

Consolidated financial statements of

Vicwest Income Fund

December 31, 2010

Independent Auditor's Report

To the Unitholders of
Vicwest Income Fund:

We have audited the accompanying consolidated financial statements of Vicwest Income Fund, which comprise the consolidated balance sheets as at December 31, 2010 and 2009, and the consolidated statements of income and comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
March 3, 2011

Vicwest Income Fund

December 31, 2010

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Consolidated Statements of Income and Comprehensive Income

For the years ended December 31, 2010 and 2009

(stated in thousands of Canadian dollars, except unit and per unit amounts)

	2010	2009
	\$	\$
Revenue	356,955	391,776
Cost of goods sold	295,541	305,168
Gross profit	61,414	86,608
Selling, general and administrative	46,746	48,234
Foreign exchange (gain) loss	(13)	410
Interest income	(12)	(3)
Interest expense	2,745	1,869
Income before income taxes	11,948	36,098
Income tax expense (recovery) (note 14)		
Current	616	655
Future	(2,325)	962
Net income for the year	13,657	34,481
Other comprehensive income		
Exchange loss on translation of foreign subsidiary	158	-
Total comprehensive income for the year	13,499	34,481
Net income (loss) attributable to:		
Unitholders	13,692	34,481
Non-controlling interests	(35)	-
Total comprehensive income (loss) attributable to:		
Unitholders	13,534	34,481
Non-controlling interests	(35)	-
Weighted average units outstanding		
- basic	17,413,198	17,418,536
- diluted (note 20)	17,464,952	17,440,057
Net income per unit – basic	\$ 0.79	\$ 1.98
Net income per unit – diluted	\$ 0.78	\$ 1.98

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Balance Sheets

As at December 31, 2010 and 2009
(stated in thousands of Canadian dollars)

	2010	2009
	\$	\$
		(restated Note 14)
Assets		
Current		
Cash	7,871	9,596
Accounts receivable	45,183	48,778
Inventories (note 5)	54,659	41,599
Prepaid expenses and other current assets	2,075	1,626
	109,788	101,599
Property, plant and equipment (note 6)	47,133	39,908
Goodwill (note 8)	4,069	3,484
Intangible assets (note 9)	17,633	13,052
Due from related parties (note 10)	819	-
Future income tax assets (note 14)	1,372	641
Other assets (note 11)	3,496	2,882
	184,310	161,566
Liabilities		
Current		
Revolver debt (note 12)	1,025	137
Accounts payable and accrued liabilities	55,351	50,263
Current portion of long-term debt	236	-
Distribution payable (note 15)	-	5,746
Income taxes payable	49	258
	56,661	56,404
Term debt (note 12)	15,443	29,878
Convertible debentures (note 12)	45,437	-
Future income tax liabilities (note 14)	4,837	5,648
Other liabilities	1,617	1,753
	123,995	93,683
Equity		
Attributable to unitholders		
Retained earnings	6,894	20,366
Accumulated other comprehensive income	(158)	-
Total retained earnings and accumulated other comprehensive income	6,736	20,366
Unitholders' capital (note 16)	47,479	47,479
Contributed surplus (note 20)	89	38
Equity portion of convertible debentures (note 12)	2,397	-
	56,701	67,883
Non-controlling interests	3,614	-
	60,315	67,883
	184,310	161,566

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board:



Fraser Berrill
Chairman



Wayne Mang
Trustee

Consolidated Statements of Changes in Equity

For the years ended December 31, 2010 and 2009

(stated in thousands of Canadian dollars, except unit and per unit amounts)

	2010	2009
	\$	\$
		(restated Note 14)
Retained earnings		
Balance, beginning of year	20,366	21,068
Net income	13,692	34,481
Distributions (note 15)	(27,164)	(35,183)
Total retained earnings	6,894	20,366
Accumulated other comprehensive income (loss)		
Balance, beginning of year	-	-
Other comprehensive income	(158)	-
Total accumulated other comprehensive loss	(158)	-
Unitholders' capital		
Balance, beginning of year	47,479	47,479
Total unitholders' capital	47,479	47,479
Contributed surplus		
Balance, beginning of year	38	16
Unit-based compensation	51	22
Total contributed surplus	89	38
Equity portion of convertible debt		
Balance, beginning of year	-	-
Issuance of convertible debentures	2,397	-
Total equity portion of convertible debentures	2,397	-
Non-controlling interests		
Balance, beginning of year	-	-
Acquisition	3,742	-
Net income	(35)	-
Effect of foreign exchange	(93)	-
Total non-controlling interests	3,614	-
Total unitholders' equity	60,315	67,883

