

Consolidated Interim Financial Statements of

NEWPORT PARTNERS INCOME FUND

Three Months Ended March 31, 2011 and 2010
(Unaudited)

NEWPORT PARTNERS INCOME FUND

Consolidated Balance Sheets

(In thousands of Canadian dollars)

(unaudited)

	March 31, 2011	December 31, 2010	January 1, 2010
Assets			
Current Assets:			
Cash and cash equivalents	\$ 12,783	\$ 27,739	\$ 41,262
Cash and short-term investments held in trust	16,541	18,767	20,142
Accounts receivable	116,887	96,687	107,143
Inventories	29,164	28,202	22,130
Prepaid expenses	3,502	3,583	2,377
Other current assets	10,079	9,683	14,059
Current assets of discontinued operations (note 3)	278	223	27,547
	\$ 189,234	\$ 184,884	\$ 234,660
Property, plant and equipment (note 5)	53,924	52,724	41,932
Long-term investments	15,236	14,845	15,055
Goodwill (note 6)	60,482	50,487	46,986
Intangible assets (note 6)	151,218	145,750	65,015
Other assets	1,511	1,492	13,641
Deferred tax asset (note 8)	-	-	2,427
Long-lived assets of discontinued operations (note 3)	-	-	64,349
	\$ 471,605	\$ 450,182	\$ 484,065
Liabilities and Unitholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities	86,985	78,631	92,628
Provisions (note 12)	5,238	5,401	5,667
Deferred revenue	7,216	6,757	7,254
Current portion of obligations under capital leases	4,857	4,534	4,516
Current liabilities of discontinued operations (note 3)	473	326	10,275
Revolving credit facilities (note 7)	-	10,089	10,089
Accrued interest on revolving credit facilities (note 7)	-	1,449	449
Current portion of long-term debt (note 7)	-	86,939	150,499
Convertible debentures (note 7)	-	159,829	156,136
Accrued interest on convertible debentures (note 7)	-	23,870	11,935
	\$ 104,769	\$ 377,825	\$ 449,448
Obligations under capital leases	3,443	4,306	5,801
Long-term debt (note 7)	104,986	-	-
Secured debentures (note 7)	141,961	-	-
Unsecured debentures (note 7)	11,729	-	-
Stock based payment liability (note 10)	2,833	1,165	-
Long-term liabilities of discontinued operations (note 3)	-	-	7,952
Deferred tax liability (note 8)	29,258	23,394	-
Unitholders' equity (note 14)	72,626	43,492	20,864
	\$ 471,605	\$ 450,182	\$ 484,065

Subsequent events (note 14)

See accompanying notes to unaudited interim consolidated financial statements.

NEWPORT PARTNERS INCOME FUND

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

(In thousands of Canadian dollars, except per unit amounts)

(unaudited)

	Three months ended March 31, 2011		Three months ended March 31, 2010	
Revenues	\$	144,115	\$	100,880
Cost of revenues		(112,215)		(77,033)
Gross profit		31,900		23,847
Expenses				
Selling, general and administrative		(26,824)		(21,824)
Amortization of intangible assets		(8,799)		(4,189)
Depreciation		(3,111)		(2,693)
	\$	(38,734)	\$	(28,706)
Loss before the undernoted		(6,834)		(4,859)
Income from equity investments		762		470
Interest expense, net		(7,126)		(9,606)
Gain on re-measurement of investment (note 4)		9,644		9,051
Gain on debt extinguishment (note 7)		37,451		-
Fair value adjustment to stock based compensation expense (note 10)		(883)		305
Transaction costs		(1,177)		(40)
Income (loss) before income taxes	\$	31,837	\$	(4,679)
Income tax expense - current		(3)		-
Income tax (expense) recovery - deferred (note 8)		(2,700)		2,738
Net income (loss) from continuing operations	\$	29,134	\$	(1,941)
Income from discontinued operations (net of income tax) (note 3)		-		2,054
Net income and comprehensive income	\$	29,134	\$	113
Income (loss) per unit (note 9)				
Basic:				
Continuing operations	\$	0.41	\$	(0.03)
Net income	\$	0.41	\$	0.00
Diluted:				
Continuing operations	\$	0.41	\$	(0.03)
Net income	\$	0.41	\$	0.00

See accompanying notes to unaudited interim consolidated financial statements.

NEWPORT PARTNERS INCOME FUND

Consolidated Statements of Unitholders' Equity

(In thousands of Canadian dollars, except per unit amounts)

(unaudited)

	Number of units	Unitholders' Capital	Deficit	Contributed Surplus	Total Unitholders' Equity
Balance - January 1, 2011	71,631,431	\$ 414,884	\$ (373,752)	\$ 2,360	\$ 43,492
Net income for the period	-	-	29,134	-	29,134
Balance - March 31, 2011	71,631,431	\$ 414,884	\$ (344,618)	\$ 2,360	\$ 72,626

	Number of units	Unitholders' Capital	Deficit	Contributed Surplus	Total Unitholders' Equity
Balance - January 1, 2010	71,631,431	\$ 414,884	\$ (396,380)	\$ 2,360	\$ 20,864
Net income for the period	-	-	113	-	113
Balance - March 31, 2010	71,631,431	\$ 414,884	\$ (396,267)	\$ 2,360	\$ 20,977

See accompanying notes to unaudited interim consolidated financial statements.

NEWPORT PARTNERS INCOME FUND

Consolidated Statements of Cash Flows
(In thousands of Canadian dollars)
(unaudited)

	Three months ended March 31, 2011	Three months ended March 31, 2010
Cash provided by (used in):		
Operating activities:		
Net income for the period	\$ 29,134	\$ 113
Items not affecting cash:		
Income from discontinued operations (note 3)	-	(2,054)
Amortization of intangible assets	8,799	4,189
Depreciation	3,124	2,707
Deferred income tax expense (recovery)	2,700	(2,738)
Income from equity investments, net of cash received	(762)	(470)
Non-cash interest expense	664	912
Gain on re-measurement of investment (note 4)	(9,644)	(9,051)
Gain on extinguishment of debt (note 7)	(37,451)	-
Stock based compensation expense (note 10)	1,668	621
Changes in non-cash working capital	(19,000)	6,154
Distributions from discontinued operations	-	2,931
Cash provided by discontinued operations (note 3)	-	2,973
	\$ (20,768)	\$ 6,287
Investing activities:		
Acquisition of businesses, net cash acquired (note 4)	(14,547)	(4,281)
Purchase of property, plant and equipment	(58)	(1,283)
Net proceed on disposal of property, plant and equipment	202	366
Purchase of software	(477)	-
Cash used in discontinued operations (note 3)	-	(351)
	\$ (14,880)	\$ (5,549)
Financing activities:		
Increase (repayment) of long-term debt	19,766	(18,041)
Increase (decrease) in cash held in trust	2,226	(463)
Repayment of capital lease obligations	(1,300)	(1,196)
Cash used in discontinued operations (note 3)	-	(3,557)
	\$ 20,692	\$ (23,257)
Decrease in cash and cash equivalents	(14,956)	(22,519)
Cash and cash equivalents, beginning of period - continuing operations	27,739	41,262
Cash and cash equivalents, beginning of period - discontinued operations	-	2,620
Cash and cash equivalents, end of period	\$ 12,783	\$ 21,363
Cash and cash equivalents, end of period - continuing operations	\$ 12,783	\$ 19,680
Cash and cash equivalents, end of period - discontinued operations	-	1,683
Supplemental cash flow information:		
Interest paid	77	5,232
Cash acquired upon acquisition	20	4
Supplemental disclosure of non-cash financing and investing activities:		
Acquisition of property, plant and equipment through capital leases	379	243
Debt and accrued interest repaid through issuance of debentures	152,951	-

See accompanying notes to unaudited interim consolidated financial statements.

