Newport Partners Income Fund

FIRST QUARTER REPORT 2011

PORTFOLIO SUMMARY – BY OPERATING PARTNERSHIP ($000s)

THREE MONTHS ENDED MARCH 31, 2011

Operating Partner	Invested capital	Ownership Interest	Date of Initial Investment	Q1 2011 Adjusted EBITDA	Q1 2010 Adjusted EBITDA
NPC	$ 147,400	100%	Oct. 2004	$ 4,135	$ 3,042
Quantum Murray	77,900	64%	Mar. 2006	1,578	(1,355)
Morrison Williams	42,800	87%	Aug. 2005	382	1,008
Gemma	32,300	100%	Mar. 2005	380	1,018
Brompton	27,200	42%	Aug. 2005	677	607
Titan	25,200	92%	Sept. 2006	932	593
Armstrong	20,000	80%	Oct. 2006	227	243
Hargraft	18,300	100%	Apr. 2006	(240)	(386)
BMI	18,200	78%	Apr. 2007	340	269
Gusgo	12,500	80%	Oct. 2006	404	398
IC Group	10,800	80%	July 2006	242	389
Rlogistics	10,000	36%	May 2006	371	150
Total Current Portfolio	**$ 442,600**			**$ 9,428**	**$ 5,976**

Dear Unitholders:

During the first quarter of 2011, Newport completed its balance sheet restructuring. This important step has enabled Newport to improve the terms of its senior facility, remove all forbearance conditions, refinance its long-term debentures, and to preserve unitholder equity.

As we look to the balance of 2011, our focus is on debt reduction, and improved operational performance. We want our debt leverage levels to reduce and our new financial arrangements do drive us towards debt reduction. Under the terms of our senior credit facility, any asset sale proceeds are used to retire debt, as does 75% of available cash flow beginning in the last quarter of this year. To this end, we continually re-assess the portfolio, considering value creation and value realization opportunities for each investment. Some have niche growth opportunities, while others may provide better returns for unitholders by selling in the short to medium term. As for the latter, the advantage we now have is that we can sell assets on a timetable designed to maximize value and debt repayment, not just satisfy lender commitments.

We are encouraged by levels of business activities in Alberta. We believe that the recent purchases of the two minority positions at NPC supports our view that the oil and gas sector can provide long-term benefits for Newport. We now own 100% of this investment, including 100% of the important oil sands division. It's our largest investment in terms of both dollars invested and earnings contribution. The results at NPC were improving towards the end of the first quarter, and there does appear to be real momentum in the oil patch at this time. We will continue to devote considerable time to this investment both at the management and board level, as the operational success of this business will have the largest impact in delivering debt reduction and unitholder value.

The last two years have been challenging for Quantum Murray, and difficult decisions had to be taken during this period at the demolition division to scale operations to match a significant reduction in industrial and commercial demolition activity. We are now pleased to see the return of larger projects, and Quantum Murray has a healthy backlog of demolition work, which should also benefit our scrap metals division. The remediation and hazardous materials divisions are also busy with several significant projects.

We have scheduled our annual general meeting for June 29, 2011 and materials will be forthcoming.

Thank you for your continued support.

Dean T. MacDonald

President and CEO

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 12, 2011

The following is management's discussion and analysis ("MD&A") of the consolidated results of operations, balance sheets and cash flows of Newport Partners Income Fund (the "Fund") for the three months ended March 31, 2011 and 2010. This MD&A should be read in conjunction with the Fund's unaudited interim consolidated financial statements for the three months ended March 31, 2011 and 2010 and the notes thereto and the Fund's audited consolidated financial statements for the year ended December 31, 2010.

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 Directors of Newport Inc., the successor corporation to the Fund, on the recommendation of its Audit Committee. This MD&A is dated May 12, 2011 and is current to that date unless otherwise indicated.

The interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Fund adopted IFRS on January 1, 2011. As part of the adoption, the Fund was required to restate, for comparative purposes, amounts reported for the year ended December 31, 2010 and the opening balance sheet as at January 1, 2010. Note 2 of the interim consolidated financial statements for the three months ended March 31, 2011 and March 31, 2010 contains a detailed description of the Fund's conversion to IFRS.

This MD&A makes reference to certain measures that are not defined in IFRS and contains forward-looking information. These measures do not have any standard meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers.

Capitalized terms are defined terms, their meaning is explained in the "Definitions" section located on page 39, and references 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, 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 “Second Quarter Outlook” presented. Readers are cautioned that this information may not be appropriate for any other purpose.

Non-standard measures

The terms ‘‘EBITDA’’, “adjusted EBITDA”, ‘‘distributable cash’’, ‘‘invested capital’’, (collectively the ‘‘Non-IFRS measures’’) are financial measures used in this MD&A that are not standard measures under International Financial Reporting Standards (‘‘IFRS’’). The Fund’s method of calculating Non-IFRS measures may differ from the methods used by other issuers. Therefore, the Fund’s Non-IFRS measures, as presented may not be comparable to similar measures presented by other issuers.

EBITDA refers to net earnings determined in accordance with IFRS, before depreciation and amortization, interest expense and income tax expense. EBITDA is used by management and the Directors 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 or sale of ownership interest (dilution gains or losses), the write-down of goodwill and intangible assets, restructuring costs, gain on re-measurement of investments, gain on debt extinguishment, and fair value adjustments on stock based compensation expense 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 IFRS 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.

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 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-standard Measures are not alternatives to measures under IFRS 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-standard 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

The Fund has five 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. In addition to the segments listed below, the corporate segment represents head office administrative and financing costs incurred by the Fund. The Fund utilizes EBITDA as a performance measure for its operating partners and segment results.

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	87% [1]
Marketing		
Armstrong	Fully integrated marketing agency providing in-store promotional marketing, digital and social media marketing solutions	80%
Gemma	An outsourced contact centre operator providing outbound revenue generation and inbound customer care services	100% [1]
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	100% [1]
Quantum Murray	National provider of demolition, remediation and scrap metal services	64%
Other		
Gusgo	Transportation and storage services provider	80%
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 the oil and gas, and construction sectors.	92%

1 Refer to first quarter results section for further information

ADOPTION OF IFRS

The first quarter of 2011 represents the first quarter in which the Fund has reported its financial results under IFRS. The change from Canadian GAAP to IFRS has an impact on the interim consolidated financial statements of the Fund as follows:

(i) January 1, 2010 Opening Balance Sheet (IFRS transition date)

(ii) December 31, 2010 Balance Sheet

(iii) March 31, 2011 Balance Sheet

(iv) Income statement for the periods ended March 31, 2011 and March 31, 2010

The accounting items that impact the statements, and the statements impacted are as follows:

(a)	Property, plant and equipment	(i)(ii)(iii) and (iv)
(b)	Impairment	(ii)
(c)	Business combinations	(ii)(iii) and (iv)
(d)	Stock based compensation	(ii)(iii) and (iv)
(e)	Deferred taxes	(i)(ii)(iii) and (iv)
(f)	Debt classification	(ii)

Property, Plant and Equipment (“PPE”)

Under IFRS, there is more detailed itemization of PPE into its components which can cause a different assessment of useful lives resulting in different depreciation rates. The impact on the Fund is that, previously, lower depreciation expense could have been recorded under IFRS compared to Canadian GAAP resulting in the increase of asset values on each IFRS balance sheet. Consequently there are lower depreciation expense amounts recorded in IFRS income statement periods subsequent to January 1, 2010.

