - 2009)

VII. SEASONALITY

Seasonality is not typically a material factor for the Marketing segment.

INDUSTRIAL SERVICES

The Industrial Services segment includes the Fund's proportionate share of the results of NPC and Quantum Murray.

Summary Financial Table - ($000s)

	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
Revenues	$ 101,185	$ 80,132	$ 174,614	$ 187,306
Cost of revenues	(81,118)	(65,680)	(141,879)	(157,151)
Gross profit	20,067	14,452	32,735	30,155
Selling, general and administrative expenses	(10,797)	(12,330)	(21,778)	(25,811)
Amortization expense	(1,581)	(2,105)	(3,152)	(4,210)
Depreciation expense	(2,323)	(2,373)	(4,672)	(4,804)
Interest expense	(1,914)	(2,177)	(3,898)	(4,400)
Write-down of intangible assets	(1,779)	-	(1,779)	-
Income tax expense - current	(14)	-	(14)	-
Income tax (expense) recovery - future	136	2,349	(915)	2,349
Income (loss) for the period	$ 1,795	$ (2,184)	$ (3,473)	$ (6,721)
Add:				
Amortization	1,581	2,105	3,152	4,210
Depreciation	2,323	2,373	4,672	4,804
Interest expense	1,914	2,177	3,898	4,400
Income tax expense - current	14	-	14	-
Income tax expense (recovery) - future	(136)	(2,349)	915	(2,349)
EBITDA	$ 7,491	$ 2,122	$ 9,178	$ 4,344
Write-down of intangible assets	1,779	-	1,779	-
Adjusted EBITDA	$ 9,270	$ 2,122	$ 10,957	$ 4,344

	NPC				**Quantum Murray**			
	Three months		Six months		Three months		Six months	
	2010	2009	2010	2009	2010	2009	2010	2009
Revenues	$ 76,820	$ 54,693	$ 129,224	$ 132,470	$ 24,365	$ 25,439	$ 45,390	$ 54,836
Cost of revenues	(62,732)	(45,749)	(106,393)	(112,710)	(18,386)	(19,931)	(35,486)	(44,441)
Gross profit	14,088	8,944	22,831	19,760	5,979	5,508	9,904	10,395
Selling, general and administrative expenses	(5,686)	(6,824)	(11,387)	(14,645)	(5,111)	(5,506)	(10,391)	(11,166)
Amortization expense	(799)	(1,323)	(1,588)	(2,646)	(782)	(782)	(1,564)	(1,564)
Depreciation expense	(1,338)	(1,540)	(2,701)	(3,175)	(985)	(833)	(1,971)	(1,629)
Interest expense	(1,884)	(2,126)	(3,793)	(4,297)	(30)	(51)	(105)	(103)
Write-down of intangible assets	(1,779)	-	(1,779)	-	-	-	-	-
Income tax expense - current	(14)	-	(14)	-	-	-	-	-
Income tax (expense) recovery - future	502	1,053	1,105	1,053	(366)	1,296	(2,020)	1,296
Income (loss) of the period	$ 3,090	$ (1,816)	$ 2,674	$ (3,950)	$ (1,295)	$ (368)	$ (6,147)	$ (2,771)
Add:								
Amortization	799	1,323	1,588	2,646	782	782	1,564	1,564
Depreciation	1,338	1,540	2,701	3,175	985	833	1,971	1,629
Interest expense	1,884	2,126	3,793	4,297	30	51	105	103
Income tax expense - current	14	-	14	-	-	-	-	-
Income tax expense (recovery) - future	(502)	(1,053)	(1,105)	(1,053)	366	(1,296)	2,020	(1,296)
EBITDA	$ 6,623	$ 2,120	$ 9,665	$ 5,115	$ 868	$ 2	$ (487)	$ (771)
Write-down of intangible assets	1,779	-	1,779	-	-	-	-	-
Adjusted EBITDA	$ 8,402	$ 2,120	$ 11,444	$ 5,115	$ 868	$ 2	$ (487)	$ (771)

I. REVENUES

Revenues from the Industrial Services segment were $101,185 for the quarter ended June 30, 2010 compared with $80,132 in 2009, an increase of 26.3%. Revenues from the Industrial Services segment, for the six month period ended June 30, 2010 was $174,614, compared with $187,306 for the same prior year period. NPC achieved significantly higher revenues reflecting improved business volumes in the conventional oil and gas maintenance services division with two main oil and gas clients. Quantum Murray's decrease in revenues reflects the inclusion in the 2009 results of one large remediation project.

II. GROSS PROFIT

Gross profit was $20,067 for the quarter ended June 30, 2010 compared with $14,452 in 2009. Gross profit margins were 19.8% compared to 18.0% in 2009. For the six month period ended June 30, 2010 gross profit was $32,735, compared to $30,155 for the same prior year period. NPC's gross margins improved consistent with increased revenue from the conventional oil and gas maintenance service division. Quantum Murray's gross profit margins increased as 2009 results were impacted by lower gross margins on one large environmental project.

III. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses were $10,797 for the quarter ended June 30, 2010, compared to $12,330 in 2009. These expenses as a percentage of revenues were 10.7%, a decrease from 15.4% in 2009. Selling, general and administrative expenses for the six month period ended June 30, 2010 was $21,778, compared with $25,811 for the same period in 2009. The majority of NPC's reduction is attributed to significant reductions in senior personnel headcount. Quantum Murray's selling, general and administrative expenses were lower due to a re-alignment of resources with lower business volumes.