NEWPORT PARTNERS INCOME FUND

Notes to Interim Consolidated Financial Statements

(In thousands of Canadian dollars)

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(unaudited)

Newport Partners Income Fund (the "Fund") is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario pursuant to a declaration of trust dated May 13, 2005 (the "Declaration of Trust"). The registered office is located in Toronto, Ontario. The Fund was created to indirectly invest in securities of private businesses, either in limited partnerships or in corporations (collectively the "Operating Partnerships").

On April 1, 2011 the Fund converted to a corporation ("Newport Inc.") pursuant to a plan of arrangement under the Business Corporations Act (Ontario) refer to note 14.

The interim consolidated financial statements were authorized for issue in accordance with a resolution of the directors of Newport Inc. on May 12, 2011.

1. Significant accounting policies

a) Basis of Presentation

These unaudited interim consolidated financial statements have been prepared in accordance with the Amended International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These are the Fund's first IFRS interim consolidated financial statements. Previously, the Fund prepared its consolidated annual and consolidated interim financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The preparation of these consolidated interim financial statements resulted in some changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian GAAP. The last date that the Fund's consolidated financial statements were prepared in accordance with Canadian GAAP was December 31, 2010. Certain information and note disclosures normally included in the consolidated financial statements have been condensed to include only the notes related to elements which have significantly changed in the interim period and therefore they do not include all information and footnotes required in the preparation of annual financial statements. As a result, these interim consolidated financial statements should be read in conjunction with the Fund's audited consolidated financial statements and notes thereto for the year ended December 31, 2010. Certain annual disclosures that were not required by Canadian GAAP but are required by IFRS have been included in these interim consolidated financial statements. The accounting policies set out below have been applied consistently to all periods presented in these consolidated interim financial statements. They have also been applied in preparing an opening IFRS balance sheet at January 1, 2010 for the purposes of the transition to IFRS, as required by IFRS 1, First Time Adoption of International Financial Reporting Standards ("IFRS 1"). The impact of the transition from Canadian GAAP to IFRS is explained in note 2.

These interim consolidated financial statements have been prepared on the basis of IFRS that are effective or available at the Fund's first IFRS annual reporting date, December 31, 2011. Based on these IFRS', management has made assumptions about the accounting policies expected to be adopted ("Accounting

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Policies”) when the first IFRS annual financial statements are prepared for the year ended December 31, 2011.

The IFRS’ that will be effective or available in the annual financial statements for the year ended December 31, 2011 are still subject to change and to the issue of additional interpretations and therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period that are relevant to this interim financial information will be determined only when the first IFRS annual consolidated financial statements are prepared at December 31, 2011.

b) Principles of Consolidation

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

Under the proportionate consolidation method applied to jointly controlled operations, the Fund’s share of assets, liabilities, revenue and expenses are included in each major financial statement caption from the date of acquisition. All intercompany balances and transactions are eliminated upon consolidation.

The Fund accounts for investments in which it has significant influence using the equity method. Under the equity method, the original cost of an investment is adjusted for the Fund’s share of post-acquisition earnings or losses, less distributions in the case of investments in partnerships and dividends in the case of investments in companies. Investments are written down when there is evidence that a decline in value, that is other than temporary, has occurred.

The following table indicates the accounting method for each of the Fund’s investments in Operating Partnerships categorized as continuing operations as at March 31, 2011. The Fund invested in all Operating Partnerships indirectly together with their respective general partner.

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Operating Partnership	Initial Investment	Mar 31, 2011 Ownership	Accounting Method	Business Description
Gemma Communications LP ("Gemma")	March 2005	100 ¹	Consolidation	Integrated direct marketing company
NPC Integrity Energy Services LP ("NPC")	October 2004	100 ¹	Consolidation	Provider of oil and gas maintenance, construction and wear technology services to both the conventional oil and gas industry and the oilsands
Hargraft Schofield LP ("Hargraft")	April 2006	100	Consolidation	Specialty liability products insurance brokers
Morrison Williams Investment Management LP ("Morrison Williams")	August 2005	87 ¹	Proportionate consolidation	Institutional money manager
Quantum Murray LP ("Quantum Murray")	March 2006	64	Proportionate consolidation	National provider of demolition, remediation and scrap metal services
IC Group LP ("IC Group")	July 2006	80	Proportionate consolidation	Provider of on-line promotional and loyalty programs and select insurance products
Titan Supply LP ("Titan")	September 2006	92	Proportionate consolidation	Distributor of rigging and wear products to the oil and gas, transportation, pipeline, construction, mining and forestry industries
Armstrong Partnership LP ("Armstrong")	October 2006	80	Proportionate consolidation	Provider of in-store promotional marketing services
Gusgo Transport LP ("Gusgo")	October 2006	80	Proportionate consolidation	Transportation and storage services provider
Baird MacGregor Insurance Brokers LP ("BMI")	April 2007	78	Proportionate consolidation	Insurance broker specializing in the transportation sector
Brompton Funds LP ("Brompton")	August 2005	42	Equity method	Asset manager of public and private investment funds.
Rlogistics LP ("Rlogistics")	May 2006	36	Equity method	Re-seller of close-out, discount and refurbished consumer electronics and household goods in Ontario.

¹ refer to note 4

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Notes to Interim Consolidated Financial Statements

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c) Financial instruments

(i) Financial assets and financial liabilities

All financial instruments are classified into one of the following five categories; held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities. The classification depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are included on the consolidated balance sheet and are measured at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Held-for-trading financial investments are subsequently measured at fair value and all gains and losses are included in net income in the period in which they arise. Available-for-sale financial assets are measured at fair value with changes in fair values generally recognized in other comprehensive income except for available-for-sale investments that do not have a quoted market price in an active market which are measured at cost. The Fund has used the following classifications:

Category	Financial statement caption
Held for trading	Cash and cash equivalents
Held-to-maturity investments	None owned
Loans and receivables	Accounts receivable and long-term note receivables
Available-for-sale financial assets	None owned
Other financial liabilities	Revolving credit facilities, accounts payable, provisions, long-term debt, secured and unsecured debentures, convertible debentures and capital lease obligations (measured at amortized cost)

Transaction costs that are incremental and directly attributed to debt or equity issuances are capitalized. All other transaction costs, including fees paid to advisors and costs that are related to fair value through profit and loss and loss transactions, are expensed as incurred. Financing costs, including underwriting and arrangement fees paid to lenders are deferred and netted against the carrying value of the related debt and amortized into interest expense using the effective interest method.

(ii) Comprehensive income (loss)

Comprehensive income (loss) is the change in unitholders' equity, which results from transactions and events from sources other than the Fund's unitholders. These transactions and events include unrealized gains and losses resulting from changes in the fair value of certain financial instruments classified as available-for-sale. During the periods ended March 31, 2011 and 2010 there were no transactions recorded in comprehensive income (loss).

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(iii) Effective interest method

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

d) Inventories

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

e) Property, plant and equipment

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

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. Borrowing costs related to the acquisition or construction of qualifying assets are capitalized.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year and adjusted prospectively, if appropriate.