Impairment

Generally, the methods for determining whether assets are impaired are similar between Canadian GAAP and IFRS. There was no impact to the opening balance sheet. Because of different accounting under IFRS for business combinations (see below), there was an adjustment to income for the 2010 year and December 31, 2010 balance sheet to reflect an impairment in goodwill and intangible assets of Gemma.

Business Combinations

There is no restatement of business combinations occurring prior to the IFRS transition date as the Fund elected not to retrospectively apply IFRS 3, Business Combinations. In subsequent periods, the Fund will be most impacted by the requirement, on a transaction that increases ownership in an existing investment to a control position, to re-measure the existing ownership interest to fair value. In January 2010, December 2010 and February 2011 the Fund increased its ownership interests in Gemma, NPC and Golosky Energy Services (“GES” or “Golosky”) respectively to

100% from 80% thereby moving the Fund to a control position from its previous joint control position. In each of these transactions, the Fund has recorded a gain on re-measurement of its existing investment of $9,051, $74,561 and $9,644 respectively. The gain is reflected in increased asset values, primarily in intangibles assets and goodwill. Where applicable, the increases in asset values will cause increases in deferred tax liability balances. In addition, transaction costs related to a business combination are expensed under IFRS rather than being considered part the purchase cost under Canadian GAAP.

Stock Based Compensation

The imputed fair value of stock options is calculated as stock compensation expense at date of grant and is recorded under Canadian GAAP as contributed surplus within unitholders' equity. Since the Fund's units have a puttable feature, the stock option plan is accounted for as a liability under IFRS. The liability amount is re-measured to fair value at each balance sheet date with the change in fair value recorded in income. On the conversion to a corporation on April 1, 2011, the accounting treatment will be similar to that under Canadian GAAP.

Deferred Taxes

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.

Debt Classification

The Fund completed a 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 audited consolidated financial statements, the amended senior credit facility, and new secured debentures and new unsecured debentures could be categorized on the December 31, 2010 consolidated balance sheet as long-term liabilities. IFRS requires that a refinancing has to be finalized by the balance sheet date, and consequently the same debt liabilities are reflected as current liabilities on the comparative December 31, 2010 consolidated balance sheet.

FIRST QUARTER PERFORMANCE

SUMMARY FINANCIAL TABLE – (SEGMENTED) ($000S EXCEPT PER UNIT AMOUNTS)

Three months ended March 31, 2011	Financial Services	Marketing	Industrial Services[2]	Other	Corporate[1]	Total
Revenues	$ 3,095	$ 11,962	$ 116,860	$ 12,198	$ -	$ 144,115
Gross profit	2,668	4,016	21,353	3,863	-	31,900
Income (loss) from continuing operations	107	(702)	8,516	1,158	20,055	29,134
EBITDA from continuing operations	1,159	849	15,357	1,707	32,101	51,173
Gain on re-measurement of investment	-	-	(9,644)	-	-	(9,644)
Gain on debt extinguishment	-	-	-	-	(37,451)	(37,451)
Fair value adjustment on stock based compensation expense	-	-	-	-	883	883
Adjusted EBITDA from continuing operations	$ 1,159	$ 849	$ 5,713	$ 1,707	$ (4,467)	$ 4,961
Interest income (expense)[2]	20	(31)	(2,635)	(162)	(4,318)	(7,126)
Non-cash interest expense[3]	-	-	-	-	664	664
Income tax expense - current	-	-	(3)	-	-	(3)
Maintenance capital expenditures and reserves	(689)	(103)	(193)	(24)	3	(1,006)
Capital lease payments	-	(42)	(1,202)	(56)	-	(1,300)
Distributable cash from (used by) the Fund [5]	$ 490	$ 673	$ 1,680	$ 1,465	$ (8,118)	(3,810)

Three months ended March 31, 2010	Financial Services	Marketing	Industrial Services[2]	Other	Corporate[1]	Total
Revenues	$ 3,584	$ 13,359	$ 73,429	$ 10,508	$ -	$ 100,880
Gross profit	3,265	4,619	12,670	3,293	-	23,847
Income (loss) from continuing operations	73	11,237	(5,229)	559	(8,581)	(1,941)
EBITDA from continuing operations	1,498	10,701	1,687	1,141	(2,917)	12,110
Gain on re-measurement of investment	-	(9,051)	-	-	-	(9,051)
Fair value adjustment on stock based compensation expense	-	-	-	-	(305)	(305)
Adjusted EBITDA from continuing operations	$ 1,498	$ 1,650	$ 1,687	$ 1,141	$ (3,222)	$ 2,754
Interest income (expense)[2]	24	(25)	(498)	(146)	(8,961)	(9,606)
Non-cash interest expense[3]	-	-	-	-	912	912
Maintenance capital expenditures and reserves	(649)	(50)	(615)	(16)	-	(1,330)
Capital lease payments	(5)	(55)	(1,076)	(60)	-	(1,196)
Priority Income per partnership agreement[4]	-	-	-	91	-	91
Distributable cash from (used by) continuing operations	$ 868	$ 1,520	$ (502)	$ 1,010	$ (11,271)	(8,375)
Distributable cash from discontinued operations						3,386
Distributable cash used by the Fund[5]						$ (4,989)

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 80% investment in Golosky on July 31, 2007. This long-term facility can be converted into equity under certain circumstances. 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 $1,486 in 2010 and such amount has been added to the interest expense of the Corporate segment. This adjustment was not made in 2011 as the Fund increased its ownership of NPC to 100% by December 31, 2010 and the adjustment is no longer necessary as the conversion to equity is now unlikely to be completed.

3 Non-cash interest expense relates to the amortization of deferred financing 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. In subsequent periods it will also include the accretion of the difference between carrying value and face value of the secured and unsecured debentures over the term of the debentures.

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 Partnership.

5 As there were no distributions made during the current or prior year quarter, distributable cash per unit information has not been provided

SUMMARY RESULTS FROM CONTINUING OPERATIONS ($000S)

	Three months ended March 31	
	2011	2010
Revenues	$ 144,115	$ 100,880
Cost of revenues	(112,215)	(77,033)
Gross profit	31,900	23,847
Selling, general and administrative expenses	(26,824)	(21,824)
Amortization expense	(8,799)	(4,189)
Depreciation expense	(3,111)	(2,693)
Income from equity investments	762	470
Interest expense	(7,126)	(9,606)
Gain on re-measurement of investment	9,644	9,051
Gain on debt extinguishment	37,451	-
Fair value adjustment on stock based compensation expense	(883)	305
Transaction costs	(1,177)	(40)
Income tax expense - current	(3)	-
Income tax (expense) recovery - deferred	(2,700)	2,738
Income (loss) from continuing operations	$ 29,134	$ (1,941)
Add:		
Amortization	8,799	4,189
Depreciation[1]	3,124	2,707
Amortization of Brompton intangible assets	287	287
Interest expense	7,126	9,606
Income tax expense - current	3	-
Income tax recovery - deferred	2,700	(2,738)
EBITDA	$ 51,173	$ 12,110
Gain on re-measurement of investment	$ (9,644)	$ (9,051)
Gain on debt extinguishment	(37,451)	-
Fair value adjustment on stock based compensation expense	883	(305)
Adjusted EBITDA	$ 4,961	$ 2,754

1 Depreciation of $13 relating to production equipment has been included in cost of revenues (2010 - $14).

	March 31	December 31
Selected Balance Sheet Accounts	2011	2010
Total assets	$ 471,605	$ 450,182
Senior credit facility	104,986	86,939
Secured debentures	141,961	-
Unsecured debentures	11,729	-
Revolving credit facilities	-	10,089
Convertible debentures	-	159,829
Unitholders' equity	72,626	43,492

FIRST QUARTER 2011 RESULTS

The Fund's continuing operations from its portfolio investments are reported in its four operating segments: Financial Services, Marketing, Industrial Services and Other. Revenues for the three months ended March 31, 2011 were $144,115 compared to $100,880 in 2010, an increase of 42.9%. The increase was largely driven by increased business levels at both NPC and Quantum Murray, as well as, the Fund's increase in ownership of NPC from 80% to 100% on December 20, 2010.