Consolidated Statements of Cash Flows

For the years ended December 31, 2010 and 2009
(stated in thousands of Canadian dollars)

	2010	2009
	\$	\$
Cash provided by (used for)		
Operating activities		
Net income	13,657	34,481
Items not affecting operating cash flow		
Amortization of property, plant and equipment	5,199	4,368
Amortization of intangible assets	1,495	1,466
Amortization of debt issuance costs and accretion	472	240
Loss on disposal of property, plant and equipment	115	119
Unit-based compensation expense	787	1,416
Defined benefit plans expense (note 13)	506	25
Future income tax (recovery) expense	(2,311)	962
Other	-	(2)
Defined benefit plans employer contributions	(839)	(741)
Cash (used for) provided by non-cash operating working capital items (note 17)	(1,563)	14,958
Cash provided by operating activities	17,518	57,292
Investing activities		
Cash used for business acquisitions, net of acquired cash (note 7)	(315)	(83)
Proceeds from sale of property, plant and equipment	255	256
Cash used for additions to intangible assets	(4,866)	(1,497)
Cash used for additions to property, plant and equipment	(8,781)	(8,191)
Due from related parties	(17)	-
Cash used for investing activities	(13,724)	(9,515)
Financing activities		
Distributions paid to unitholders	(32,910)	(30,657)
Debt issuance costs	(2,807)	-
Debenture issuance (note 12)	50,000	-
Repayment of term debt	(15,000)	-
Repayment of acquired debt	(4,826)	-
Net change in revolving credit facility	70	(14,895)
Cash used for financing activities	(5,473)	(45,552)
Effect of foreign exchange rate	(46)	-
(Decrease) increase in cash	(1,725)	2,225
Cash, beginning of year	9,596	7,371
Cash, end of year	7,871	9,596
Supplemental cash flow information		
Cash paid for interest	2,181	1,619
Cash paid for income taxes	802	675

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2010 and 2009
(stated in thousands of Canadian dollars, except unit and per unit amounts)

1. ORGANIZATION AND NATURE OF BUSINESS

On January 1, 2011, Vicwest Income Fund converted to a corporation, called Vicwest Inc.

Prior to the conversion Vicwest Income Fund (the "Fund") was an unincorporated, open-ended limited purpose investment trust governed by the laws of the Province of Ontario established pursuant to the amended and restated Declaration of Trust (the "Fund Declaration of Trust"), dated June 30, 2005, which governed the Fund. The Fund was created pursuant to a plan of arrangement (the "Arrangement") for the purpose of investing directly in the securities of VWH Trust and indirectly in the securities of Vicwest Corporation and any other direct or indirect subsidiary or partnership interest of the Fund.

The Fund is a manufacturer and distributor of building construction products, and steel containment products for agricultural grain, fertilizer and liquid storage. Through its Vicwest Building Products division ("Vicwest BP"), headquartered in Oakville, Ontario, the Fund fabricates and markets metal roofing, siding and other metal building products under the Vicwest, Mercury Metals, Valley Truss & Metal, RCA Metal and AWIP-Vicwest USA trade names. The Fund's Westeel Storage Solutions division ("Westeel") headquartered in Winnipeg, Manitoba, manufactures storage solutions for agricultural grain and fertilizer, as well as liquid storage tanks and accessories. These products are manufactured and distributed under the trade names Westeel, Northern Steel Industries and NSI. Through a global alliance, Westeel also distributes Buhler Industries-manufactured grain handling equipment in Canada under the Westeel brand.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and include the accounts of the Fund, its subsidiaries, its partnership interests, and Pre-Insulated Metal Technologies, Inc., ("All Weather"), a private company in which the Fund has a 56% investment.

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. Amortization of property, plant and equipment relating to the manufacturing of product has been reclassified to cost of goods sold. Other amortization, including the amortization of intangibles, has been included in selling, general and administrative expense. In addition, certain trade names have begun to be amortized based on a useful life of five years.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements and the reported revenues and expenses during the reporting year. Actual results could differ from those estimates. Significant areas requiring the use of management estimates include the allowance for credit losses, the net realizable value of inventories, the determination of obligations under employee future benefit plans, the provision for warranties, the valuation of acquired assets and liabilities, the determination of future income tax assets, liabilities and expenses, the determination of fair value of financial instruments for disclosure purposes, the fair value of goodwill, the fair value of the conversion option on the convertible debentures, and the useful lives of long-lived assets as well as the determination of impairment thereon.