Depreciation is calculated following the method that best reflects usage and annual rates based on the estimated useful life of the assets as follows:

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Asset	Basis	Rate
Equipment under capital lease	Straight-line	Term of lease or useful life
Furniture and equipment	Declining balance	14% - 40%
Computer hardware and software	Declining balance	20% - 100%
Automotive and heavy equipment	Declining balance	30% - 40%
Structural elements of automotive and heavy equipment	Declining balance	10% - 20%
Buildings	Declining balance	4% and 5%
Leasehold improvements	Straight-line	Shorter of expected useful life or term of the lease

f) Impairment of long-lived assets

Assets with definite useful lives, including property, plant and equipment and intangible assets, are amortized over their estimated useful lives. Long-lived assets are assessed for impairment at each balance sheet date to assess whether there is an indication that such assets may not be recoverable.

If the carrying amount of an asset or cash generating unit ("CGU") exceeds its recoverable amount, an impairment charge is recognized for the amount by which the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. If it is not possible to estimate the recoverable amount of an individual asset, the CGU to which the asset belongs is tested for impairment. Value in use is determined using the estimated future cash flows generated from use and eventual disposition of an asset or CGU discounted to their present value using a pre-tax discount rate.

Assets to be disposed of are separately presented in the consolidated balance sheets and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposal group classified as held for sale have been presented separately in the appropriate asset and liability sections of the consolidated balance sheets.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Fund estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumption used to determine the assets' recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had the impairment loss not been recognized for the asset in prior years. Such reversal is recognized in the income statement.

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g) Impairment of goodwill and indefinite-life 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 acquisition method of accounting is used. After initial recognition goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the CGUs that are expected to benefit from the synergies of the combination.

Goodwill and indefinite life intangibles are not amortized and are tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. The impairment is determined by assessing whether the carrying value of the CGU including allocated goodwill and indefinite life intangibles exceeds the recoverable amount. The recoverable amount is the higher of a CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses recognized in respect of a CGU are allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the CGU. Impairment losses are recognized in the income statement in those expense categories consistent with the function of the impaired assets. Impairment losses on goodwill are not subsequently reversed.

h) Intangible assets

Intangible assets acquired individually or as part of a group of other assets are recognized and measured at cost. Intangible assets acquired in a transaction, including those acquired in business combinations, are initially recorded at their fair value. Intangible assets with determinable useful lives, such as customer relationships/contracts, management contracts, distribution licences, intellectual property and non-competition agreements are amortized over their useful lives and are tested for impairment, as described in note 1(f). Intangible assets having an indefinite life, such as brands, are not amortized but instead are tested for impairment as described in note 1 (g).

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

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

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

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i) Revenue recognition

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

(i) Financial services

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

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

(ii) Marketing

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

(iii) Industrial services

Industrial services revenue includes revenue from contracts entered into to provide maintenance and construction services to the energy industry and from contracts to provide demolition and remediation services. Revenue from such contracts is recorded using the percentage of completion method and revenue is recognized as services are performed and related costs are incurred. The stage of completion is assessed by an analysis of costs incurred to date compared to total costs. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. Provisions for estimated losses on all uncompleted contracts are made in the period in which such losses are determined. Revenue for demolition services includes consideration in the form of scrap materials which are recorded as non-monetary transactions measured at fair value using active market prices.

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(iv) Other

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

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

j) Foreign currency translation

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

k) Income taxes

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

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

l) Leases

The determination of a lease arrangement is based on the substance of the arrangement at inception date. Leases entered into by the Fund as lessee that transfer substantially all the benefits and risks of ownership to

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

m) Stock based compensation

The fair value of stock options granted is recognized on a grading vesting schedule on a straight-line basis over the applicable stock option vesting period as stock based compensation expense in the consolidated statement of income (loss) and a long-term liability in the consolidated balance sheet. The initial fair value of the liability of the options is determined based on the application of the Black-Scholes option valuation model at the date the options were granted. The options granted by the Fund are accounted for as cash settled awards under IFRS 2. In accordance with IFRS 2 Share-based payments, the services received in relation to the options granted are recorded as a liability. The liability is re-measured to fair value at each balance sheet date up to and including the settlement date with changes in fair value recognized in the income statement. Effective April 1, 2011, when the Fund converts to a corporation, stock compensation will be recorded in contributed surplus and will no longer be re-measured at each balance sheet date.

n) Income (loss) per unit

The income (loss) per unit of the Fund is computed by dividing the Fund's income (loss) by the weighted average units outstanding during the reporting period. Diluted income (loss) per unit is similar to basic income per unit, except that the denominator is increased to include the number of additional units that would have been outstanding if the potentially dilutive units had been issued and the numerator is adjusted to reflect the stock based compensation using grant date values.

The units issuable as options are the only potentially dilutive units.

o) Cash and cash equivalents

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

p) Provisions

A provision is recognized if, as a result of a past event, the Fund has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

q) Discontinued Operations

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A discontinued operation represents an operating partnership which has been sold. An operating partnership is classified as discontinued if its carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated statement of income (loss) of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes. The resulting income or loss (after taxes) is reported separately in the statement of income (loss). In the consolidated balance sheet of the reporting period, and of the comparable period, assets and liabilities from discontinued operations are reported separately from the assets and liabilities of continuing operations.

r) Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate fair values of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange for control of the acquiree, transaction costs directly attributable to the acquisition are expensed. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of acquisition, irrespective of the extent of any non-controlling interest. Where necessary, management engages qualified third-party professionals to assist in the determination of fair values.

Goodwill is initially measured as the excess of the fair value of consideration paid over the fair value of the net identifiable tangible and intangible assets acquired. If the fair value of consideration paid is less than the fair value of the net identifiable tangible and intangible assets acquired, the difference is recognized directly in the income statement.

If the Fund holds a non-controlling equity interest in an investment immediately before obtaining control, the existing investment is re-measured to fair value as at the date control was obtained, with any gain or loss on re-measurement recognized in income or loss. A change from a non-controlling interest to obtaining control is viewed as a significant change in the nature and economic circumstances of the investment, which results in a change in the classification and measurement of the investment.

s) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Significant estimates and judgments made by management in the preparation of these interim consolidated financial statements are outlined below.

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(i) Business combinations

The amount of goodwill initially recognized as a result of a business combination and the determination of fair value of the identifiable assets acquired and the liabilities assumed includes the use of management's judgment with respect to assumptions in fair value.

(ii) Property, plant and equipment

Measurement of property, plant and equipment involves the use of estimates for determining the expected useful lives of depreciable assets. Management's judgment is also required to determine depreciation methods and an asset's residual value.

(iii) Impairment

The impairment test on CGUs is carried out by comparing the carrying amount of the CGU and its recoverable amount. The recoverable amount is the higher of fair value, less costs to sell and its value in use. This complex valuation process includes the use of discounted cash flows which use assumptions to estimate cash flows. The recoverable amount depends significantly on the discount rate used in the discounted cash flow model as well as the expected future cash flows and the growth rate used for the extrapolation. Changes in any of these assumptions or judgments could result in significant changes to the fair value of the asset or CGU.

(iv) Income taxes

Income tax liabilities must be estimated for the Fund, including an assessment of temporary differences. Any temporary differences will generally result in the recognition of deferred tax assets and liabilities in the consolidated financial statements. Tax interpretations, regulations and legislation are subject to change. As such, income taxes involve estimates regarding the amount and timing of future taxable income. Deferred tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings.