Gross profit for the three months ended March 31, 2011 was $31,900 compared to $23,847 in the prior year quarter, an increase of 33.8%. Gross margins were 22.1% for the three months ended March 31, 2011 compared to 23.6% in the prior year quarter. Increases in gross margin percentage in the Industrial Services and Other segments were offset by decreases in the Financial Services and Marketing segments.

For the three months ended March 31, 2011, these four operating segments produced $9,428 of adjusted EBITDA for the Fund compared to $5,976 in the prior year quarter. Refer to the chart below for adjusted EBITDA by operating partner. During the first quarter, interest costs were $7,126, reflecting reduced borrowings and lower interest rates on refinanced debt, compared with $9,606 the prior year quarter. The prior year quarter's interest amount included a $1,500 forbearance extension fee and $367 of swap breakage fees. During the three months ended March 31, 2011, the operating segments had capital expenditures and capital lease payments of $2,306, as compared to $2,496 in the same period in 2010. The majority of these expenditures were incurred in the Industrial Services segments.

Distributable cash used by continuing operations for the three months ended March 31, 2011 was $3,810, compared with $8,375 in the same period in 2010.

Non-cash items that impacted the results were depreciation and amortization, deferred income taxes, gain on re-measurement of investment, and gain on debt extinguishment. Depreciation and amortization was $11,910 for the three months ended March 31, 2011, compared to $6,882 for the prior year quarter. The largest component of this expense is the amortization of intangible assets, which were recorded as investments were made. Gain on re-measurement of investment relates to acquisition accounting under IFRS for transactions where control of an investment is obtained. In such circumstances, the Fund's existing investment in Golosky in the current quarter, and Gemma in the prior year quarter were re-valued resulting in the recognition of gains of $9,644 and $9,051, respectively.

The refinancing of the Fund's convertible debentures and interest owing thereon and the revolving credit facility has resulted in the issue of new secured and unsecured debentures. The new debentures have been recorded at their respective fair values, which were determined based on the weighted average trading prices over a given period. The difference between the fair value of the debentures and the carrying value of the convertible debentures and related interest and the revolving credit facility, less all transaction costs, has been recorded in the income statement as a gain on extinguishment of debt of $37,451.

Net income for the three months ended March 31, 2011 from continuing operations was $29,134 compared to a loss of $1,941 in 2010.

Adjusted EBITDA		Q1 2011		Q1 2010		2011 vs. 2010
Financial Services						
BMI	$	340	$	269	$	71
Brompton		677		607		70
Hargraft		(240)		(386)		146
Morrison Williams		382		1,008		(626)
	$	1,159	$	1,498	$	(339)
Marketing						
Armstrong		227		243		(16)
Gemma		380		1,018		(638)
IC Group		242		389		(147)
	$	849	$	1,650	$	(801)
Industrial Services						
NPC		4,135		3,042		1,093
Quantum Murray		1,578		(1,355)		2,933
	$	5,713	$	1,687	$	4,026
Other						
Gusgo		404		398		6
Titan		932		593		339
Rlogistics		371		150		221
		1,707		1,141		566
Adjusted EBITDA from portfolio operations	$	9,428	$	5,976	$	3,452

INDUSTRIAL SERVICES

NPC's positive results for the three months ended March 31, 2011 not only reflect the Fund's increase in ownership in both NPC and Golosky but also strong performance of the underlying businesses. On a divisional basis higher maintenance services and transportation revenues drove the improved results.

Quantum Murray had a strong quarter producing results that were significantly improved over the prior year quarter. Circumstances that Quantum Murray worked through in the prior year quarter are not present in 2011 and Quantum Murray has resumed higher business levels with increased activity in both demolition and remediation services. In the prior year quarter, Quantum Murray experienced low activity levels and also right sized the business following the departure of management personnel.

FINANCIAL SERVICES

The financial services segment continued to be impacted by lingering issues of 2010. The loss of several clients in f 2010 by Morrison Williams led to lower results for the three months ended March 31, 2011 compared to the prior year quarter. The rebuilding of the management team at the end of 2010 has led to a modest increase in AUM as at March 31, 2011 since year-end. Significant increases in Brompton's AUM over the prior year quarter have led to improved results for Brompton. BMI had a strong quarter and results are largely due to the results of new business initiatives as well as growth in existing business. Hargraft's improved results reflect the realization of the benefits of operational restructuring during 2010.

MARKETING

The marketing segment had a challenging quarter. Gemma continues to manage business level fluctuations from a major client and did not see anticipated new business materialize during the first quarter of 2011. Both Armstrong and IC Group worked hard to maintain existing business from key clients.

OTHER

The improving Alberta economic conditions had a strong impact on Titan's results. Weather factors also worked in Titan's favour as higher than normal snowfall conditions gave an added boost to its ground engaging equipment product lines. Gusgo's revenues were consistent with the prior year quarter.

CORPORATE

Corporate expenses are increased from the prior year quarter. The increase primarily relates to professional advisory services for the IFRS conversion.

ACQUISITIONS

On February 10, 2011, NPC increased its investment in Golosky Energy Services ("GES") by purchasing the remaining 20% it did not own. NPC now owns 100% of GES.

Effective January 1, 2011, the Fund increased its investment in Morrison Williams by 6.66% to bring total ownership to 86.66%.

On December 20, 2010, the Fund increased its investment in NPC by 20% to bring total ownership to 100%.

On January 4, 2010, the Fund increased its investment in Gemma by 20% to bring total ownership to 100%.

SEGMENT OPERATING RESULTS

FINANCIAL SERVICES

The Financial Services segment includes 100% of the results of Hargraft and the Fund's proportionate share of BMI and Morrison Williams. Effective January 1, 2011 the Fund increased its investment in Morrison Williams to 86.6%, the comparative 2010 period reflects the original 80% ownership. This segment also includes income from the Fund's equity investment in Brompton. The results of NP LP (sold on December 23, 2010) are included in Discontinued Operations and are not reflected in the tables below.