Allowance for credit losses

Trade receivables are classified as impaired when, in the opinion of management, there is reasonable doubt as to the ultimate collectability. The Fund maintains an allowance for credit losses sufficient to provide adequate protection against losses. The allowance is based on management's assessment of the risks

Notes to the Consolidated Financial Statements

For the years ended December 31, 2010 and 2009

(stated in thousands of Canadian dollars, except unit and per unit amounts)

associated with each receivable, including loss and recovery experience, industry performance and the impact of economic conditions.

Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is determined on a first-in first-out method and includes the purchase price, import duties and taxes if applicable, transportation, handling and conversion costs. Conversion costs include a proportionate share of fixed manufacturing overheads and other related manufacturing costs based on normal operating levels. Trade discounts and rebates are deducted from the purchase price. Net realizable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated amortization. Amortization is provided using the straight-line method over the estimated useful lives of 30 to 40 years for buildings and 5 to 15 years for machinery and equipment.

Improvements that extend the life of an asset are capitalized; other repairs and maintenance are expensed. When assets are retired or otherwise disposed of, their cost amount and accumulated amortization are removed from the accounts.

Property, plant and equipment are tested for recoverability whenever events or changes in circumstances indicate that the carrying value may not be recoverable. A loss is recognized when the carrying value of an asset group to be held and used exceeds the sum of the undiscounted cash flows expected from its use and disposal. Losses are measured as the excess of the carrying value of the asset group over its fair value.

Employee future benefits

Certain employees are covered by defined benefit pension plans and certain former employees are also entitled to other post-employment benefits such as medical and life insurance. The cost of pension benefits related to employees' current service is charged to income annually. The cost of the pension plan is computed on an actuarial basis using the projected benefit method prorated on service and management's best estimates of investment yields, salary escalation and other factors. The cost of the post-employment benefits is recognized as benefits are paid.

Pension plan assets are valued at fair value for purposes of calculating the expected return on plan assets. Past service costs resulting from plan amendments are amortized annually over the expected average remaining service lifetime of active employees or over the expected remaining lifetime of retired employees. The cumulative excess of net unrecognized actuarial gains or losses, over 10% of the greater of the benefit obligations and the fair value of plan assets at the beginning of the year, is amortized annually over the expected average remaining service lifetime of active employees. The average remaining service period of the active employees ranges among the plans from 2.3 to 18.6 years.

Income taxes

The Fund is a mutual fund trust for income tax purposes. As such, the Fund is only taxable on any amount not allocated to unitholders. Income tax liabilities relating to distributions of the Fund are taxed in the hands of the unitholders. The Fund does not pay taxes on income it distributes to its unitholders.

On January 1, 2011, Vicwest Income Fund converted to a corporation (see "Subsequent Events") and will be subsequently subject to corporate income tax.

The Fund applies the liability method of accounting for income taxes. Future income taxes reflect the net tax effects of temporary differences between the carrying values of assets and liabilities for financial reporting purposes and the values used for income tax purposes and are measured using the substantively enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. If on the basis of available evidence it is more likely than not that all or a portion of a future income tax asset will not be realized, the future income tax asset is reduced by a valuation allowance.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2010 and 2009

(stated in thousands of Canadian dollars, except unit and per unit amounts)

Goodwill

Goodwill is the excess of the cost of a business acquisition over the fair value assigned to the assets acquired and liabilities assumed. Goodwill is not subject to amortization and is tested for impairment annually or more frequently if an event or change in circumstance indicates that the carrying value may be impaired. Impairment is recognized when the fair value of the reporting unit is less than the carrying value of the reporting unit's net assets. Any goodwill impairment would be recorded as a charge against current earnings.