(v) Stock-based compensation

Assumptions are used in the underlying calculation of fair values of the Fund's stock options. Fair value is determined using the Black-Scholes pricing model which is based on significant assumptions such as volatility, dividend yield and expected term.

(vi) Provisions

Judgment is used in measuring and recognizing provisions and the exposure to contingent liabilities. Judgment is necessary to determine the likelihood that a pending litigation or other claim will succeed, or a liability will arise and to quantify the possible range of the final settlement.

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t) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as at January 1, 2010 and have not been applied in preparing these interim consolidated financial statements.

(i) IFRS 9, Financial Instruments (“IFRS 9”)

In October 2010, the IASB issued IFRS 9, which replaces IFRS 39, Financial Instruments: Recognition and Measurement. IFRS 9 establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity’s future cash flows. This new standard will be effective for the Fund’s interim and annual consolidated financial statements commencing January 1, 2013. The Fund is assessing the impact of this new standard on its consolidated financial statements.

2. Transition to IFRS

IFRS requires that comparative financial information be provided. As a result, the first date at which the Fund applied IFRS was January 1, 2010 (the “Transition Date”). The accounting policies in note 1 have been applied in preparing the interim consolidated financial statements as at and for the three months ended March 31, 2011, the comparative information for the three months ended March 31, 2010 as well as the balance sheets as at December 31, 2010 and January 1, 2010.

In preparing the IFRS opening balance sheet, comparative information for the three months ended March 31, 2010 and balance sheet as at December 31, 2010, the Fund has adjusted amounts reported previously in the interim and annual consolidated financial statements prepared in accordance with Canadian GAAP.

The interim consolidated financial statements are prepared in accordance with IFRS 1 “First Time Adoption of International Financial Reporting Standards” (“IFRS 1”). IFRS 1 provides for certain mandatory exceptions and optional exemptions from full retrospective application of IFRS for first time adopters of IFRS. The Fund elected to take the following IFRS 1 optional exemption:

Business combinations – IFRS 1 provides the option to apply IFRS 3, Business Combinations, retrospectively or prospectively from the Transition Date. The retrospective basis would require restatement of all business combinations that occurred prior to the Transition Date. The Fund elected not to retrospectively apply IFRS 3 to business combinations that occurred prior to the Transition Date and as such business combinations have not been restated.

Any goodwill arising on such business combinations before the Transition Date has not been adjusted from the carrying value previously determined under Canadian GAAP as a result of applying these exemptions.

The Fund applied the following mandatory exception:

Estimates – Hindsight is not used to create or revise estimates. The estimates previously made by the Fund under Canadian GAAP were not revised for the application of IFRS except where necessary to reflect any difference in accounting policies.

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Reconciliation of Canadian GAAP to IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive income (loss) and cash flows for prior periods. The Fund's adoption of IFRS did not have an impact on the total operating, investing or financing cash flows. The following represents the adjustments net of tax to reconcile Canadian GAAP to IFRS for the respective periods noted for unitholders' equity (deficit) and comprehensive income (loss):

Reconciliation of Unitholders' Equity (Deficit)

As at	December 31, 2010	March 31, 2010	January 1, 2010
Unitholders' equity (deficit) under Canadian GAAP	\$ (33,744)	\$ 12,437	\$ 21,019
a) Property, plant and equipment	1,498	1,381	1,342
b) Impairment	(6,439)	-	-
c) Business combinations	84,259	9,135	-
d) Stock based compensation	(1,165)	(621)	-
e) Deferred taxes	(917)	(1,355)	(1,497)
Unitholders' equity under IFRS	\$ 43,492	\$ 20,977	\$ 20,864

Reconciliation of Comprehensive Income (Loss)

	For the year ended December 31, 2010	For the three months ended March 31, 2010
Net loss and comprehensive loss under Canadian GAAP	\$ (56,148)	\$ (9,508)
a) Property, plant and equipment	156	39
b) Impairment	(6,439)	-
c) Business combinations	84,259	9,135
d) Stock based compensation	220	305
e) Deferred taxes	580	142
Net income and comprehensive income under IFRS	\$ 22,628	\$ 113

- a) Property, plant and equipment: Under both Canadian GAAP and IFRS, each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Under Canadian GAAP, componentization was not applied to the same level and extent as required under IFRS. Through the componentization analysis, it was determined that lower depreciation expense should be recorded under IFRS. The depreciation of these assets resulted in an adjustment to the Transition Date, March 31, 2010 and December 31, 2010 balance sheets as well as comprehensive income (loss) for the year ended December 31, 2010 and three months ended March 31, 2010 increasing the value of the assets and reducing previous depreciation.
- b) Impairment of assets: 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). It was determined that no additional impairment was required as of January 1, 2010. However an impairment was recorded for December 31, 2010 relating to the goodwill recorded for Gemma that arose as a result of the re-measurement of assets on acquisition of control as discussed in c.

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- c) Business combinations: Under IFRS, step acquisitions which result in obtaining control require the existing investment to be re-measured to fair value at the date on which control was obtained, any gain or loss on re-measurement is recognized in income or loss. In 2010, the Fund completed two step acquisitions in which control was obtained resulting in the re-measurement of the Fund's previous ownership interest and a gain on re-measurement was recorded in income. In addition, under IFRS, acquisition related transaction costs are expensed as incurred, rather than included in the cost of the investment under Canadian GAAP. Refer to note 4 for details of the impact of the fair value re-measurements for Gemma and NPC.
- d) Stock based compensation: Under Canadian GAAP, the Fund accounted for stock based compensation plans using grant date fair value and recording as an expense and contributed surplus. Under IFRS, the Fund's options are considered a cash settled awards which require the options to be recorded as a liability. The liability is then re-measured to fair value at each balance sheet date up to and including the settlement date with changes in fair value recorded in income.
- e) Deferred taxes: Under Canadian GAAP the difference between the carrying value and tax basis of the Fund's convertible debentures are categorized as a permanent difference. IFRS requires such difference be treated as a taxable temporary difference and accordingly a deferred tax liability has been recorded.

3. Discontinued operations

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

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

On August 19, 2010 the Fund sold its 90% interest in Peerless Garments LP ("Peerless"). The investment (including goodwill of \$920) was sold for net proceeds of \$20,381 resulting in an accounting loss of \$3,396 (net of tax of \$4,404). Peerless was previously included in the Other segment.

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

The following table shows the revenue and net income (loss) from discontinued operations for the three months ended March 31, 2010.

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For the three months ended	March 31, 2010					
	S&E	Peerless	Cap C	NP LP	Total	
Revenue	\$ 337	\$ 9,318	\$ 8,234	\$ 3,304	\$ 21,193	
Expenses	329	8,421	7,828	3,202	19,780	
Income before taxes	8	897	406	102	1,413	
Income tax expense - current	-	-	-	3	3	
Income tax expense (recovery) - deferred	10	(335)	(161)	(158)	(644)	
Income/(loss) from discontinued operations	\$ (2)	\$ 1,232	\$ 567	\$ 257	\$ 2,054	
Income per unit - basic					\$ 0.03	
Income per unit - diluted					\$ 0.02	
Cash flows provided by (used in) discontinued operations						
Net cash provided by (used in) operating activities	(153)	2,594	157	375	2,973	
Net cash used in investing activities	(2)	(16)	(224)	(109)	(351)	
Net cash provided by (used in) financing activities	\$ 278	\$ (2,547)	\$ (844)	\$ (444)	\$ (3,557)	

The following table shows the assets are liabilities of discontinued operations as at March 31, 2011, December 31, 2010 and January 1, 2010.