BMI	-	Full-service insurance broker focusing primarily on commercial clientele with expertise in the transportation sector
Brompton	-	Asset manager of public and private investment funds
Hargraft	-	Insurance broker specializing in the transportation, manufacturing and construction sectors
Morrison Williams	-	Provides investment management services to institutional clients

SUMMARY FINANCIAL TABLE ($000S)

	Three months ended March 31	
	2011	2010
Revenues	$ 3,095	$ 3,584
Cost of revenues	(427)	(319)
Gross profit	2,668	3,265
Selling, general and administrative expenses	(2,186)	(2,374)
Amortization expense	(1,044)	(1,015)
Depreciation expense	(19)	(20)
Income from equity investments	390	320
Interest income	20	24
Income tax recovery (expense) - deferred	278	(127)
Income for the period	$ 107	$ 73
Add:		
Amortization	1,044	1,015
Depreciation	19	20
Amortization of Brompton intangible assets	287	287
Interest income	(20)	(24)
Income tax expense (recovery) - deferred	(278)	127
EBITDA	$ 1,159	$ 1,498

SUPPLEMENTARY FINANCIAL INFORMATION – AUM (MILLIONS)

	March 31, 2011	December 31, 2010
Morrison Williams	$ 1,900	$ 1,870
Brompton	2,200	1,819
Total	$ 4,100	$ 3,689

(I) REVENUES

Revenues from the Financial Services segment were $3,095 in 2011, which represents an 13.6% decrease over the $3,584 reported for 2010. The decline was primarily driven by Morrison Williams.

Morrison Williams' first quarter results compared to a year earlier reflect the departure of several pension clients during 2010. While AUM has increased during the first quarter of 2011 due to market performance and the rebuilding of the management team, it remains substantially lower than first quarter 2010 levels.

BMI had a good quarter with revenues marginally surpassing the prior year quarter. All business segments experienced growth over the prior year quarter. The growth is largely due to the acquisition of new business as well as growth in the existing business.

Hargraft revenues were slightly lower than prior year quarter due to the residual effect of lost business during 2010.

(II) GROSS PROFIT

Gross profit for the three months ended March 31, 2011 was $2,668, which translated into a 86.2% gross profit margin. This compares to gross profit of $3,265 for the prior year quarter, reflecting a gross profit margin of 91.1%. The decrease in gross profit margin reflects higher costs of revenues at Morrison Williams from an increase in salaries expense due to the rebuilding of the management team.

(III) SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses were $2,186 for the three months ended March 31, 2011 compared with $2,374 for the three months ended March 31, 2010. Selling, general and administrative expenses as a percentage of revenues were 70.6%, compared to 66.2% in 2010. Spending was reduced at Hargraft due to the operational restructuring efforts implemented during 2010. Expenses remained relatively consistent quarter over quarter at BMI and Morrison Williams.

(IV) INCOME FROM EQUITY INVESTMENTS

Income from equity investments was $390 in 2011 compared to $320 in 2010. The increase in equity income reflects an increase in Brompton's AUM by 20.9%. The increase was due to two new investment funds under management and market appreciation of the value of assets held by the funds.

MARKETING

The Marketing segment includes 100% of the results of Gemma and the Fund's proportionate share of the results of Armstrong, and IC Group. The results of S&E (sold on June 23, 2010) and Capital C (sold on December 1, 2010) are included in Discontinued Operations and are not reflected in the tables below.

Armstrong	-	Fully integrated marketing agency providing in-store promotional marketing, digital and social media marketing solutions
Gemma	-	Outsourced contact centre operator providing outbound revenue generation and inbound customer care services
IC Group	-	Provider of on-line promotional and loyalty programs and a provider of select insurance products

SUMMARY FINANCIAL TABLE ($000S)

	Three months ended March 31	
	2011	2010
Revenues	$ 11,962	$ 13,359
Cost of revenues	(7,946)	(8,740)
Gross profit	4,016	4,619
Selling, general and administrative expenses	(3,167)	(2,969)
Amortization expense	(1,656)	(1,251)
Depreciation expense	(193)	(237)
Gain on re-measurement of investment	-	9,051
Interest expense	(31)	(25)
Income tax recovery - deferred	329	2,049
Income (loss) for the period	$ (702)	$ 11,237
Add:		
Amortization	1,656	1,251
Depreciation	193	237
Interest expense	31	25
Income tax recovery - deferred	(329)	(2,049)
EBITDA	$ 849	$ 10,701
Gain on re-measurement of investment	-	(9,051)
Adjusted EBITDA	$ 849	$ 1,650

(I) REVENUES

Revenues for the Marketing segment were $11,962, a 10.5% decrease over 2010 revenues of $13,359.

The decline in revenues was primarily driven by Gemma. The prior year quarter reflects larger volumes of business by a key client which were significantly reduced later in 2010 and in the current year quarter. Client intentions to replace the lost outbound business with new inbound business have materialized, but at a slower pace to date than anticipated.

Revenues at IC Group were generally in line with the prior year quarter.

Armstrong's revenues were lower in 2011 compared to the prior year quarter due to lower pass through revenue and delays in client spending.

(II) GROSS PROFIT

Gross profit for the Marketing segment was $4,016 and gross margin percentage was 33.6% for the three months ended March 31, 2011. For the comparative period ended March 31, 2010, gross profit was $4,619 and gross profit margin was 34.6%. The decline in the gross margin reflects a significant increase in spending at Gemma, where costs were incurred on a large non-billable training program for a major client.

(III) SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the three months ended March 31, 2011 were $3,167 compared to $2,969 in 2010. These expenses as a percentage of revenues were 26.5% in 2011 compared to 22.2% in 2010. Increases in selling, general and administrative expenses were primarily driven by IC Group, where expenses exceeded the prior year quarter primarily due to additional contractor costs. Expense levels at Gemma and Armstrong remained relatively consistent quarter over quarter.

(IV) GAIN ON RE-MEASUREMENT OF INVESTMENT

As discussed on page 9, under IFRS, transactions which result in an increase in ownership to control of the investment require the existing investment to be re-measured to fair value. The increase in ownership of Gemma from 80% to 100% in January 2010 resulted in a gain on re-measurement of the 80% interest in the amount of $9,051 in the 2010 comparative period.

INDUSTRIAL SERVICES

The Industrial Services segment includes 100% of the results of NPC (2010 – 80%) and the Fund's proportionate share of the results Quantum Murray. In addition NPC increased its ownership in Golosky to 100% from 80% on February 10, 2011.