IV. DEPRECIATION AND AMORTIZATION

Depreciation and amortization was $3,904 for the quarter ended June 30, 2010, compared with $4,478 in 2009. For the six month period ended June 30, 2010 depreciation and amortization was $7,824 compared to $9,014 for the same prior year period. The largest component of this expense is the amortization of intangible assets, which were recorded as investments were made in Operating Partnerships.

V. ADJUSTED EBITDA

The Industrial Services segment produced $9,270 and $10,957 of EBITDA for the three and six month period ended June 30, 2010, compared with $2,122 and $4,344 of EBITDA earned in 2009.

VI. INCOME TAX

Future tax relating to the assets of the Industrial Services segment was a recovery of $136 for the three months ended and an expense of $915 for the six months ended June 30, 2010. This is compared to a future tax recovery of $2,349 for both periods in the prior year. Current tax expense was $14 for both periods. ($nil - 2009).

VII. SEASONALITY

NPC's revenues and profits are impacted by seasonality and weather conditions. For example, severe winter conditions and excessively rainy periods can delay equipment moves and thereby adversely affect revenues. Spring break-up typically occurs in March and April leaving many roads temporarily incapable of supporting heavy equipment travel, thereby negatively impacting NPC's business.

Quantum Murray's remediation activity can be reduced in the winter months, depending on assignment location and weather. In addition, due to the timing of large contracts, quarterly results can fluctuate.

OTHER

The Other segment includes the Fund's proportionate share of the results of Peerless, Titan and Gusgo. The results of Rlogistics are accounted for using the equity method of accounting.

Summary Financial Table - ($000s)

	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
Revenues	$ 17,746	$ 15,855	$ 37,572	$ 34,532
Cost of revenues	(12,190)	11,118	(26,276)	24,315
Gross profit	5,556	4,737	11,296	10,217
Selling, general and administrative expenses	(2,683)	(2,667)	(5,357)	(6,041)
Amortization expense	(1,447)	(2,439)	(2,893)	(3,938)
Depreciation expense	(138)	(169)	(284)	(346)
Income from equity investments	300	300	450	600
Interest expense	(201)	(222)	(415)	(472)
Income tax recovery - future	381	62	762	62
Income (loss) for the period	$ 1,768	$ (398)	$ 3,559	$ 82
Add:				
Amortization	1,447	2,439	2,893	3,938
Depreciation [1]	157	188	322	388
Interest expense	201	222	415	472
Income tax recovery - future	(381)	(62)	(762)	(62)
EBITDA	$ 3,192	$ 2,389	$ 6,427	$ 4,818

1 Depreciation of $19 and $38 was recorded in cost of revenues for the three and six months ended June 30, 2010 (2009 - $19 and $42)

I. REVENUES

Revenues for the Other segment were $17,746 for the quarter ended June 30, 2010, compared with $15,855 in 2009, an increase of 11.9%. For the six month period ended June 30, 2010 revenues were $37,572 compared with $34,532 for the same prior year period. Peerless was the largest contributor to the revenue growth in the quarter. The increase reflects full production on two government programs that were awarded in early 2009. Both Gusgo and Titan had modest revenue improvements.

II. GROSS PROFIT

Gross profit was $5,556 and $11,296 for the three and six months ended June 30, 2010, compared with $4,737 and $10,217 in 2009. Gross profit margins for the three months ended June 30, 2010 were 31.3% compared to 29.9% in 2009. Peerless was again the largest contributor to the increase in gross profit margins due to production and material consumption efficiencies achieved.

III. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses were $2,683 for the quarter ended June 30, 2010, compared to $2,667 in 2009. For the six month period ended June 30, 2010 selling, general and administrative expenses were $5,357 compared with $6,041 in the prior year for the same period. These expenses as a percentage of revenues were 15.1%, reduced from 16.8% in 2009. The reduction in the six month period is attributed to Titan's cost cutting measures that have been ongoing.

IV. DEPRECIATION AND AMORTIZATION

Depreciation and amortization was $1,604 for the quarter ended June 30, 2010, compared with $2,627 in 2009. For the six month period ended June 30, 2010 depreciation and amortization was $3,215 compared to $4,326 for the same prior year period. The largest component of this expense is the amortization of intangible assets, which were recorded as investments, were made in Operating Partnerships.

V. EBITDA

EBITDA was $3,192 and $6,427 for the three and six month period, compared with $2,389 and $4,818 in 2009. EBITDA includes the income from the Fund's equity investment in Rlogistics of $300 compared to $300 in the prior year period.

VI. INCOME TAX

The future tax recovery relating to the assets of Other segment was $381 and $762 for the three and six month period ended June 30, 2010, compared to $62 for both periods in 2009. Current tax expense was $nil for both periods. ($nil – 2009)

VII. SEASONALITY

Peerless' business is not subject to material seasonal variance. However, due to the timing of large government contracts, annual revenues and EBITDA can sometimes fluctuate significantly.

Titan's business is positively impacted by severe cold and harsh weather conditions that create increased demand for replacement parts on heavy equipment and snow-removal related products. The first and fourth quarters have historically been the strongest.