Intangible assets

Intangible assets are assets acquired that lack physical substance and are capable of being separated and divided and sold or arise from contractual or other legal rights, regardless of whether those rights are transferable. Intangible assets, arising from acquisitions, include customer relationships, order backlogs, non-compete agreements, trade names, and patents. Intangible assets, with finite lives, are amortized on a straight-line basis over their estimated useful lives as follows:

Intangible Asset	Useful Life
Non-compete agreements	5 years
Certain trade names	5 years
Customer relationships	10 years
Patents	10 years
Order backlogs	over sales period

Intangible assets with finite lives are tested for impairment whenever events or changes in circumstances indicate that the carrying value may be greater than fair value. An impairment loss is recognized when the estimate of undiscounted future cash flows generated by such assets is less than the carrying value. Measurement of the impairment loss is based on the fair value of the asset. Fair value is measured using discounted cash flows when quoted market prices are not available.

Trade names with indefinite lives are not subject to amortization and are tested for impairment annually, or more frequently if an event or circumstance occurs that more likely than not reduces the fair value of a trade name below its carrying value, by comparing the carrying value to its fair value. When the carrying value of the asset exceeds the estimated fair value, an impairment loss is recognized in net income.

The software intangible includes software licensing and implementation costs. Capitalized software costs include external direct costs and the payroll and payroll related costs for employees who are directly associated with the system implementation.

Fair value of financial instruments

The Fund has the following financial instruments:

Instrument	Classification
Cash	Held for trading
Accounts receivable	Loans and receivables
Due from related parties	Loans and receivables
Accounts payable	Other financial liabilities
Accrued liabilities	Other financial liabilities
Distribution payable	Other financial liabilities
Revolver	Other financial liabilities
Term debt	Other financial liabilities
Convertible debentures	Other financial liabilities

All financial instruments are required to be measured at fair value on initial recognition except for certain related party transactions. Financial assets and financial liabilities classified as "Held for trading" are measured at fair value with changes in those fair values recognized in non-operating income or expense. Financial assets classified as "Loans and receivables", "Other financial liabilities", or "Held to maturity", are measured at amortized cost using the effective interest rate method. Interest expense for convertible

Notes to the Consolidated Financial Statements

For the years ended December 31, 2010 and 2009

(stated in thousands of Canadian dollars, except unit and per unit amounts)

debentures is calculated using the effective interest rate method. Transaction costs that are directly attributable to the issue of financial instruments classified as other than held for trading are included in the initial carrying value of such instruments and amortized using the effective interest method so as to yield a constant rate of interest over the life of the particular financial instrument.

The component parts of convertible debentures issued by the Fund are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability and equity components are measured separately, and to the extent necessary, are adjusted on a pro rata basis so that the sum of the components equals the amount of the instrument as a whole. The liability component is subsequently recognized on an amortized cost basis using the effective interest method until extinguished upon conversion or at the maturity date. The equity component is recognized and included in equity, and is not subsequently measured.

Revenue recognition

The Fund recognizes revenue from the sale of products when supported by an agreement with the customer in the form of a sales order or negotiated contract with a fixed or determinable price, when collectability is reasonably assured and when the risks and benefits of ownership have been transferred to the customer, as evidenced by the delivery and acceptance of the product by the customer.

Revenue generated from fixed price contracts, including supply and install contracts, are based on negotiated contract terms and the timing of profit recognition is determined on a percentage completion method based on costs incurred relative to the total estimated cost of the project. If the current estimated costs to complete indicate a loss on a contract, the loss is recognized immediately. Revisions in costs, and earnings or loss estimates during the course of the contract are reflected during the accounting period in which the facts that cause the revision become known.

Volume rebates and cash discounts to customers are considered as a reduction of the selling price of the Fund's products. Accordingly, revenue is reported net of such rebates.

With the exception of supply and install contracts, there is no requirement for the Fund to perform additional services following delivery of the product.

Provisions are made for warranty costs based on past performance and experience.

Vendor rebates

The Fund accounts for consideration from a vendor as a reduction of cost of sales and inventory, on the statement of income and balance sheet respectively. The consideration represents agreed upon vendor rebates that are earned in the normal course of operations.

Translation of foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the applicable rate of exchange at the year end. Revenues and expenses in foreign currencies are translated at average rates for the year. Exchange gains and losses are included in income.

The Fund has a foreign subsidiary that is considered to be self-sustaining. Accordingly, foreign exchange gains and losses arising from the translation of the foreign subsidiary's accounts into Canadian dollars are reported as a component of other comprehensive income.