NPC	-	Provider of oil & gas maintenance, construction and wear technology services to both the conventional oil and gas industry and to the oil sands
Quantum Murray	-	National provider of demolition, remediation and scrap metal services

SUMMARY FINANCIAL TABLE ($000S)

	Three months ended March 31	
	2011	2010
Revenues	$ 116,860	$ 73,429
Cost of revenues	(95,507)	(60,759)
Gross profit	21,353	12,670
Selling, general and administrative expenses	(15,451)	(10,983)
Amortization expense	(5,664)	(1,570)
Depreciation expense	(2,783)	(2,297)
Interest expense	(2,635)	(1,984)
Gain on re-measurement of investment	9,644	-
Transaction costs	(189)	-
Income tax expense - current	(3)	-
Income tax (expense) recovery - deferred	4,244	(1,065)
Income (loss) for the period	$ 8,516	$ (5,229)
Add:		
Amortization	5,664	1,570
Depreciation	2,783	2,297
Interest expense	2,635	1,984
Income tax expense - current	3	-
Income tax expense (recovery) - deferred	(4,244)	1,065
EBITDA	$ 15,357	$ 1,687
Gain on re-measurement of investment	(9,644)	-
Adjusted EBITDA	$ 5,713	$ 1,687

	Three months ended March 31			
	NPC		Quantum Murray	
	2011	2010	2011	2010
Revenues	$ 85,413	$ 52,404	$ 31,447	$ 21,025
Cost of revenues	(70,695)	(43,660)	(24,812)	(17,099)
Gross profit	14,718	8,744	6,635	3,926
Selling, general and administrative expenses	(10,394)	(5,702)	(5,057)	(5,281)
Amortization expense	(4,882)	(788)	(782)	(782)
Depreciation expense	(1,914)	(1,364)	(869)	(933)
Interest expense	(2,541)	(1,909)	(94)	(75)
Gain on re-measurement of investment	9,644	-	-	-
Transaction costs	(189)	-	-	-
Income tax expense - current	(3)	-	-	-
Income tax (expense) recovery - deferred	3,553	602	691	(1,667)
Income (loss) for the period	$ 7,992	$ (417)	$ 524	$ (4,812)
Add:				
Amortization	4,882	788	782	782
Depreciation	1,914	1,364	869	933
Interest expense	2,541	1,909	94	75
Income tax expense - current	3	-	-	-
Income tax expense (recovery) - deferred	(3,553)	(602)	(691)	1,667
EBITDA	$ 13,779	$ 3,042	$ 1,578	$ (1,355)
Gain on re-measurement of investment	(9,644)	-	-	-
Adjusted EBITDA	$ 4,135	$ 3,042	$ 1,578	$ (1,355)

(I) REVENUES

Revenues from the Industrial Services segment were $116,860 for the three months ended March 31, 2011 compared with $73,429 in the prior year quarter, which reflects an increase of 59.1%. The improvement was primarily driven by the Fund's increase in ownership of NPC from 80% to 100% in December 20, 2010. In addition, on February 10, 2011, NPC purchased the remaining 20% interest in Golosky, its largest subsidiary.

NPC's results for the three months ended March 31, 2011 reflected gains from the divisions which provide labour and maintenance services to conventional oil and gas companies as well as to the oil sands region. Results were mixed in the Wear and Fabrication division. Wear technology revenues were lower than the prior year quarter as the first quarter of 2010 included the carryover impact of a large 2009 order. Fabrication revenues are higher than the prior year quarter as the group has won several large contracts primarily in the Oilsands. Transportation revenues are marginally higher over the prior year quarter due to increased activity within the pipe logistics and transportation segment.

Quantum Murray's results reflect a significant turnaround from the prior period quarter in 2010 when results were impacted by employee turnover in the Demolition division, and reduced levels of activity in industrial demolition, scrap metal trading and soil remediation. Revenues increased 49.6% during the three months ended March 31, 2011 due to strong performance in all three divisions which are all benefitting from increased business volumes. Environmental revenue is well ahead of the prior year quarter in both remediation and hazmat activity. Demolition revenue is significantly above the prior year quarter as the level of industrial demolition activity has improved significantly since 2010 and prior year employee turnover issues have been settled. Metals revenue is also well ahead of the prior year quarter as scrap prices have improved over the past year. In addition, Quantum Murray is also processing significantly more scrap metal tonnages over the prior year due to increased overall levels of industrial activity and the significantly improved number and size of demolition projects.

(II) GROSS PROFIT

Gross profit was $21,353 for the three months ended March 31, 2011 compared with $12,670 in 2010. Gross profit margins were 18.3% compared to 17.3% in 2010. Gross margins were improved at Quantum Murray compared to a year ago, and there was nominal improvement at NPC.

At Quantum Murray gross margins improved in all three divisions compared to the prior year quarter. Low activity levels in the environmental division in 2010 led to significantly increased competition and therefore lower margins on projects that did come to market. Gross margins have now returned to more typical levels. Demolition gross margins have also improved over the prior year quarter as 2010 margins were heavily impacted by lower levels of industrial activity and employee turnover.

(III) SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses were $15,451 for the three months ended March 31, 2011 compared to $10,983 in 2010. NPC's increase in selling, general and administrative expenses reflects the increase in ownership. Selling, general and administrative expenses as a percentage of revenues were 13.2% for the three months ended March 31, 2011, an improvement over the 15.0% reported for the prior year quarter.

Selling, general and administrative expenses at Quantum Murray are below the prior year quarter primarily as a result of steps that were taken during 2010 to reduce overhead in all divisions, but particularly in Demolition and Metals, in light of depressed levels of activity and reduced gross margins.

(V) 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. The first quarter is typically the slowest quarter with activity levels picking up in the second and third quarters before tailing off again in November and December. In addition, due to the timing of large contracts, quarterly results can fluctuate.

(IV) GAIN ON RE-MEASUREMENT OF INVESTMENT

As discussed on page 9, under IFRS, transactions which result in an increase in ownership to control of the investment require the existing investment to be re-measured to fair value. The increase in ownership of Golosky from 80% to 100% in February 2011 resulted in a gain on re-measurement of the 80% interest in the amount of $9,644.

OTHER

The Other segment includes the Fund's proportionate share of the results of Gusgo and Titan. This segment also includes income from the Fund's equity investment in Rlogistics. The results of Peerless (sold on August 19, 2010) are included in Discontinued Operations and are not reflected in the tables below.

Gusgo	-	Provider of container transportation and storage services
Rlogistics	-	Reseller of close-out, discount and refurbished consumer electronic and household goods
Titan	-	Manufacturer and distributor of rigging products, rigging services and ground engaging tools

SUMMARY FINANCIAL TABLE ($000S)

	Three months ended March 31	
	2011	2010
Revenues	$ 12,198	$ 10,508
Cost of revenues	(8,335)	(7,215)
Gross profit	$ 3,863	$ 3,293
Selling, general and administrative expenses	(2,541)	(2,316)
Amortization expense	(329)	(329)
Depreciation expense	(116)	(139)
Income from equity investments	372	150
Interest expense	(162)	(146)
Income tax recovery - deferred	71	46
Income for the period	$ 1,158	$ 559
Add:		
Amortization	329	329
Depreciation [1]	129	153
Interest expense	162	146
Income tax recovery - deferred	(71)	(46)
EBITDA	$ 1,707	$ 1,141

1 Depreciation of $13 relating to production equipment has been included in cost of revenues (2010 - $14).

(I) REVENUES

Revenues for the other segment were $12,198 for the three months ended March 31, 2011, compared to $10,508 in the prior year quarter, which reflects an increase of 16.1%. The increase was primarily driven by Titan

Titan saw increased revenues in all business sectors for the three months ended March 31, 2011 due to stronger economic activity over the past six months which has continued into the first quarter of 2011. Revenues increased from the Oil and Gas sector due to increased activity in the conventional drilling market and oil sands development. In addition, higher than normal snow fall throughout the province increased demand for tire chains and snow removal equipment. Revenues from the Wear Products division were improved due to the general improvement in economic conditions.

Gusgo's revenues were in line with the same period in 2010.

(II) GROSS PROFIT

Gross profit was $3,863 for the three months ended March 31, 2011, compared with $3,293 for 2010. Gross profit margins were 31.7% the three months ended March 31, 2011 and 31.3% for prior year period.