Seasonality is not typically a factor for Gusgo.

CORPORATE

The Corporate segment includes head office administrative and legal costs, as well as interest costs.

Summary Financial Table - ($000s)

	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
Selling, general and administrative expenses	$ (2,797)	$ (3,546)	$ (5,979)	$ (5,867)
Depreciation expense	(23)	(31)	(47)	(65)
Interest expense	(4,663)	(8,142)	(12,137)	(15,710)
Write-down of goodwill	-	(3,245)	-	(3,515)
Income tax expense - current	(30)	(8)	(30)	(19)
Income tax (expense) recovery - future	(1,263)	2,029	430	2,029
Loss for the period	$ (8,776)	$ (12,943)	$ (17,763)	$ (23,147)
Add:				
Depreciation	23	31	47	65
Interest expense	4,663	8,142	12,137	15,710
Income tax expense - current	30	8	30	19
Income tax expense - future	1,263	(2,029)	(430)	(2,029)
EBITDA	$ (2,797)	$ (6,791)	$ (5,979)	$ (9,382)
Write-down of goodwill	-	3,245	-	3,515
Adjusted EBITDA	$ (2,797)	$ (3,546)	$ (5,979)	$ (5,867)

I. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses were $2,797 for the quarter ended June 30, 2010, compared to $3,546 in 2009. The decrease relates to lower legal and severance costs compared to a year ago. Non-cash stock based compensation expense for the three and six months ended June 30, 2010 was $154 and $1,080 (2009 - $nil). Selling, general and administrative expenses for the six month period ended June 30, 2010 were $5,979 compared to $5,867 in the prior year period.

II. INTEREST EXPENSE

Interest expense was $4,663 for the quarter ended June 30, 2010 compared to $8,142 for 2009. Interest expense primarily relates to the Senior Credit Agreement and the Debentures. Interest expense in 2009 included default interest on borrowings prior to the signing of the Forbearance Agreement. The decrease is also due to significantly lower levels of debt because of principal repayments. Interest expense for the six month period ended June 30, 2010 was $12,137 compared with $15,710 in the prior year period.

III. INCOME TAX EXPENSE

The future tax expense was $1,263 for the three months ended June 30, 2010 and a future tax recovery of $430 for the six months ended, compared to $2,029 in both periods of 2009. Current tax expense for the three and six months ended June 30, 2010 was $30 compared to $8 and $19 in the same prior year periods.

DISCONTINUED OPERATIONS

On October 1, 2009, the Fund sold 100% of its investment in ESR.

On June 23, 2010, the Fund sold substantially all of the assets of its investment in S&E, with net cash proceeds of $271 plus a promissory note for $250.

The following table shows the revenue and net loss from discontinued operations of ESR and S&E for the three and six months ended June 30, 2010 and 2009.

June 30, 2010	Three months	Six months
	S&E	S&E
Revenues	238	575
Net loss before non-controlling interest	302	301

June 30, 2009	Three months			Six months		
	S & E	ESR	Total	S & E	ESR	Total
Revenues	982	6,343	7,325	2,158	9,299	11,457
Net loss before non-controlling interest	170	2,660	2,830	204	1,718	1,922

ADDITIONAL INFORMATION

Eight Quarter Summary - ($000s execpt unit amounts)

	2010 Q2	2010 Q1	2009 Q4	2009 Q3	2009 Q2	2009 Q1	2008 Q4	2008 Q3
Revenues	$ 147,810	$ 121,736	$ 143,856	$ 157,379	$ 124,649	$ 154,336	$ 167,975	$ 161,869
Gross profit	37,351	30,418	39,935	39,403	31,558	33,828	39,321	38,876
Loss from continuing operations after non-controlling interest	(4,856)	(9,507)	(30,473)	(11,379)	(13,028)	(8,463)	(233,409)	(39,986)
Net loss	(4,554)	(9,508)	(175)	(11,986)	(10,538)	(9,479)	(194,959)	(28,250)
Adjusted EBITDA from continuing operations	14,740	6,599	12,990	15,926	6,741	7,742	14,173	$ 14,442
Loss per unit from continuing operations	(0.07)	(0.13)	(0.43)	(0.16)	(0.21)	(0.18)	(5.40)	(0.91)
Loss per unit	(0.06)	(0.14)	0.00	(0.17)	(0.17)	(0.19)	(4.51)	(0.64)

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Fund prepares its consolidated financial statements in accordance with GAAP. The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities, and the reported amounts of revenues and expenses for the period of the consolidated financial statements. Significant accounting policies and methods used in the preparation of the financial statements are described in note 1 in the 2009 audited annual consolidated financial statements, as well as in "Accounting Policies" discussed below. The Fund and the Operating Partnerships evaluate their estimates and assumptions on a regular basis, based on historical experience and other relevant factors. Included in the consolidated financial statements are estimates used in determining allowance for doubtful accounts, inventory valuation, the useful lives of property, plant and equipment and intangible assets, revenue recognition and other matters. Actual results could differ materially from those estimates and assumptions.

The assessment of goodwill and intangible assets for impairment requires the use of judgments, assumptions and estimates. Due to the material nature of these factors, they are discussed here in greater detail.

GOODWILL AND INTANGIBLE ASSETS

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 book value of goodwill was $69,954 at June 30, 2010 (December 31, 2009 - $68,914). The increase relates to the acquisition of the 20% interest in Gemma in January 2010.