Unit option award

The Fund expenses the fair value of employee unit-based compensation over the vesting requirements of the options. The fair value of time vesting based unit options is estimated at the grant date using the Black-Scholes option pricing model. This model requires the input of a number of assumptions, including expected dividend yields, expected unit price volatility, expected time until exercise and risk-free interest rates. Although the assumptions used reflect management's best estimates, they involve inherent uncertainties based on market conditions generally outside of the control of the Fund. As unit options are exercised, the proceeds received on exercise, in addition to the portion of the contributed surplus balance related to those unit options, are credited to unitholders' capital.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2010 and 2009

(stated in thousands of Canadian dollars, except unit and per unit amounts)

Earnings per unit

Basic earnings per unit are calculated using the weighted average number of Fund units outstanding during the year. Diluted earnings per unit is computed using the "if converted" method for convertible debentures. When unit-based compensation is granted during the year, the units issuable are weighted to reflect the portion of the year during which the options were outstanding.

3. CHANGES IN ACCOUNTING POLICIES

Business Combinations

The Canadian Institute of Chartered Accountants ("CICA") issued Section 1582 "Business Combinations", which replaces the Section 1581 of the same name. Under this new guidance, business acquisitions will be measured at the fair value of the acquired business. In addition, this new section requires all transaction costs to be expensed and negative goodwill is required to be recognized immediately in earnings. The adoption of this section on January 1, 2010, did not have an impact on the consolidated financial statements of the Fund.

Consolidated Financial Statements

The CICA issued Section 1601 "Consolidated Financial Statements", which replaces Section 1600 of the same name. This guidance requires uniform accounting policies to be consistent throughout all consolidated entities and the difference between reporting dates of a parent and a subsidiary to be no longer than three months. The adoption of this section did not have an impact on the consolidated financial statements of the Fund.

Non-controlling Interests

The CICA issued Section 1602 "Non-Controlling Interests", which replaces Section 1600, "Consolidated Financial Statements". Non-controlling interest ("NCI") is now presented within equity. NCI has been determined as the proportionate share of the fair value of the acquired net assets and the allocation of the net earnings to the NCI will be on this basis. The adoption of this section did not have a quantitative impact on the Fund's consolidated financial statements.

4. FUTURE ACCOUNTING CHANGES

International Financial Reporting Standards ("IFRS")

The CICA confirmed, in 2008, the adoption of a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards for public companies will be required to converge with IFRS for fiscal years beginning on or after January 1, 2011, with comparative figures presented on the same basis.

5. INVENTORIES

	2010	2009
	\$	\$
Raw materials	29,344	16,337
Work in progress	4,339	2,466
Finished goods	20,976	22,796
	54,659	41,599

Inventories recognized as cost of sales during the year were \$265,822 (\$276,349 for 2009). In addition, \$69 has been debited to cost of sales for the year, representing the net increase in allowance for inventory obsolescence (\$602 credit in 2009).

Notes to the Consolidated Financial Statements

For the years ended December 31, 2010 and 2009

(stated in thousands of Canadian dollars, except unit and per unit amounts)

6. PROPERTY, PLANT AND EQUIPMENT

	2010		
	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Land	2,521	-	2,521
Buildings	21,254	6,523	14,731
Machinery and equipment	48,828	18,947	29,881
	72,603	25,470	47,133

	2009		
	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Land	2,463	-	2,463
Buildings	20,566	5,563	15,003
Machinery and equipment	38,600	16,158	22,442
	61,629	21,721	39,908

7. BUSINESS ACQUISITION

Net assets acquired	\$
Cash	5,041
Accounts receivable	2,647
Inventory	2,132
Prepaid expenses	322
Property, plant and equipment	4,115
Due from related parties	802
Goodwill	339
Intangibles	
Customer relationships	1,196
Patent	510
Trade names	1,056
Order backlogs	131
Current liabilities	(4,183)
Future income tax liabilities	(789)
Debt	(4,476)
Net assets	8,843
Non-controlling interests	(3,742)
Net assets acquired	5,101
Cash consideration	5,101

In November 2010, the Fund acquired a majority interest in Pre-Insulated Metal Technologies, Inc. Located in Vacaville, California, All Weather is a manufacturer of insulated metal panels for industrial, commercial and cold storage applications. The investment was in the form of a US \$5 million debenture, convertible at the Fund's direction to common shares having a interest of 56% of All Weather and includes a five year call option to purchase the remaining minority ownership interest at a formula based upon earnings. The acquisition has been accounted for using fair values as at the date of acquisition and the results of the operations have been consolidated with the Fund from the date of acquisition which was November 2, 2010. The investment was paid from existing cash balances and transaction costs were expensed as incurred.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2010 and 2009