Titan experienced a favourable change in gross margin over the same period last year. This was primarily due to improved product pricing through foreign exchange improvements. While there has been an improvement in market conditions, competitive pressures generally continue to provide limited opportunities to improve on overall margins.

Gross margins for Gusgo were slightly reduced over first quarter 2010. Gusgo is carefully monitoring its new contract with an existing client to better handle anticipated additional costs.

(III) SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses were $2,541 for the three months ended March 31, 2011, compared with $2,316 for 2010. These expenses as a percentage of revenues were 20.8%, compared to 22.0% in the first quarter of 2010.

Increased staff levels at Titan and labour related costs are the main factors for the increase in selling, general and administrative expenses compared to prior year.

(IV) INCOME FROM EQUITY INVESTMENTS

Income from equity investments related to the Fund's ownership share of Rlogistics was $372 in for the three months ended March 31, 2011 compared to $150 in the prior year quarter. Over the last eighteen months, Rlogistics has expanded its product lines.

CORPORATE

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

SUMMARY FINANCIAL TABLE ($000S)

	Three months ended March 31	
	2011	2010
Selling, general and administrative expenses	$ (3,479)	$ (3,182)
Amortization expense	(106)	-
Depreciation expense	-	(24)
Interest expense	(4,318)	(7,475)
Gain on debt extinguishment	37,451	-
Fair value adjustment to stock compensation expense	(883)	305
Transaction costs	(988)	(40)
Income tax (expense) recovery - deferred	(7,622)	1,835
Income (loss) for the period	$ 20,055	$ (8,581)
Add:		
Amortization expense	106	-
Depreciation expense	-	24
Interest expense	4,318	7,475
Income tax expense (recovery) - deferred	7,622	(1,835)
EBITDA	$ 32,101	$ (2,917)
Gain on debt extinguishment	(37,451)	-
Fair value adjustments to stock compensation expense	883	(305)
Adjusted EBITDA	$ (4,467)	$ (3,222)

(I) SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses were $3,479 for the three months ended March 31, 2011, compared to $3,182 for 2010. The break-down of selling, general and administrative expenses is as follows:

	Three months ended March 31	
	2011	2010
Salaries	$ 2,284	$ 2,274
Professional advisor fee	431	287
Legal	107	112
Other	657	509
Selling, general and administrative expenses	$ 3,479	$ 3,182

Increases in professional advisor fees reflects additional IFRS related work in the current quarter.

(II) INTEREST EXPENSE

Interest expense was $4,318 for the three months ended March 31, 2011 compared to $7,475 for the prior year quarter. Interest expense relates to the senior credit facility, the revolving line of credit and the convertible debentures and subsequent to March 23, 2011 the Secured and Unsecured Debentures. In the 2010 period it also includes fees related to forbearance period extensions and swap breakage fees on the repayment of principal amounts. On March 23, 2011 debentures holders approved a plan to exchange the accrued and unpaid interest with 3 year unsecured debentures.

(III) GAIN ON DEBT EXTINGUISHMENT

The refinancing of the Fund's convertible debentures and interest owing thereon has resulted in the issue of new secured and unsecured debentures. The new debentures have been recorded at their estimated fair value at the date of issue, which has been calculated using the weighted average of trading prices over a given period. The difference between the fair value of the new debentures and the carrying value of the convertible debentures and related interest, less all transaction costs, has been recorded in the income statement as a gain on debt extinguishment of $37,451.

(IV) FAIR VALUE ADJUSTMENTS TO STOCK COMPENSATION EXPENSE

An expense is recorded over the vesting period relating to the fair value of the options as calculated on grant date. In addition, because of the puttable feature of the Fund units, the options are considered a liability and are re-measured at each reporting date. As a result an additional expense of $883 has been recorded in the first quarter of 2011, compared to income of $305 in the prior year quarter. Subsequent to the conversion to a corporation on April 1, 2011, the awards will no longer require re-measurement at each reporting period. In addition, the stock based compensation liability will be re-classified to equity.

(V) TRANSACTION COSTS

During the period there was $988 (2010 - $40) incurred in transaction costs relating to acquisitions and conversion to a corporation.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOW

The following table summarizes the major consolidated cash flow components:

Three months ended March 31	2011	2010
Cash provided by (used in) operating activities	$ (20,768)	$ 6,287
Cash used in investing activities	(14,880)	(5,549)
Cash provided by (used in) financing activities	20,692	(23,257)
Consolidated cash and cash equivalents (continuing and discontinued operations)	12,783	21,363

CASH FROM OPERATING ACTIVITIES

The following table provides a break-down of cash from operating activities by cash used in operations, changes in non-cash balances and cash and distributions provided from discontinued operations.

Three months ended March 31	2011	2010
Cash used in operations	$ (1,768)	$ (5,771)
Changes in non-cash balances		
Accounts receivable	(12,073)	22,669
Inventories	713	(175)
Other current assets	(4,164)	581
Accounts payable, accrued liabilities and deferred revenue	(3,476)	(16,921)
Increase (decrease) in cash due to changes in non-cash balances	(19,000)	6,154
Cash and distributions provided by discontinued operations	-	5,904
Cash provided by (used in) operating activities	(20,768)	6,287

The change in non-cash balances is substantially due to increased accounts receivable balances at both NPC and Quantum Murray reflecting increased business volumes in the current period.

CASH FROM INVESTING ACTIVITIES

Cash used in investing activities totaled $14,880 compared to $5,549 in the prior year quarter. See table below for further details.

Three months ended March 31	2011	2010
Acquisition of businesses, net of cash acquired		
Golosky Energy Services and Morrison Williams	(14,547)	-
Gemma	-	(4,281)
	(14,547)	(4,281)
Purchase of property, plant and equipment, net of disposals	144	(917)
Purchase of software	(477)	-
Cash used in discontinued operation	-	(351)
Cash used in investing activities	(14,880)	(5,549)

CASH USED IN FINANCING ACTIVITIES

Cash provided by financing activities was $20,692 during the three months ended March 31, 2011 and cash used in financing activities was $23,257 in the prior year quarter.

Three months ended March 31		2011		2010
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		-		(3,557)
Cash provided by (used in) financing activities		20,692		(23,257)

The increase in long-term debt in the current quarter was due to the acquisition of GES.

FINANCING

SENIOR CREDIT FACILITY

The Fund, through Newport Finance Corp. (“NFC”), a subsidiary of the Fund, had a Senior Credit Agreement (the “Senior Credit Agreement”) with a syndicate of lenders (the “Lenders”). Since December 31, 2008, the Fund had not been in compliance with certain covenants under the Senior Credit Agreement. On July 21, 2009 the Fund announced that a Forbearance Agreement (the “Forbearance Agreement”) had been entered into with the Lenders.

SUPPORT AGREEMENTS AND ASSIGNMENT OF SENIOR DEBT

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 for newly created second lien notes and subordinated unsecured notes of the Fund.

On December 20, 2010 the Fund announced the successful assignment of senior debt financing to Marret, on behalf of various funds under management (“Marret Lenders”). In connection with the assignment, the Marret Lenders received an assignment of all of the rights and obligations of the Lenders under the senior credit facility and the Forbearance Agreement. The Marret Lenders agreed to extend the Forbearance Period until December 31, 2011, unless amendments curing existing events of default were entered into prior to that date.