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. With the pending sale of NPC's 80% investment in Skystone International LP on July 2, 2010, NPC performed an impairment test on the intangible assets related to this investment. With the availability of current fair market value information, it was determined that the intangible assets were impaired. A write down of $1,779 was recorded on June 30, 2010.

Intangible assets acquired individually or as part of a group of other assets are recognized and measured at cost. Intangible assets acquired in a transaction, including those acquired in business combinations, are recorded at their fair value. Intangible assets with determinable useful lives, such as customer relationships and contracts, and management contracts, are amortized over their useful lives and are tested for impairment when there is an indicator of impairment. 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. The net book value of intangible assets was $91,291 at June 30, 2010 (December 31, 2009 - $101,979).

ACCOUNTING POLICIES

The Fund's accounting policies are disclosed in the notes to the 2009 audited annual consolidated financial statements.

SIGNIFICANT NEW ACCOUNTING POLICIES

The fair value of stock options granted is recognized on a straight-line basis over the applicable stock option vesting period as stock based compensation expense in the consolidated 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 unitholders' capital.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

In 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that publicly accountable enterprises will be required to adopt International Financial Reporting Standards ("IFRS"), for interim and annual reporting purposes, beginning on or after January 1, 2011. The adoption date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Fund for its year ended December 31, 2010, and of the opening balance sheet as at January 1, 2010.

The Fund began planning the transition from current Canadian GAAP to International Financial Reporting Standards, in 2008, by establishing a project plan and a project team. The project team is led by a senior finance team member that will provide overall project governance, management and support. Members also include representatives from various areas of the Fund as well as representatives from the Operating Partnerships. In addition, the Fund has engaged external advisors to assist in the IFRS conversion project.

A quarterly report is made to the Audit Committee of the Fund and the Audit Committee is playing a more active and increasing role in the project as accounting policy decisions are made and impacts are quantified.

The project plan consists of three phases: the initial assessment (high level impact assessment to identify key areas), detailed assessment and design (review and selection of policy alternatives, draft financial statement content and determine changes to existing accounting policies, information systems and business processes), and implementation.

The Fund has completed the initial assessment phase and is currently in the detailed assessment and design phase. The following table summarizes the key elements of the Fund's plan for transitioning to IFRS and the progress made against each activity:

Key Activities	Milestones	Status
Accounting policies		
• Identify differences between IFRS and the Fund's existing policies and procedures and determine application on a retrospective or prospective basis • Analyze and select ongoing policies where alternatives are permitted • Analyze and determine which IFRS 1 exemptions will be taken on transition • Create accounting policy and procedures manuals	• Senior management approval and audit committee review of policy decisions by December 31, 2010 • Accounting policy and procedures manuals in place by December 31, 2010	• Accounting policy differences have been analyzed and alternatives reviewed. Key focus areas have been identified, see "expected areas of significance" for more information • Creation of policy and procedure manuals is in progress. Accounting policies for IAS 16 PP&E and IAS 17 Leases have been completed. Management has approved the policies for IAS 16 and 17. • Draft accounting policies and note disclosure have been drafted for several sections

Key Activities	Milestones	Status
Financial statement preparation		
• Quantify the effects of converting to IFRS • Prepare first time adoption reconciliations required under IFRS 1 • Prepare financial statements and note disclosures in compliance with IFRS	• Quantification of opening balance sheet adjustments by December 31, 2010 • Completion of reconciliations required under IFRS 1 by December 31, 2010 • External auditor sign-off of opening balance sheet by Q1 2011. • Shell financial statements completed and reviewed by senior management by December 31, 2010.	• Opening balance sheet adjustments have been quantified for PPE and leases. Assets requiring componentization have been identified and systems are being established to facilitate the change to the depreciation calculation • IFRS 1 reconciliations are established and will be populated as the analysis progresses • Development of shell financial statements is in progress. Draft policies and note disclosures have been prepared for several IFRS sections
Internal Control over Financial Reporting (ICFR)		
• Information included in financial statements falls within the scope of ICFR. Three broad categories have been considered: o Design and implement controls over the transition o Design and implement changes to processes and systems o Design and implement controls from the date of transition • New IFRS related internal controls will be tested during the 2011 internal audit	• Management review and sign-off of opening balance sheet adjustments and conversion analysis working papers by December 31, 2010 • External audit of opening balance sheet by Q1 2011 • Management review of internal controls over the IFRS transition as the conversion progresses and in place by December 31, 2010 • Operating Partners related controls implemented by Q1 2011 requiring Operating Partners to verify that they have read the policy manuals to ensure appropriate reporting after transition	• Documentation of controls over conversion has commenced • Management reviews the sections as they are completed - IAS 16 and IAS 17 have been reviewed and approved by management • Opening balance sheet adjustment for IAS 16 has been reviewed and approved by management
Disclosure controls and procedures (DC&P)		
• Information included in the MD&A falls within the scope of DC&P. DC&P must be appropriately amended to capture the additional MD&A disclosures expected for the IFRS changeover • DC&P must include processes to communicate to senior management all information that might need to be reported as a result of the changeover • The Fund must ensure that key stakeholders are informed about the anticipated effects of the IFRS transition	• Present a status update on IFRS changeover to the disclosure committee during Q3 2010 and address any additional disclosure requirements	• The IFRS team has met with the disclosure committee during Q2 2010 to update the committee on the status of the changeover • OSC publications are regularly reviewed to ensure that appropriate disclosures are being made.