(stated in thousands of Canadian dollars, except unit and per unit amounts)

8. GOODWILL

	Amount
	\$
January 1, 2010	3,484
Addition relating to current year acquisition (note 7)	339
Foreign exchange on goodwill	(9)
Additions relating to prior year acquisitions	255
December 31, 2010	4,069

	Amount
	\$
January 1, 2009	3,361
Additions relating to prior year acquisitions	123
December 31, 2009	3,484

RCA Metal Inc. ("RCA")

In 2010, the Fund incurred \$255 (\$123 in 2009) of contingent consideration with respect to the 2008 acquisition of the operating assets of RCA, resulting in a corresponding increase to goodwill in the current year.

9. INTANGIBLE ASSETS

	2010		
	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Customer relationships	13,297	5,457	7,840
Trade names	3,065	218	2,847
Software	6,365	-	6,365
Order backlogs	128	41	87
Patents	497	8	489
Non-compete agreements	17	12	5
	23,369	5,736	17,633

	2009		
	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Customer relationships	12,132	4,233	7,899
Trade names	2,035	-	2,035
Software	3,110	-	3,110
Order backlogs	1,285	1,285	-
Non-compete agreements	17	9	8
	18,579	5,527	13,052

In 2009, the Fund entered into an agreement to replace its information technology systems, with a new Enterprise Resource Planning ("ERP") system. During the current year, the Fund incurred \$3,255 (\$3,110 in 2009) in respect of the ERP implementation and recorded these costs as additions to intangible assets on the consolidated balance sheet.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2010 and 2009

(stated in thousands of Canadian dollars, except unit and per unit amounts)

The Fund entered into a deferred payment arrangement, such that costs incurred in prior periods can be deferred for payment to future periods. Cash payments during the year in respect of the ERP implementation were \$4,866.

Certain trade names have indefinite lives and are not subject to amortization. The values assigned to amortizable intangible assets of \$15,034 are being amortized over their estimated useful lives on a straight line basis. Amortization of \$1,495 was recorded for the year ended December 31, 2010 (\$1,466 in 2009).

10. RELATED PARTY TRANSACTIONS

The amount recorded as due from related parties is due from the minority shareholders of All Weather. This amount is secured by the minority shareholders' interest in All Weather, bears interest of 1.59% annually, and has no scheduled repayments until it matures November 30, 2017.

During the year, interest income of \$2 has been recorded as a result of this loan.

11. OTHER ASSETS

	2010	2009
	\$	\$
Debt issuance costs, net of amortization of \$725 (\$538 in 2009)	420	252
Accrued benefit asset (Note 13)	3,076	2,630
	3,496	2,882

Debt issuance costs

In 2010, debt issuance costs of \$352 were paid relating to an amendment of the credit facility. These costs are in addition to \$793 of costs paid in prior years and are being amortized over the life of the credit facility which expires on November 21, 2012. Amortization of \$184 (\$170 in 2009) was recognized during the year and recorded as interest expense.

12. DEBT

Principal payments required to meet long term obligations over the next five years are as follows:

	2011	2012	2013	2014	2015 and thereafter	Total
	\$	\$	\$	\$	\$	\$
Other debt	236	242	195	96	35	804
Term debt	-	15,000	-	-	-	15,000
Convertible debentures	-	-	-	-	50,000	50,000
Total payment	236	15,242	195	96	50,035	65,804

The Fund has a senior credit facility and other debt.

Senior credit facility

On October 5, 2010, Vicwest Corporation, the Fund's subsidiary company, and Vicwest Operating Limited Partnership, the Fund's partnership interest, completed an amendment to its senior credit agreement primarily to; extend the expiry date of the credit facility from November 21, 2011 to November 21, 2012, facilitate the expected corporate conversion of the Fund, and to accommodate the Fund's convertible debenture issuance in September 2010. This senior credit agreement is comprised of term debt and a

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revolving credit facility, which are secured by substantially all of the assets of the Fund's subsidiaries and partnership and requires the Fund to maintain certain financial ratios and imposes restrictions relating to distributions and investment. As at December 31, 2010, the Fund was in compliance with all of the provisions of the agreement. The facility bears interest which varies in accordance with borrowing rates in Canada and the United States.