SECOND AMENDED & RESTATED SENIOR CREDIT AGREEMENT

On March 23, 2011 the Fund, through NFC and Marret Lenders, finalized a second amended and restated senior credit agreement (“ARCA”). The ARCA removed all forbearance conditions. The key terms of the ARCA are: interest rate is 9.5% per annum but may be adjusted downward based on leverage ratios, mandatory repayment of 100% of the net proceeds on sale of investments, repayments based on 75% of excess cash flows 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 for acquisitions.

DEBENTURES

As a consequence of the continuing events of default under the Senior Credit Agreement, the Fund was contractually prohibited from remitting the December 31, 2010, 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 Indentures governing the Debentures.

On February 28, 2011, the Fund issued a management information circular which provided details of the proposed exchange of the Debentures (the “Exchange”). Under the proposed amendment, the existing Debentures were to be mandatorily exchanged for second lien notes (the “Secured Debentures”) and the unpaid accrued interest on the Debentures would be exchanged for unsecured subordinated notes (the “Unsecured Debentures”). At the exchange meeting held on March 18, 2011 the debenture holders voted in favour of the Exchange and, 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 amounts of the Debentures, the subordinated revolving credit facility and related accrued interest on March 23, 2011. The maturity date of the Secured Debentures is March 23, 2016 (the “Secured Debenture Maturity Date). The interest rate is 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 has the right to redeem in cash any or all Secured Debentures outstanding at any time in its sole discretion without bonus or penalty, provided all accrued interest is paid at redemption. The Fund is also obligated to redeem a portion of the Secured Debentures prior to the Secured Debenture Maturity Date in certain circumstances based on proceeds from specified dispositions, proceeds from the issuance of equity instruments or based on excess operating cash flow as defined. The Fund is unable to estimate any amounts repayable in 2011 in connection with this mandatory redemption provision. The Secured Debentures have a security interest in substantially all of the Fund’s assets which is subordinated to similar security interests granted in connection with the ARCA or certain debt incurred in the future by the Fund’s subsidiaries. The Secured Debentures were listed on the 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 accrues 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 Debentures 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 are accounted for as extinguishments of the Debentures, the accrued interest payable under the Debentures and the Subordinated Revolving Credit Facility. All costs incurred in connection with the issuance of the New Debentures were expensed as a reduction of the gain on extinguishment. The Secured Debentures and Unsecured Debentures have been recorded at their fair value and will be accreted up to their principal amount over the period to the respective Maturity Dates using the effective interest method.

SOURCES OF FUNDING

The Fund will continue to look to reduce its debt leverage. The new financing arrangements are designed to ensure that debt balances are reduced as quickly as possible. Consequently, proceeds of all asset sales are required to retire debt, as well as 75% of available cash flow beginning in the final quarter of 2011.

The Operating Partnerships will continue to be self funding, and as required the Fund will continue to provide working capital advances, largely to its industrial services investments. Seasonal increased working capital needs at NPC in 2011 will also be supported, if required, by additional borrowings of up to $10,000 from the senior lender, which amounts will be available to be drawn from March 23, 2011 until September 30, 2011, with a requirement to repay these amounts by October 31, 2011. No amounts have yet been drawn on this facility.

WORKING CAPITAL

	March 31, 2011	December 31, 2010	January 1, 2010
Current assets	$ 188,956	$ 184,661	$ 207,113
Current liabilities	104,296	377,499	439,173
Working capital - continuing operations	84,660	(192,838)	(232,060)
Working capital - discontinued operations	(195)	(103)	17,272
Total working capital	$ 84,465	$ (192,941)	$ (214,788)

Working capital was significantly improved at March 31, 2011 due to the classification of revolving credit facilities, term debt and convertible debentures as long-term liabilities at March 31, 2011.

CAPITAL EXPENDITURES

The Industrial Services segment contains the only capital intensive entities within the Fund. The remaining entities are service based and therefore have minimal capital expenditure requirements. The following table shows capital expenditures and capital lease payments by segment.

Three months ended March 31, 2011	Financial Services	Marketing	NPC	QM	Other	Corporate	Total
Capital expenditures	$ 12	$ 107	$ (47)	$ (37)	$ 23		$ 58
Capital lease repayments	-	42	1,202	56	-	-	1,300
	$ 12	$ 149	$ 1,155	$ 19	$ 23	$ -	$ 1,358

Three months ended March 31, 2010	Financial Services	Marketing	NPC	QM	Other	Corporate	Total
Capital expenditures	$ 40	$ 55	$ 702	$ 471	$ 15	$ -	$ 1,283
Capital lease repayments	5	55	1,076	60	-	-	1,196
	$ 45	$ 110	$ 1,778	$ 531	$ 15	$ -	$ 2,479

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Fund prepares its consolidated financial statements in accordance with IFRS. The preparation of the financial statements in conformity with IFRS 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 March 31, 2011 interim consolidated financial statements. 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 interim 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 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 acquisition 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 $60,482 at March 31, 2011 (December 31, 2010 - $50,487).

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, 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. The net book value of intangible assets was $151,218 at March 31, 2011 (December 31, 2010 - $145,750).

LONG-TERM INVESTMENTS

Investments over which the Fund is able to exercise significant influence are accounted for using the equity method. Under the equity method, the original cost of the 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 Fund reviews all of its investments for possible impairment on an annual basis, or more frequently if there is an event which in the view of management would trigger an earlier review.

Income Taxes and Conversion to a Corporation

Since the initial public offering in 2005, the Fund has operated under a trust structure.

In October 2006, the Minister of Finance announced the federal government's plan to change the tax treatment of specified investment flow-through trusts (the "SIFT Rules"). The SIFT Rules impose a tax at the trust level on distributions of certain income from publicly traded mutual fund trusts at rates of tax comparable to the combined federal and provincial corporate tax rate and treat such distributions as dividends to unitholders. Once the Fund became subject to the SIFT Rules in 2011, the comparative income tax advantage of the income trust structure over a corporate structure was eliminated. In effect, the Fund is now subject to tax as if it was a corporation, resulting in the loss of the tax and cash yield benefits that underpinned the rationale for adoption of an income trust structure in the first instance.

A meeting of unitholders was held on March 25, 2011 at which meeting a vote in favour of the conversion to a corporation was passed. Effective April 1, 2011 the Fund will operate as a corporation under the name Newport Inc.

Deferred Taxes

The impact to the Fund with the change to the SIFT rules was that the Fund must account for deferred taxes arising from differences between the tax basis of an asset or liability and its carrying amount on the balance sheet under IFRS. The Fund has computed deferred income taxes based on temporary differences that are expected to reverse after March 31, 2011 at the substantively enacted rates and laws expected to apply. In general, there are no material differences in the values for operating assets and liabilities such as accounts receivable, inventory and trade payables for the Operating Partnerships. There are, however, differences[1], for example between the carrying values of definite life intangibles (e.g. customer contracts) and indefinite life intangibles (e.g. brands) that arise as part of the Fund's accounting for its investments in the underlying Operating Partnerships. As one example, under IFRS, the Fund records intangible assets related to acquisitions and these assets typically have a lesser value for tax purposes depending on the manner in which the acquisition was structured. In this case, a deferred tax liability would be recorded for the difference. If the Fund was to divest of one or more of its Operating Partnerships for an amount that is greater than the tax carrying value this would give rise to a taxable gain because the proceeds would be greater than the tax value of the assets.