Key Activities	Milestones	Status
Financial reporting expertise		
• Provide specific IFRS training to key employees involved with implementation. Provide appropriate training to the audit committee and board • Develop awareness of the likely impacts of the transition throughout the Fund • Provide training on revised policies and procedures to the Operating Partnerships	• External advisors have provided and will continue to provide IFRS training for Newport, Operating Partners and audit committee • Final training to be provided to Operating Partners in January 2011 to ensure they are appropriately following IFRS beyond transition	• IFRS training was provided in November 2009 to the Fund's project team, Operating Partners and Audit Committee • The IFRS implementation team meets regularly with external IFRS advisors to track progress and keep abreast of changes and new IFRS information provided by the various accounting bodies • The Fund's accounting team holds weekly IFRS update meetings
Business activities		
• Identify impacts of conversion on contracts including Partnership agreements, financial covenants and lease contracts • Identify impacts of conversion on taxation	• Impacts on contracts identified by Q2 2010 • Taxation impacts to be identified by Q3 2010	• Identification of impacts on contracts is complete. Lease contracts were reviewed during the IAS 17 analysis to ensure operating leases did not have characteristics of capital leases and to ensure that assets under capital lease were depreciated over an appropriate period. • Limited Partnership agreements were analyzed in detail to determine whether the Fund has control over Operating Partnerships. This determination was a key factor in applying the appropriate accounting method for consolidation under IFRS.
IT systems		
• Identify changes required to IT systems and implement solutions • Determine and implement a solution for capturing financial information under both Canadian GAAP and IFRS during 2010, the year of transition	• Create a parallel environment for IFRS in the consolidation system. Complete the system programming by Q3 2010 • Existing management reports must be modified for the IFRS changes. Anticipated completion is February 2011.	• The Fund's external IT consultant began creating the IFRS platform in July 2010. We expect to have the environment completed with Q3 data verified by December 31, 2010.

We are currently in the process of quantifying the differences between IFRS and Canadian GAAP. The following disclosure highlights the initial adjustments required to be made on adoption of IFRS in order to provide an opening balance sheet and the significant accounting policies required or expected to be applied by the Fund subsequent to adoption that will be significantly different from the Fund's current accounting policies.

IFRS 1: FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

IFRS 1 provides entities adopting IFRS for the first time with a number of specific optional exemptions and mandatory exemptions to the general requirement for full retrospective application of IFRS. The following are optional exemptions available under IFRS 1 significant to the Fund that are expected to apply in preparing the first financial statements under IFRS.

BUSINESS COMBINATIONS

IFRS 1 allows for the guidance under IFRS 3R Business Combinations to be applied either retrospectively or prospectively. We expect to adopt IFRS 3R prospectively meaning that only business combinations that occur on or after January 1, 2010 would be accounted for in accordance with IFRS 3. The most significant difference impacting the Fund is acquisition costs which will be expensed under IFRS where they were previously included in the acquisition purchase price under GAAP.

FAIR VALUE OR REVALUATION AS DEEMED COST

IFRS 1 allows an entity to measure individual items of property, plant and equipment at fair value at the date of transition to IFRS instead of the net book value that would be determined under IFRS. The Fund will not elect to report any items of property, plant and equipment in its opening balance sheet on the transition date at fair value. The Fund will report the items at the net book value determined under IFRS.

IFRS 1 allows for certain other optional exemptions, however we do not expect such exemptions to be significant to our adoption of IFRS.

SIGNIFICANT DIFFERENCES

IFRS are premised on a conceptual framework similar to Canadian GAAP; however, significant differences exist in certain matters of recognition, measurement and disclosure. While we believe that the adoption of IFRS will not have a material impact on our net income and reported cash flows, it will have a material impact on our consolidated balance sheet and disclosure in our income statement. The general focus of IFRS is on the balance sheet and increased disclosure. However, the Fund is in a unique position in that the adoption of IFRS will actually result in a collapsed balance sheet and income statement due to significant differences in the consolidation of operating partnerships. Investments that are controlled will still be fully consolidated. However, under IFRS, non-controlled investments in Operating Partnership will be accounted for using the equity method. Where the Fund previously used the proportionate consolidation method under Canadian GAAP and picked up its share of the net assets of each Operating Partnership, the Fund will now report only its accounting carrying value in each Operating Partnership. The balance sheet and income statement will continue to have the same line items, however the dollar value for each line item will be significantly reduced as the Fund will no longer pick up its proportionate share of the assets and liabilities, and income statement line items of the Operating Partnerships that are not 100% owned. Rather, these amounts will be reflected in one line on the balance sheet, Investment in Operating Partnerships and one line on the income statement, Income from Operating Partnerships.

The key areas where we expect accounting policies to differ and where accounting policy decisions are necessary that may impact the Fund's consolidated financial statements are set out in the following table.