Term debt

The term debt has no scheduled repayments until maturity and has been recorded on the balance sheet net of unamortized debt issuance costs. During the year the Fund reduced the term debt from \$30,000 to \$15,000 with proceeds from the Fund's convertible debenture issuance. As of December 31, 2010 the term debt has been recorded as Term debt on the balance sheet at net amortized cost of \$14,875 (\$29,878 in 2009).

Concurrent with the October 5, 2010 amendment, the Fund's interest rate on term debt was amended. The term debt bears interest at the Canadian Index rate plus an applicable index margin of 1.75%, or at the election of the Fund, the applicable Bankers' Acceptance rate plus an applicable Bankers' Acceptance rate margin of 3.0%.

Prior to October 2010, the term debt bore interest at the Canadian Index rate plus an applicable index margin of 1.25%, or at the election of the Fund, the applicable Bankers' Acceptance rate plus an applicable Bankers' Acceptance rate margin of 2.5%.

Interest rates incurred during 2010 ranged from 2.90% to 4.25%. Interest rates incurred during 2009 ranged from 2.90 to 4.13%.

Revolver debt

The revolving portion of the senior credit facility has a limit of \$62,500 from May 1 to October 31 of each year to coincide with the Fund's historically higher seasonal working capital requirements, with a limit of \$50,000 throughout the remainder of the year. As of December 31, 2010, the senior revolver has been recorded as Revolver on the balance sheet at a value of \$207 (\$137 in 2009).

Concurrent with the October 5, 2010 amendment, the Fund's revolver debt interest costs were amended. The amended credit agreement provides that the revolver debt bear interest at the applicable Bankers' Acceptance or LIBOR rate plus 2.5% or at the election of the Fund, at the Canadian Index rate plus an applicable index margin of 1.25%.

Prior to October 5, 2010, the Fund's revolver debt bore interest at the applicable Bankers' Acceptance or LIBOR rate plus 2.0% or at the election of the Fund, at the Canadian Index rate plus an applicable index margin of 0.75%.

Interest rates incurred during 2010 ranged from 3.0% to 4.25%. Interest rates incurred during 2009 ranged from 3.00 % to 4.25%.

Other debt

A Fund subsidiary has a US \$2,000 revolving credit facility that is available until August 2011, bears interest at 5.25% and is secured by its accounts receivable and inventory. As of December 31, 2010, \$818 was outstanding and recorded as revolver on the balance sheet. In addition, various other term debts are outstanding, denominated and repayable in US dollars, maturing between 2012 and 2015 with interest rates ranging from 1.9% to 7.75 %. As of December 31, 2010 \$804 was outstanding under these agreements and recorded as term debt on the balance sheet.

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Convertible debentures

The debentures are recognized on the balance sheet of the Fund as follows:

	2010
	\$
Face value of debentures issued on September 30, 2010	50,000
Equity component	(2,397)
	47,603
Transaction costs related to the liability component	(2,351)
Liability component upon initial recognition	45,252
Accretive notional interest related to the liability component	185
	45,437
Liability component as at December 31, 2010	45,437

On September 30, 2010 the Fund issued 50 thousand, 6.00% convertible unsecured subordinated debentures at a price of \$1,000 dollars for each debenture, for total gross proceeds of \$50 million. At the holders' option, the debentures may be converted into trust units of the Fund at any time prior to the earlier of the maturity date and the date of redemption specified by the Fund at a conversion price of \$19.25 dollars per unit, subject to adjustment in certain circumstances.

The debentures are direct, unsecured obligations of the Fund and mature on December 31, 2015. They accrue interest at the rate of 6.00% per annum, payable semi-annually commencing December 31, 2010. The debentures are not redeemable prior to January 1, 2014. On or after January 1, 2014 and prior to January 1, 2015, the Fund may, at its option, redeem the debentures, in whole or in part, provided that the volume weighted average trading price of the trust units of the Fund on the Toronto Stock Exchange during the 20 consecutive trading days ending five trading days preceding the date on which the notice of redemption is given is not less than 125% of the conversion price. On or after January 1, 2015 and prior to the maturity date, the Fund may, at its option, redeem the debentures, in whole or in part, from time to time, at par plus accrued and unpaid interest.