At March 31, 2011 the Fund has calculated a deferred tax liability related to differences that are expected to reverse in the future using the applicable estimated tax rate of approximately 28.25%.

The recognition of a deferred tax expense or recovery has no impact on cash generated by operating activities or on distributable cash.

1 These differences are referred to as either deductible temporary differences or taxable temporary differences and may result in tax-deductible amounts or taxable amounts in future periods and IFRS requires that these differences be recorded.

ADDITIONAL INFORMATION

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 and accompanying opening balance sheet adjustments.

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 is 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.

SUMMARY OF QUARTERLY RESULTS – ($000S EXCEPT UNIT AMOUNTS)

	2011 Q1	2010 Q4	2010 Q3	2010 Q2	2010 Q1	2009 Q4	2009 Q3	2009 Q2
	IFRS					Canadian GAAP		
Revenues	$ 144,115	$ 118,088	$ 121,470	$ 127,331	$ 100,880	$ 124,670	$ 136,934	$ 106,675
Net Income (loss) from continuing operations	29,134	43,611	(8,368)	(6,851)	(1,941)	(35,423)	(13,229)	(13,255)
Net income (loss)	29,134	39,448	(12,731)	(4,202)	113	(175)	(11,986)	(10,538)
Income (loss) per unit from continuing operations	0.41	0.60	(0.12)	(0.09)	(0.03)	(0.49)	(0.19)	(0.21)
Income (loss) per unit	0.41	0.55	(0.18)	(0.06)	-	0.00	(0.17)	(0.17)

CONTINGENCIES

LAWSUITS

A statement of claim has been filed in the Court of Queen's Bench Alberta alleging breach of contract and negligence. NP Holdings LP signed a letter of intent with a third party to acquire several businesses. The transaction was not completed. The claim is for $630 relating to third party costs relating to the transaction and $38,600 in damages. The claim is being defended and management is of the opinion that the claim is without merit.

A statement of claim has been filed by a former employee of the Fund alleging breach of contract, wrongful dismissal, defamation, and intentional interference with economic relations. The claim is for the amount of $6,500. The claim is being defended and management is of the opinion that the claim is without merit.

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

TRANSACTIONS WITH RELATED PARTIES

OWNERSHIP

As of March 31, 2011, directors, officers and employees, and operating partnership related to the Fund beneficially hold an aggregate of 17,828,137 units or 24.8% on a fully diluted basis.

TRANSACTIONS

NPY provides funding 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 advances of $4,608 (December 31, 2010 – $2,767) made to the Operating Partnerships.

Selling, general and administrative expenses include $357 of rent expense paid to related parties of Quantum Murray, Gusgo and NPC (2010 - $355).

Loans made to employees of the Fund were outstanding in the amount of $1,868 (December 31, 2010 – $1,869). 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.

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 continues to be carried on by the same management team in place prior to completion of the conversion.

SECOND QUARTER OUTLOOK

In the first quarter of 2011, the Fund successfully completed its debt refinancing. With a restructured balance sheet, the Fund's senior management team's primary focus is on improving results within the different operating segments.

Within the Industrial Services segment, the second quarter is typically a strong quarter for NPC, our oil and gas services business. The quarter is seasonally busy with significant shutdown and turnaround plant maintenance assignments. NPC is seeing an increased workload, and also expects to be busy in its fabrication and transportation divisions. Following a solid first quarter by Quantum Murray, increasing business activity and job tendering is promising in both the demolition and remediation divisions, and should benefit this quarter and beyond.

The marketing segment continues to have a more cautious outlook. Each business within this segment is focused on business development activities, but client-spending decisions are taking longer to finalize.

The fortunes of the financial services segment are tied to both market performance and client growth and retention. The best example of this is Morrison Williams which is working at rebuilding its client base. Both Baird and Hargraft are modestly positive about the second quarter and beyond. Good progress has been made at Baird, in particular, in solidifying its base of insurance clients.

Both Titan and Gusgo operate within the Other segment. Titan's second quarter business levels may not match the strong first quarter, but should reflect the continued strength of the Alberta oil and gas and construction sectors. Gusgo generally benefits from broad economic strengthening. It fared well in the first quarter, and should see similar results in the second quarter.

In the Corporate segment, there should be lower legal and advisor costs in future quarters as work associated with conversion to a corporation is now complete, and work related to the IFRS transition will decrease over time.

RISK FACTORS

There are no updates to the Fund's Risk Factors. For further discussion, refer to the Fund's MD&A or the AIF dated March 30, 2011 for the year ended December 31, 2010.

DISCLOSURE CONTROLS & PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

DISCLOSURE CONTROLS AND PROCEDURES

Multilateral 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 for the issuer, that disclosure controls and procedures 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, 2010 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 for the year then ended. The CEO and CFO have certified the appropriateness of the financial disclosures in the Fund’s interim filings for the period ended March 31, 2011 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 CONTROL OVER FINANCIAL REPORTING

Multi-lateral 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 IFRS, 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.

The Fund has conducted an analysis of the impact of IFRS on its internal controls over financial reporting to determine whether the Fund has appropriate controls over the transition process and the preparation of IFRS compliant financial statements. Given the Canadian GAAP/IFRS differences identified, the implementation of IFRS has not had a material impact over the Fund’s internal controls over financial reporting. Minor modifications have and will be made to the control environment to ensure that all Canadian GAAP/IFRS adjustments are reflected and appropriate disclosures have been made.

There have been no changes in internal controls over financial reporting during the quarter ended March 31, 2011 that have materially affected or are reasonably likely to materially affect, the Fund’s internal controls over financial reporting.

Due to the inherent limitations common to all control systems, management acknowledges that disclosure controls and procedures and internal control over financial reporting may not prevent or detect all misstatements. Accordingly, management’s evaluation of our disclosure controls and procedures and internal control over financial reporting provide reasonable, not absolute, assurance that misstatements resulting from fraud or error will be detected.

ADDITIONAL INFORMATION

Additional information relating to the Fund including the Fund's AIF is on SEDAR at www.sedar.com or on our website www.income.newportpartners.ca.

DEFINITIONS

"AIF" – means Annual Information Form;

"Armstrong" – means Armstrong Partnership LP, a limited partnership formed under the laws of Ontario;

"AUM" – means Assets Under Management;

"BMI" – means Baird MacGregor Insurance Brokers 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" – means collectively the two series of unsecured, subordinated, convertible debentures of the Fund, due December 31, 2010 and December 31, 2012, respectively;

"CT" – means Commercial Trust;

"Debentures" – means collectively the Secured and Unsecured Debentures of the Fund, due March 23, 2016 and March 23, 2014

"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;

"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;

"Marret" – means Marret Asset Management

"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 Holdings LP, a limited partnership formed under the laws of Ontario;

"NPY" – means Newport Private Yield LP, a limited partnership formed under the laws of Ontario;

"NPY LP Units" – means units of NPY;

“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;

“Titan” – means Titan Supply LP, a limited partnership formed under the laws of Alberta;

“TSX” – means Toronto Stock Exchange; and

“Units” – means trust units of the Fund.

Newport Partners Income Fund

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