Accounting policy area	Impact of Policy Adoption
IAS 27 Consolidated Financial Statements	**Choices**: There are no policy choices available. **Differences from Canadian GAAP**: Under both Canadian GAAP and IFRS the requirement to consolidate is based on control. However, under IFRS, control is defined as the power to govern the financial and operating policies of the entity to obtain benefits. This is in contrast to Canadian GAAP that defines control as the continuing power to determine strategic, operating, investing and financing policies without the co-operation of others.

Accounting policy area	Impact of Policy Adoption
	Expected transition impact: Based on the control analysis performed under IFRS, it was determined that the Fund does not control operating partnerships that are not 100% owned. Where these entities were previously proportionately consolidated under joint venture accounting under Canadian GAAP, they will now be accounted for using the equity method under IAS 31 Interests in Joint Ventures. (see below)
IAS 31 Interests in Joint Ventures	**Choices**: Currently under Canadian GAAP, an entity must apply the proportionate consolidation to account for jointly controlled entities. While IFRS currently permits the use of either the proportionate consolidation or equity method, an IFRS exposure draft proposes to prohibit proportionate consolidation. **Differences from Canadian GAAP**: Canadian GAAP requires proportionate consolidation of joint ventures. **Expected transition impact**: Under current IFRS, as it exists at the date of this MD&A, the Fund may continue to account for its investments in Operating Partnerships using the proportionate consolidation method and there will be no significant changes to the consolidated financial statements. However, the revised IAS 31 is in its final stages of development and is expected to be issued in the third quarter of 2010. Significant changes suggested in the exposure draft state that proportionate consolidation will no longer be allowed for jointly controlled entities and they must be accounted for using the equity method. **Impact on Financial Statements**: If the Exposure Draft is approved in its current form, the balance sheet would collapse to one line item "Investment in Operating Partnership" for jointly controlled entities. There will be lower values of assets, liabilities, revenues and expenses, however net income/loss would generally remain the same. Under equity accounting the share of the Fund's net income and the investment in the operating partnership will appear as single line items in the income statement and the cash flow. This would be a significant change to the Fund's balance sheet as the Fund will no longer consolidate its proportionate share of the net assets of these entities. While the income statement would also collapse to one line item "Income from Operating Partnerships", there would generally be no impact to net income/loss.
IAS 36 Impairment of Assets	**Choices**: There are no policy choices available. **Differences from Canadian GAAP**: Canadian GAAP generally uses a two-step approach to impairment testing: first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists; and then measuring any impairment by comparing asset carrying values with fair values. IAS 36 uses a one-step approach for both testing for and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (using discounted future cash flows). This may potentially result in more write-downs where carrying values of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis. IFRS also allows a reversal of previous impairments. **Expected transition impact**: Analysis is in progress, impact to be determined. **Impact on financial statements**: Impairments may be more likely, resulting in more frequent reductions in income and carrying values. No effect on cash flow.
IAS 12 Income Taxes	**Choices:** There are no policy choices available. **Differences from Canadian GAAP:** At this time, there are proposed changes to the existing income tax standard of IFRS. Potential changes are as follows: a) the recognition of uncertain tax positions by applying the expected outcome approach, which differs from Canadian GAAP wherein a provision is only recognized for liabilities that are probable (more likely than not) of being realized. b) Elimination of current differences between IFRS and Canadian GAAP with respect to the recognition of deferred taxes for temporary differences of non-controlled entities and the presentation of deferred taxes on the balance sheet.

Accounting policy area	Impact of Policy Adoption
	Expected transition impact: The revised income tax standard is expected to be applied prospectively by entities upon transition to IFRS. Accordingly, there is no expected transition impact. **Impact on financial statements:** Increased disclosure of current and deferred income taxes is expected. At this time, it is difficult to conclude whether the adoption of IFRS will result in increased or decreased deferred income taxes.
IAS 16 Property, Plant & Equipment	**Choices**: Either a historical cost model or a revaluation model can be used to value property, plant and equipment. The Fund will continue to value property, plant and equipment using the historical cost model. **Differences from Canadian GAAP**: Under IFRS, where part of an item of property, plant and equipment has a cost or useful life that is significant in relation to the cost of the item as a whole, it must be depreciated separately from the remainder of the item. This is referred to as componentization. Canadian GAAP is similar in this respect, however it has not been applied to the same extent due to practicality and/or materiality. **Expected transition impact**: Componentization will only be required for one of the Fund's investments, Quantum Murray LP. Given the different useful lives of the components the rate of depreciation was accelerated under Canadian GAAP as compared to IFRS and as a result too much depreciation has been taken. An opening balance sheet adjustment will be made to increase equity and increase property, plant and equipment. **Impact on financial statements**: Depreciating fixed asset components separately will result in lower amounts of depreciation and higher asset values. There will be no impact on EBITDA or cash flows.
IAS 17 Leases	**Choices**: There are no policy choices available. **Differences from Canadian GAAP**: IFRS does not require the use of quantitative benchmarks to determine the classification of a lease as per Canadian GAAP (i.e. 75% of economic life and 90% of fair value hurdles). IFRS classification depends on the substance of the transaction rather than the form of the contract. **Expected transition impact**: No transition impact. All operating leases were analyzed to ensure that they did not contain characteristics of finance leases. **Impact on financial statements**: No impact.