As at	March 31, 2011	December 31, 2010	January 1, 2010				
	S&E	S&E	S&E	Peerless	Cap C	NP LP	Total
Effect of disposal on the financial position							
Current assets of discontinued operations	278	223	3,542	9,897	12,894	1,214	27,547
Long-lived assets of discontinued operations	-	-	19,396	24,636	19,747	570	64,349
Current liabilities of discontinued operations	473	326	1,801	5,741	2,119	614	10,275
Long-term liabilities of discontinued operations	-	-	1,851	2,414	3,687	-	7,952
Net assets (liabilities) of discontinued operations	(195)	(103)	19,286	26,378	26,835	1,170	73,669

4. Business combinations

The following investments made by the Fund during the quarter ended March 31, 2011 were accounted for using the acquisition method, and the results of the operations have been included in the Fund's consolidated financial statements since the date of investment.

On February 23, 2011, NPC paid \$13,812 to acquire the remaining 20% interest in Golosky Energy Services ("GES") bringing total ownership to 100% and obtaining control of GES. The acquisition completes the Fund's strategy of obtaining 100% of its investment in the oil and gas sector. The acquisition was accounted for using the acquisition method of accounting as a step acquisition, which required NPC to re-measure its previously held 80% interest. An additional \$5,954 was paid to settle unpaid distributions and other obligations.

From the date of acquisition, the purchase of the additional 20% interest of GES has contributed \$7,498 of revenue and \$292 to net income. If the acquisition had taken place at the beginning of the period, revenue from continuing operations would have been \$147,967 and income from continuing operations would have been \$29,263.

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Effective January 1, 2011 the Fund made an additional 6.66% investment in Morrison Williams for \$755, increasing the total investment to 86.66%. The purchase satisfied the Fund's initial obligation to redeem or acquire the interest of the minority partner over a period of three years.

The preliminary estimated fair value of the assets acquired and liabilities assumed for the GES and Morrison Williams acquisitions were as follows:

	GES			Morrison Williams	Total
	20% purchase allocation	Fair value adjustments ¹	Recognized values on acquisition	6.66% purchase allocation	
Current assets	\$ 9,010	\$ -	\$ 9,010	\$ 101	\$ 9,111
Property, plant and equipment	4,976	216	5,192	2	5,194
Goodwill	-	9,485	9,485	364	9,849
Intangible assets	13,154	-	13,154	505	13,659
Current liabilities	10,305	-	10,305	78	10,383
Long-term liabilities	48	-	48	7	55
Deferred tax liability	2,975	57	3,032	132	3,164
Net assets	13,812	9,644	23,456	755	24,211
Consideration paid, cash	13,812			755	14,567
Cash acquired	-			20	20
Net cash outflow	\$ 13,812			\$ 735	\$ 14,547

¹ Fair value adjustments to existing 80% interest

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

On December 20, 2010 the Fund paid \$14,488 to acquire the remaining 20% interest in NPC. The Fund now owns 100% of NPC. The acquisition was made to meet the Fund's strategy of obtaining 100% interest in the oil and gas sector. The acquisition was accounted for under the acquisition method of accounting as a step acquisition, which required the Fund to re-measure its previously held 80% equity interest resulting in a gain of \$74,561. If the acquisition had taken place at the beginning of the prior year period, revenue from continuing operations would have been \$113,981 and net loss before tax from continuing operations would have been 4,934.

On January 4, 2010 the Fund paid \$4,285 to acquire the remaining 20% interest in Gemma. The Fund now owns 100% of Gemma. The acquisition was made pursuant to a shot-gun buy-sell provision of the limited partnership agreement governing Gemma. The acquisition was accounted for under the acquisition method of accounting as a step acquisition which required the Fund to re-measure its previously held 80% interest resulting in a gain of \$9,051.

The estimated fair values assigned to the assets and liabilities assumed were based on a combination of independent appraisals and internal estimates. The preliminary estimated fair values of the assets acquired and liabilities assumed for the 20% interest in NPC and the re-measurement of its previously held 80% interest, and the final estimated fair values of the assets acquired and liabilities assumed for the 20% interest in Gemma and the re-measurement of its previously held 80% interest are detailed in the table below:

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	NPC			Gemma			Total
	20% purchase allocation	Fair value adjustments ¹	Recognized values on acquisition	20% purchase allocation	Fair value adjustments ¹	Recognized values on acquisition	
Current assets	\$ 14,636	\$ -	\$ 14,636	\$ 830	\$ -	\$ 830	\$ 15,466
Property, plant and equipment	7,268	9,179	16,447	293	-	293	16,740
Goodwill	1,735	13,480	15,215	1,758	10,545	12,303	27,518
Intangible assets	21,354	75,724	97,078	2,706	(1,985)	721	97,799
Current liabilities	24,776	-	24,776	544	-	544	25,320
Long-term liabilities	251	-	251	56	-	56	307
Deferred tax liability	5,478	23,822	29,300	702	(491)	211	29,511
Net assets	14,488	74,561	89,049	4,285	9,051 ²	13,336	102,385
Consideration paid, cash	14,488			4,285			18,773
Cash acquired	-			4			4
Net cash outflow	\$ 14,488			\$ 4,281			\$ 18,769

¹ Fair value adjustments to existing 80% interest

² In connection with this transaction the Fund also recorded a reduction in amortization of \$124 and transaction costs of \$40. The total impact to unitholders' equity was \$9,135

Fair value estimates relating to the GES, Morrison Williams and NPC acquisitions are not complete and therefore the acquisition accounting is preliminary and subject to adjustments.

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5. Property, plant and equipment

	Equipment under capital lease	Furniture and equipment	Computer hardware and software	Automotive and heavy equipment	Land and buildings	Leasehold improvements	Total
Cost							
Balance at January 1, 2010	\$ 17,066	\$ 8,657	\$ 5,642	\$ 27,985	\$ 4,756	\$ 5,032	\$ 69,138
Additions	2,063	1,432	563	1,272	28	893	6,251
Disposals	(1,881)	(146)	(2,078)	(356)	(13)	(36)	(4,510)
Acquisitions through business combinations	1,405	400	764	10,245	3,311	615	16,740
Balance at December 31, 2010	\$ 18,653	\$ 10,343	\$ 4,891	\$ 39,146	\$ 8,082	\$ 6,504	\$ 87,619
Additions	379	15	22	19	-	2	437
Disposals	(300)	953	81	(601)	(710)	425	(152)
Acquisitions through business combinations	283	2,248	59	2,223	16	365	5,194
Balance at March 31, 2011	\$ 19,015	\$ 13,559	\$ 5,053	\$ 40,787	\$ 7,388	\$ 7,296	\$ 93,098
Depreciation							
Balance at January 1, 2010	(8,330)	(3,003)	(3,194)	(9,522)	(983)	(2,174)	\$ (27,206)
Depreciation for the year	(2,690)	832	(894)	(6,127)	(834)	(787)	(10,500)
Disposals	1,203	85	742	508	259	14	2,811
Balance at December 31, 2010	\$ (9,817)	\$ (2,086)	\$ (3,346)	\$ (15,141)	\$ (1,558)	\$ (2,947)	\$ (34,895)
Depreciation for the period	(131)	(1,144)	(168)	(1,113)	380	(935)	(3,111)
Disposals	-	-	-	(1,168)	-	-	(1,168)
Balance at March 31, 2011	\$ (9,948)	\$ (3,230)	\$ (3,514)	\$ (17,422)	\$ (1,178)	\$ (3,882)	\$ (39,174)
Net book value							
At January 1, 2010	\$ 8,736	\$ 5,654	\$ 2,448	\$ 18,463	\$ 3,773	\$ 2,858	\$ 41,932
At December 31, 2010	\$ 8,836	\$ 8,257	\$ 1,545	\$ 24,005	\$ 6,524	\$ 3,557	\$ 52,724
At March 31, 2011	\$ 9,067	\$ 10,329	\$ 1,539	\$ 23,365	\$ 6,210	\$ 3,414	\$ 53,924

a) Collateral:

As at March 31, 2011, property, plant and equipment with a carrying amount of \$53,924 are subject to a general security agreement under the long-term debt (December 31, 2010 - \$52,724; January 1, 2010 - \$41,932).

b) Capital Commitments:

As at March 31, 2011, the Fund had capital commitments of \$14 for the acquisition of new equipment (December 31, 2010 - \$34; January 1, 2010 - \$nil).