The above list and related comments should not be regarded as a complete list of changes that will result from transition to IFRS. It is intended to highlight those areas we believe to be most significant; however, our assessment of the impacts of certain differences is still in process. The precise impact of conversion cannot be determined until all adjustments have been quantified and a full set of consolidated financial statements under IFRS have been prepared. The International Accounting Standards Board ("IASB") have significant ongoing projects that could affect the ultimate differences between Canadian GAAP and IFRS and the impact on the Fund's consolidated financial statements in future years. In particular, we expect that there may be additional new or revised IFRS in relation to consolidation, joint ventures, income taxes, liabilities, leases, discontinued operations and related party disclosures. We have processes in place to ensure that such potential changes are monitored and evaluated.

The Fund is currently not in a position to provide estimates of the opening balance sheet adjustments. Adjustments are potentially expected in reporting investees under the equity method and property, plant and equipment, goodwill and intangible assets, impairment, and income taxes. Analyses are in progress, the results of which will be disclosed as they are completed and approved.

TRANSACTIONS WITH RELATED PARTIES

OWNERSHIP

As of June 30, 2010, directors, officers and employees and entities related to the Fund beneficially hold an aggregate of 16,026 units or 22.3% on a fully diluted basis.

TRANSACTIONS

NPH provides advances to the Operating Partnerships to fund working capital requirements. Advances bear interest at the rate of prime plus one percent, are unsecured and are due on demand.

Included in Other Assets are net advances of $24,723 (December 31, 2009 - $24,016) made to the Operating Partnerships.

Selling, general and administrative expenses include $899 of rent expense paid to related parties of Quantum Murray, Gusgo and NPC.

NPH has arranged for a $20,000 subordinated borrowing facility from an affiliated entity. Advances to date of $10,089 have been made.

Employee loans, net of provisions, made to employees of the Fund and its subsidiary NP LP, were outstanding in the amount of $3,176 (December 31, 2009 - $3,214). In accordance with the terms and conditions of the loans, the loans are interest bearing and used to fund the purchase of units of the Fund or to refinance such purchases and are secured by a pledge of the units and personal property security agreements.

SUBSEQUENT EVENTS

On July 2, 2010 NPC sold its 80% ownership interest in Skystone International LP. Net proceeds of $3,661 from the sale were immediately repaid to NPH, as a reduction of advances, and NPH arranged for immediate repayment to the Fund's Lender, in accordance with the Amended Forbearance Agreement. The sale transaction resulted in a small accounting loss.

On July 12, 2010 the Fund announced that an amendment to the Forbearance Agreement was entered into (the "Third Amendment") with the Lenders. Under the terms of the Third Amendment, the expiry date was extended by 90 days. The Fund agreed to repay $1,300 on July 21, 2010 and $15,000 by August 31, 2010 and the balance of $113,878 and associated fees and interest by October 19, 2010. On execution of this amendment, the interest rate payable on the obligations has increased by 3% per annum.

THIRD QUARTER OUTLOOK

The main focus for the third quarter is to repay the Senior Credit Facility to meet the obligations under the Forbearance Agreement with our lenders. The plan is to achieve this through a combination of asset sales and obtaining bank facilities directly at certain investments. As well, the Fund continues to have discussions with the major holders of the debentures, and are looking to present a restructuring proposal to all holders in the near future.

On a continuing operational basis the Funds four segments have a mixed but generally improved outlook for the third quarter.

INDUSTRIAL SERVICES

The industrial services segment made progress in the second quarter with activity ramping up in both investments. This trend is expected to continue into the third quarter.

NPC is expecting a strong third quarter as maintenance services will continue with the momentum seen in the second quarter until the seasonally slower fourth quarter. Fabrication and wear division revenues will continue to be challenged as volumes may not return to 2009 levels.

At Quantum Murray, the environmental and demolition divisions should have a solid third quarter based on current project backlog. Bidding activity in the demolition division is slowly improving and there are signs of larger industrial projects coming to market. In the environmental division, the Alberta, Ontario and Northern regions are busier and it is expected to continue with increased activity.

The Metals division will continue to be challenged until scrap volumes from the larger industrial projects improve.

MARKETING

The overall outlook for the marketing division is mixed based on the trends seen in the second quarter. Armstrong is expecting a solid third quarter similar to the current quarter.
Capital C is expecting a strong quarter as the focus on business development has created opportunities for new projects. The challenge will be to manage resources costs against the acquisition of new revenue streams.
Both IC Group and Gemma will be challenged in the next quarter as significant clients are operating with reduced budgets. These volume declines will be slightly offset by new client projects in the pipeline.

FINANCIAL SERVICES

The outlook for the financial services segment is guarded.
Morrison Williams' revenues are expected to be reduced due to the reduction in assets under management.
Hargraft's results are expected to continue to be below prior year's levels due to the erosion in its client base.
NP LP expects a solid third quarter as long as the financial markets remain stable.
Baird has an optimistic outlook for all its business segments, despite competitive pressures. New business opportunities are expected to come to fruition.

OTHER

The Other segment is positioned well for the third quarter.
Peerless will continue with production on the two large government contracts throughout 2010 and will benefit from production efficiencies.
Gusgo results will continue at satisfactory levels as the economy recovers and the client base should remain constant.
There is cautious optimism for Titan as there are some indications that there will be increased activity in the conventional drilling towards the end of the third quarter.

RISK FACTORS

There are no updates to the Fund's Risk Factors. For further discussion see the Fund's MD&A or the AIF for the year ended December 31, 2009.