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6. Goodwill and intangible assets

	Goodwill	Customer relationships	Computer software	Brands	Total
Cost					
Balance at January 1, 2010	\$ 46,986	\$ 82,864	\$ 491	\$ 17,355	\$ 147,696
Acquisitions through business combinations	27,518	80,503	-	17,296	125,317
Impairment	(23,683)	(1,779)	-	-	(25,462)
Additions			810	-	810
Other	(334)	(81)	-	-	(415)
Balance at December 31, 2010	\$ 50,487	\$ 161,507	\$ 1,301	\$ 34,651	\$ 247,946
Acquisitions through business combinations	9,849	10,109	-	3,550	23,508
Additions			477		477
Other	146	131			277
Balance at March 31, 2011	\$ 60,482	\$ 171,747	\$ 1,778	\$ 38,201	\$ 272,208
Amortization					
Balance at January 1, 2010	\$ -	\$ (35,449)	\$ (246)	\$ -	\$ (35,695)
Amortization for the year	-	(15,926)	(88)	-	(16,014)
Balance at December 31, 2010	\$ -	\$ (51,375)	\$ (334)	\$ -	\$ (51,709)
Amortization for the period	-	(8,781)	(18)	-	(8,799)
Balance at March 31, 2011	\$ -	\$ (60,156)	\$ (352)	\$ -	\$ (60,508)
Net book value					
At January 1, 2010	\$ 46,986	\$ 47,415	\$ 245	\$ 17,355	\$ 112,001
At December 31, 2010	\$ 50,487	\$ 110,132	\$ 967	\$ 34,651	\$ 196,237
At March 31, 2011	\$ 60,482	\$ 111,591	\$ 1,426	\$ 38,201	\$ 211,700

7. Senior credit facility and debenture

a) Background

Since December 31, 2008, the Fund through its subsidiary Newport Finance Corporation ("NFC") was not in compliance with certain covenants under its senior credit agreement with a syndicate of lenders ("Lenders"), and since July 21, 2009, the Fund was operating within a forbearance agreement that had been entered into with the Lenders.

By reason of the continuing events of default under the senior credit agreement, the Fund was prohibited under its collateral covenant agreement with the Lenders from making interest payments on its unsecured 7.5% subordinated convertible debentures due December 31, 2010 and on its unsecured subordinated

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

b) Refinancing

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

c) Senior credit facility

On December 20, 2010 the Fund announced the successful assignment of senior debt financing in the amount of \$86,939 to Marret, on behalf of various funds under management ("Marret Lenders"). In connection with the assignment, the Marret Lenders received an assignment of all of the rights and obligations of the Lenders under the senior credit facility, including under the current forbearance agreement and the related forbearance period, which the Marret Lenders agreed to extend until December 31, 2011, unless amendments curing existing events of default were entered into prior to that date. Marret, as agent and on behalf of the Marret Lenders, also at the same time entered into an amended and restated credit agreement with NFC and certain of its affiliates, providing improved borrowing terms to the Newport group of companies, as well as an amended and restated forbearance agreement. The Fund has provided security over all of its assets. In addition, the operating partnerships have guaranteed the obligations of NFC by a general security agreement on the present and future property of the limited partnerships.

On March 23, 2011 the Fund, through NFC, entered into a second amended restated credit agreement with the Marret Lenders, at which time the amended and restated forbearance agreement was cancelled.

The key terms of the second amended restated credit agreement are as follows: mandatory repayment of 100% of the net proceeds on sale of investments, repayments based on 75% of excess cash flow beginning in the final quarter of 2011, maturity date of December 20, 2013, annual covenants for 2011 and 2012 requiring a minimum EBITDA, senior debt ratio and fixed charge ratios, and similar quarterly covenants through 2013. In addition, the agreement provides for an additional \$10,000 advance available for working capital purposes and \$5,234 advance available for acquisitions. Transaction costs related to the assignment and amendment of the senior credit facility in the amount of \$1,719 have reduced the liability, and will be amortized to income using the effective interest rate method over the term of the facility

During the first quarter of 2011, the Fund drew a further \$19,766 to fund NPC's acquisition of the 20% interest in Golosky that it did not already own.

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d) Secured and unsecured debentures

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

The aggregate principal amount of the Secured Debentures is \$176,228 which satisfies the principal amount of the Debentures and principal amount and interest outstanding on the Subordinated Revolving Credit Facility on March 23, 2011. The maturity date of the Secured Debentures will be March 23, 2016 (the “Secured Debenture Maturity Date”). The interest rate will be 8% per annum, payable semi-annually in arrears on June 30 and December 31 in each year until the Secured Debenture Maturity Date. The Fund has the option to repurchase any or all Secured Debentures outstanding at any time. The Fund also has the right to redeem in cash any or all Secured Debentures outstanding at any time in its sole discretion without bonus or penalty, provided all accrued interest is paid at redemption. The Fund is also obligated to redeem a portion of the Secured Debentures prior to the Secured Debenture Maturity Date in certain circumstances based on proceeds from specified dispositions, proceeds from the issuance of equity instruments or based on excess operating cash flow as defined. At March 31, 2011, the Fund is unable to estimate any amounts repayable in 2011 in connection with this mandatory, redemption provision. The Secured Debentures will have a security interest in substantially all of the Funds assets which is subordinated to similar security interests granted in connection with the Senior Credit Facility or certain debt incurred in the future by the Fund’s subsidiaries. The Secured Debentures were listed on the Toronto Stock Exchange (“TSX”) on the date of closing of March 23, 2011.

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

For accounting purposes, the Exchange transactions have been accounted for as extinguishments of the Debentures, the Subordinated Revolving Credit Facility and the related accrued interest payable. The Secured Debentures and Unsecured Debentures have been initially recorded at their estimated fair value of \$141,545 and \$11,406 respectively. All costs incurred in connection with the issuance of the Secured and Unsecured

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Debentures have been expensed resulting in a net gain on extinguishment of \$37,451. The Secured Debentures and Unsecured Debentures will be accreted up to their principal amount over the period to the respective Maturity Dates using the effective interest method.

e) Classification

The Fund completed the refinancing of its senior credit facility and unsecured convertible debentures on March 23, 2011. Because this refinancing was completed prior to the finalization of the Fund's 2010 Canadian GAAP consolidated financial statements, the amended senior credit facility, and new secured debentures and new unsecured debentures were classified as long-term liabilities on the Canadian GAAP December 31, 2010 consolidated balance sheet. IFRS would require the refinancing to be finalized by the balance sheet date for long-term classification, and consequently the same debt liabilities are reflected as current liabilities on the comparative IFRS December 31, 2010 consolidated balance sheet.

8. Income taxes

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

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

Three months ended March 31	2011	2010
Income tax expense (recovery) at statutory rates	\$ 8,994	\$ (1,450)
Permanent differences	(2,527)	(2,329)
Change in tax rates on temporary differences	(2,412)	(486)
Derecognition of deferred tax assets/(liabilities)	(917)	-
Other	(438)	1,527
Income tax expense (recovery) - deferred	\$ 2,700	\$ (2,738)

The major components of income tax expense (recovery) are as follows:

Three months ended March 31	2011	2010
Total current income tax	\$ 3	\$ -
Deferred income tax expense (recovery):		
Origination and reversal of temporary differences	6,029	(3,779)
Deferred tax due to changes in tax rates	(2,412)	(486)
Deferred tax due to write down/reversal of write-down of tax asset	(917)	-
Adjustments in respect of prior years	-	1,527
Total deferred income tax expense (recovery)	\$ 2,700	\$ (2,738)

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

	March 31, 2011	December 31, 2010	January 1, 2010
Deferred income tax assets (liabilities):			
Fixed assets	\$ (3,372)	\$ (1,341)	\$ (2,102)
Intangible assets	(23,562)	(27,315)	(682)
Convertible Debentures	-	(917)	(1,497)
Debentures	(12,273)	-	-
Other	9,949	6,179	6,708
	\$ (29,258)	\$ (23,394)	\$ 2,427

The Fund has approximately \$20,497 of capital losses that have not been recognized in the consolidated financial statements as of March 31, 2011 (December 31, 2010 - \$20,497; January 1, 201 - \$nil). There is no expiry of capital losses.

9. Income (loss) per unit

The units issuable under the stock options are the only potentially dilutive units.

The following table sets forth the adjustments to the numerator and denominator for fully diluted income per unit:

Three months ended March 31	2011	2010
Numerator:		
Income (loss) from continuing operations	\$ 29,134	\$ (1,941)
Income from discontinued operations	-	2,054
Net income	\$ 29,134	\$ 113
Denominator:		
Weighted average number of units outstanding (basic)	71,631,431	71,631,431
Effect of stock options issued	1,889,229	-
Weighted average number of units outstanding (diluted)	73,520,660	71,631,431

For purposes of the 2011 diluted calculation, the numerator is increased by \$883 representing the period increase in the fair value of stock options since grant date.

10. Stock-based compensation

On November 30, 2009 the unitholders of the Fund approved an Incentive Option Plan ("IOP"). Pursuant to the IOP, 7,100,590 units were listed and reserved for issuance upon the exercise of the stock options granted. On March 25, 2011, the IOP was amended to permit the adoption of a new Management Incentive Plan ("MIP").

Pursuant to the MIP, 7,150,000 Fund units were listed and reserved for issuance upon the exercise of stock options. The term and conditions of the grants are as follows:

Plan	Grant date	Number of options	Exercise price	Vesting dates	Contractual life of options
IOP	January 13, 2010	7,000,000	\$0.403	2010 to 2013	5 years
	March 25, 2011	50,000	\$0.358	50% vest on March 25, 2012, 50% vest on March 25, 2013	5 years
MIP	March 25, 2011	7,150,000	\$0.358	50% vest on March 25, 2012, 50% vest on March 25, 2013	5 years
Total options granted		14,200,000			

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The number and weighted average exercise prices of share options are as follows:

	IOP		MIP		Total
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	
Outstanding at January 1, 2010	-	-	-	-	-
Granted during the year	\$0.403	7,000,000	-	-	7,000,000
Outstanding at December 31, 2010	\$0.403	7,000,000	-	-	7,000,000
Exercisable at December 31, 2010	-	3,225,000	-	-	-
Forfeited during the period	-	-	-	-	-
Exercised during the period	-	-	-	-	-
Granted during the period	\$0.358	50,000	\$0.358	7,150,000	7,200,000
Outstanding at March 31, 2011		7,050,000		7,150,000	14,200,000
Exercisable at March 31, 2011		4,358,400		-	4,358,400

The options outstanding at March 31, 2011 have an exercise price in the range of \$0.358 to \$0.403 and a weighted average remaining contractual life of 5 years.

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

	IOP	MIP
Risk free interest rate	1.63%	1.69%
Expected volatility	144%	122%
Expected weighted average life of options	2.42 years	2 years
Expected dividend yield	0%	0%

The income (expense) recognized related to stock-based compensation is as follows:

Three months ended March 31, 2011	IOP	MIP	Total
Stock based compensation using grant date for fair value	\$ (153)	\$ (632)	\$ (785)
Fair market value adjustment reflected to liability classification	(932)	49	(883)
Total stock based compensation expense	\$ (1,085)	\$ (583)	\$ (1,668)
Stock based payment liability	\$ 2,250	\$ 583	\$ 2,833
Three months ended March 31, 2010	IOP	MIP	Total
Stock based compensation using grant date for fair value	\$ (926)	\$ -	\$ (926)
Fair market value adjustment reflected to liability classification	305	-	305
Total stock based compensation expense	\$ (621)	\$ -	\$ (621)
Stock based payment liability	\$ 621	\$ -	\$ 621

The intrinsic value of vested stock based compensation awards outstanding as at March 31, 2011 was \$989.

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11. Related party disclosures

a) Advances to operating partnerships

The consolidated interim financial statements include the Fund and the subsidiaries and joint ventures listed in note 1. The Fund regularly provides advances to the operating partnerships to fund working capital needs. The advances bear interest at prime, are unsecured and are due on demand. Advances are included in other current assets. The following table reflects the advances to the other joint venture partners of the operating partnership that do not eliminate on consolidation:

As at	March 31, 2011	December 31, 2010	January 1, 2010
NPC	\$ -	\$ -	6,257
Gemma	-	-	135
Murray	2,615	1,125	1,250
Titan	1,320	1,120	1,331
Armstrong	115	70	95
BMI	558	452	435
Total advances	\$ 4,608	\$ 2,767	\$ 9,503

b) Employee loans

Employee loans were made to certain management and employees. In accordance with the terms and conditions, the loans bear interest at prime plus 1%, were used to purchase units of the Fund and are collateralized by units and in certain cases personal guarantees. The loan balances are disclosed in the table below.

As at	March 31, 2011	December 31, 2010	January 1, 2010
Employee loans	\$ 1,868	\$ 1,869	\$ 2,039

c) Other related party transactions

Selling, general and administrative expenses includes \$357 of rent expense paid to related parties of Quantum Murray and Gusgo for the three months ended March 31, 2011 (2010 - \$355). These transactions occurred in the normal course of business and are recorded at the exchange amount, which is the amount of consideration established and agreed to between the parties.

12.

12. Provisions

	NPC	Tax	Total
Balance at January 1, 2010	\$ 1,617	\$ 4,050	\$ 5,667
Provisions made during the year	622	250	872
Provisions used during the year	(986)	-	(986)
Provisions reversed during the year	(152)	-	(152)
Balance at December 31, 2010	\$ 1,101	\$ 4,300	\$ 5,401
Provisions made during the period	303	-	303
Provisions used during the period	(466)	-	(466)
Balance at March 31, 2011	\$ 938	\$ 4,300	\$ 5,238

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a) NPC operational restructuring

During the year ended December 31, 2009 NPC Integrity Energy Services Limited Partnership recognised a provision of \$1,617 for costs related to restructuring its senior management team. Estimated costs were based on the terms of employment contracts.

b) Tax

The Fund and its subsidiaries have recorded provisions related to various tax matters.