DISCLOSURE CONTROLS & PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

DISCLOSURE CONTROLS AND PROCEDURES

National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings", issued by the CSA requires CEOs and CFOs to certify that they are responsible for establishing and maintaining the disclosure controls and procedures and internal controls over financial reporting for the issuer, that disclosure controls and procedures and internal controls have been designed to provide reasonable assurance that material information relating to the issuer is made known to them, that they have evaluated the effectiveness of the issuer's disclosure controls and procedures, and that their conclusions about effectiveness of those disclosure controls and procedures at the end of the period covered by the relevant annual filings have been disclosed by the issuer.

The Fund's management, including its CEO and CFO, have evaluated the effectiveness of the Fund's disclosure controls and procedures as at December 31, 2009 and have concluded that those disclosure controls and procedures were effective to ensure that information required to be disclosed by the Fund in its corporate filings is recorded, processed, summarized and reported within the required time period. The CEO and CFO have certified the appropriateness of the financial disclosures in the Fund's interim filings for the period ended June 30, 2010 with securities regulators, including this MD&A and the accompanying unaudited interim consolidated financial statements and that they are responsible for the design of the disclosure controls and procedures.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

National Instrument 52-109 also requires CEOs and CFOs to certify that they are responsible for establishing and maintaining internal controls over financial reporting for the issuer, that those internal controls have been designed and are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian generally accepted accounting principles, and that the issuer has disclosed any changes in its internal controls during its most recent interim period that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

There have been no changes in internal controls over financial reporting during the quarter ended June 30, 2010 that have materially affected or are reasonably likely to materially impact the Fund's internal controls over financial reporting.

DEFINITIONS

"Agent"	means DB Newport LLC, as agent on behalf of the Lenders under the Senior Credit Agreement;
"AIF"	means Annual Information Form;
"Amended Forbearance Agreement"	means the amendments dated November 25, 2009, February 18, 2009 and July 12, 2010 to the original agreement dated July 21, 2009, between Newport Finance Corp. and the Lenders and Agent thereto;
"Armstrong"	means Armstrong Partnership LP, a limited partnership formed under the laws of Ontario;
"AUM"	means Assets Under Management
"BMI"	means Baird MacGregor Insurance Broker LP, a limited partnership formed under the laws of Ontario;
"Brompton"	means Brompton Corp., a corporation incorporated under the laws of Ontario;
"Capital C"	means Capital C Communications LP, a limited partnership formed under the laws of Ontario;
"CEO"	means Chief Executive Officer;
"CICA"	means Canadian Institute of Chartered Accountants;
"Convertible Debentures" or "Debentures"	means collectively the two series of unsecured, subordinated, convertible debentures of the Fund, due December 31, 2010 and December 31, 2012, respectively;
"ESR"	means Elliott Special Risks LP, a limited partnership formed under the laws of Ontario;
"Forbearance Agreement"	means the agreement dated July 21, 2009 between Newport Finance Corp. and the Lenders and Agent thereto;
"Fund"	means Newport Partners Income Fund;
"GAAP"	means, at any time, Canadian generally accepted accounting principles, including those set out in the Handbook of the CICA, applied on a consistent basis;
"Gemma"	means Gemma Communications LP, a limited partnership formed under the laws of Ontario;
"Gusgo"	means Gusgo Transport LP, a limited partnership formed under the laws of Ontario;
"Hargraft"	means Hargraft Schofield LP, a limited partnership formed under the laws of Ontario;
"IC Group"	means IC Group LP, a limited partnership formed under the laws of Ontario;
"IFRS"	means International Financial Reporting Standards;
"LTM"	means Last Twelve Months;
"Lenders"	means the various persons from time to time acting as lenders under the Senior Credit Agreement;
"MD&A"	means Management's Discussion and Analysis;
"Morrison Williams"	means Morrison Williams Investment Management LP, a limited partnership formed under the laws of Ontario;

"Newport Partners" or "NP LP"	means Newport Partners LP, a limited partnership formed under the laws of Ontario;
"NPC"	means NPC Integrity Energy Services Limited Partnership, a limited partnership formed under the laws of Alberta;
"NPH"	means Newport Partners Holding LP, a limited partnership formed under the laws of Ontario;
"Operating Partnerships"	means businesses in which the Fund holds an ownership interest;
"Peerless"	means Peerless Garments LP, a limited partnership formed under the laws of Ontario;
"Priority Income"	means the annual distribution to which NPF is entitled before its Operating Partners share in the income of the business;
"Quantum Murray"	means Quantum Murray LP (formerly Murray Demolition LP) a limited partnership formed under the laws of Ontario;
"Rlogistics"	means Rlogistics LP, a limited partnership formed under the laws of Ontario;
"S&E"	means Sports and Entertainment Limited Partnership, a limited partnership formed under the laws of Ontario;
"Senior Credit Agreement"	means the Secured Credit Agreement entered into on December 7, 2006, with a syndicate of Lenders;
"Titan"	means Titan Supply LP, a limited partnership formed under the laws of Alberta;
"Trust Indenture"	means the Fund will enter into a new trust with the Debenture Trustee CIBCMellon which will govern the New Debentures.
"TSX"	means Toronto Stock Exchange; and
"Units"	means trust units of the Fund.

Newport Partners Income Fund

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