13. Segmented information

The Fund has six reportable operating segments, each of which has separate operational management and management reporting information. All of the Fund's operations, assets and employees are located in Canada. The financial services segment incorporates investment management, institutional money management, wealth management and insurance brokerage services. The marketing segment represents the investment in a fully integrated marketing agency providing in-store promotional marketing, digital and social media marketing solutions, an outsourced contact centre operator providing outbound revenue generation and inbound customer care services and a provider of on-line promotional and loyalty programs and select insurance products. The industrial services segment includes two reportable segments and represents the investments in a fully integrated providers of mid-stream production services to the energy industry and a provider of demolition contract services and site remediation services. The other segment incorporates a distributor and manufacturer of heavy equipment, a container transportation business and a reverse logistics provider. The corporate segment includes head office administrative and financing costs incurred by the Fund.

The accounting policies of the segments are described in the summary of significant accounting policies in note 1. The Fund utilizes earnings before interest, taxes, depreciation and amortization ("EBITDA") as a performance measure for its operating partners and segment results, and accordingly a reconciliation from net income (loss) from continuing operations to EBITDA is included herein.

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Three months ended March 31, 2011	Financial Services	Marketing	Industrial Services Quantum NPC Murray	Other	Corporate	Total	
Revenue	\$ 3,095	\$ 11,962	\$ 85,413	\$ 31,447	\$ 12,198	\$ - \$ 144,115	
Cost of revenue	(427)	(7,946)	(70,695)	(24,812)	(8,335)	- (112,215)	
	2,668	4,016	14,718	6,635	3,863	- 31,900	
Expenses							
Selling, general and administrative	(2,186)	(3,167)	(10,394)	(5,057)	(2,541)	(3,479)	(26,824)
Amortization of intangible assets	(1,044)	(1,656)	(4,882)	(782)	(329)	(106)	(8,799)
Depreciation	(19)	(193)	(1,914)	(869)	(116)	-	(3,111)
	\$ (3,249)	\$ (5,016)	\$ (17,190)	\$ (6,708)	\$ (2,986)	\$ (3,585)	\$ (38,734)
Income (loss) before the undernoted	(581)	(1,000)	(2,472)	(73)	877	(3,585)	(6,834)
Income from equity investment	390	-	-	-	372	-	762
Interest income (expense)	20	(31)	(2,541)	(94)	(162)	(4,318)	(7,126)
Gain on re-measurement of investment	-	-	9,644	-	-	-	9,644
Gain on debt extinguishment	-	-	-	-	-	37,451	37,451
Fair value adjustment to stock based compensation expense	-	-	-	-	-	(883)	(883)
Transaction costs	-	-	(189)	-	-	(988)	(1,177)
Income tax (expense) - current	-	-	(3)	-	-	-	(3)
Income tax (expense) recovery - deferrac	278	329	3,553	691	71	(7,622)	(2,700)
Income (loss) from continuing operations	\$ 107	\$ (702)	\$ 7,992	\$ 524	\$ 1,158	\$ 20,055	\$ 29,134
Add back:							
Interest income (expense)	(20)	31	2,541	94	162	4,318	7,126
Depreciation and amortization ⁽ⁱ⁾	1,063	1,849	6,796	1,651	458	106	11,923
Amortization of Brompton intangible assets ⁽ⁱⁱ⁾	287	-	-	-	-	-	287
Income tax (expense) - current	-	-	3	-	-	-	3
Income tax (expense) recovery -	(278)	(329)	(3,553)	(691)	(71)	7,622	2,700
EBITDA	\$ 1,159	\$ 849	\$ 13,779	\$ 1,578	\$ 1,707	\$ 32,101	\$ 51,173
Segment balances total assets as at:							
March 31, 2011	51,868	36,490	260,508	68,365	34,648	19,726	471,605

(i) Depreciation of \$13 relating to production equipment has been included in cost of revenue.

(ii) The amortization of the intangible asset related to the investment in Brompton is included in income from equity investment.

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Three months ended March 31, 2010	Financial Services	Marketing	Industrial Services NPC	Quantum Murray	Other	Corporate	Total
Revenue	\$ 3,584	\$ 13,359	\$ 52,404	\$ 21,025	\$ 10,508	\$ -	\$ 100,880
Cost of revenue	(319)	(8,740)	(43,660)	(17,099)	(7,215)	-	(77,033)
	3,265	4,619	8,744	3,926	3,293	-	23,847
Expenses							
Selling, general and administrative	(2,374)	(2,969)	(5,702)	(5,281)	(2,316)	(3,182)	(21,824)
Amortization of intangible assets	(1,015)	(1,251)	(788)	(782)	(329)	(24)	(4,189)
Depreciation	(20)	(237)	(1,364)	(933)	(139)	-	(2,693)
	\$ (3,409)	\$ (4,457)	\$ (7,854)	\$ (6,996)	\$ (2,784)	\$ (3,206)	\$ (28,706)
Income (loss) before the undernoted	(144)	162	890	(3,070)	509	(3,206)	(4,859)
Income from equity investment	320	-	-	-	150	-	470
Interest income (expense)	24	(25)	(1,909)	(75)	(146)	(7,475)	(9,606)
Gain on re-measurement of investment	-	9,051	-	-	-	-	9,051
Fair value adjustment to stock based compensation expense	-	-	-	-	-	305	305
Transaction costs	-	-	-	-	-	(40)	(40)
Income tax (expense) recovery - deferrec	(127)	2,049	602	(1,667)	46	1,835	2,738
Income (loss) from continuing operations	\$ 73	\$ 11,237	\$ (417)	\$ (4,812)	\$ 559	\$ (8,581)	\$ (1,941)
Add back:							
Interest (income) expense	(24)	25	1,909	75	146	7,475	9,606
Depreciation and amortization ⁽ⁱ⁾	1,035	1,488	2,152	1,715	482	24	6,896
Amortization of Brompton intangible assets ⁽ⁱⁱ⁾	287	-	-	-	-	-	287
Income tax expense (recovery) - deferrec	127	(2,049)	(602)	1,667	(46)	(1,835)	(2,738)
EBITDA	\$ 1,498	\$ 10,701	\$ 3,042	\$ (1,355)	\$ 1,141	\$ (2,917)	\$ 12,110
Segment balances total assets as at:							
December 31, 2010	52,589	35,927	218,047	66,948	34,250	42,421	450,182
Segment balances total assets as at:							
January 1, 2010	94,543	68,878	93,045	89,597	66,082	71,920	484,065

(i) Depreciation of \$14 relating to production equipment has been included in cost of revenue.

(ii) The amortization of the intangible asset related to the investment in Brompton is included in income from equity investment.

(iii) Discontinued operations previously part of the Financial Services segment are included in the Corporate segment (refer to note 3).

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14. Subsequent events

On April 1, 2011 the Fund converted to a corporation pursuant to a plan of arrangement under the Business Corporations Act (Ontario). Effective April 1, 2011 unitholders of the Fund received one common share of Newport Inc. in exchange for each unit of the Fund. Trading of Newport Inc.'s common shares commenced on April 5, 2011 under the symbol NP. Newport's business will continue to be carried on by the same management team in place prior to completion of the conversion.