The value of the liability and equity components was determined upon initial recognition of the debentures on September 30, 2010. The liability component of the debentures has been determined based on the net present value of future payments at the time of the issuance using a rate of interest prevailing at the date of issue for instruments of similar term and risk. The difference between the face value and the liability component of the debentures was allocated to equity.

Interest expense on the debentures will be comprised of the interest calculated on the face value of the debentures and notional interest representing the accretion of the liability component of the debentures. This accretion on the liability component of the debentures will be charged at an effective interest rate of 8.26% such that at maturity the debt component is equal to the face value of the then outstanding debentures.

13. PENSION AND OTHER POST-EMPLOYMENT BENEFITS

The Fund has a number of defined benefit plans providing pension, other retirement and post-employment benefits to certain of its employees and former employees.

The following assumptions were used to determine the periodic pension expense and the net present value of the accrued pension obligations:

	2010	2009
	%	%
Expected long-term rate of return on plan assets	2.50-6.50	2.50-6.50
Discount rate on benefit costs	5.3	6.5
Discount rate on accrued pension and post-employment obligations	3.25-6.00	3.25-6.00
Rate of compensation increases	3.00	3.00

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Information about the Fund's defined benefit pension plans, in aggregate, is as follows:

Plan assets	2010	2009
	\$	\$
Fair value of plan assets, beginning of year	15,730	14,714
Actual return on plan assets	603	712
Employer contributions	839	741
Benefits paid	(948)	(437)
Fair value of plan assets, end of year	16,224	15,730
	2010	2009
	\$	\$
Accrued benefit obligation		
Accrued benefit obligation, beginning of year	18,104	13,997
Current service cost	544	222
Interest cost	823	475
Benefits paid	(949)	(437)
Actuarial gains	232	1,547
Past service adjustment	-	2,300
Accrued benefit obligation, end of year	18,754	18,104
Funded status	(2,530)	(2,374)
Unrecognized prior service costs	3,249	3,490
Unrecognized net actuarial losses	2,563	2,467
Valuation allowance	(465)	(1,098)
Net accrued benefit asset	2,817	2,485

The pension assets and obligations have been included in the balance sheet as follows:

	2010	2009
	\$	\$
Other assets	3,076	2,630
Accrued liabilities	(259)	(145)
Net accrued benefit asset	2,817	2,485

Pension plan assets consist of:

	2010	2009
	%	%
Equity securities	19	24
Debt securities	63	57
Other	18	19
Total	100	100

The Fund's defined benefit pension plans and retirement compensation arrangements measure their respective accrued benefit obligations and the fair value of plan assets at December 31 of each year. Actuarial valuations are performed annually and tri-annually. The Fund's registered defined benefit plans were last valued on January 1, 2009 and December 31, 2009. The next actuarial valuations will be on December 31, 2010 and January 1, 2012.

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The post-employment benefit obligations have been included in the balance sheet as follows:

	2010	2009
	\$	\$
Other liabilities	(167)	(164)
Accrued liabilities	-	(6)
Post-employment benefit obligation	(167)	(170)

The Fund's net benefit plan expense is as follows:

	Pension		Other benefit plans	
	2010	2009	2010	2009
	\$	\$	\$	\$
Components of defined benefit plan expense				
Current service cost	544	222	3	6
Interest cost	823	475	-	-
Actual return on assets	(603)	(712)	-	-
Difference between actual and expected return	375	239	-	-
Valuation allowance	(633)	(199)	-	-
Net expense	506	25	3	6

14. INCOME TAXES

A reconciliation of income taxes at Canadian statutory rates with reported income taxes is as follows for the years ended December 31:

	2010	2009
	\$	\$
Income before income taxes	11,948	36,098
Combined Canadian federal and provincial income tax rates	30%	30%
Income taxes payable at statutory rates	3,584	10,829
Income not taxable in the Fund	(5,638)	(9,862)
Change in tax rate for future income taxes	147	(397)
Permanent differences	19	794
Net tax impact of foreign subsidiaries	179	253
(Recovery of) provision for income taxes	(1,709)	1,617

The significant components of the provision for income taxes for the years ended December 31, are as follows:

	2010	2009
	\$	\$
Current income tax (recovery) expense:		
Non-operating holding company	-	(26)
Taxable foreign subsidiaries	616	681
	616	655
Future income tax (recovery) expense:		
Non-operating holding company	(746)	(95)
Estimated future tax	(1,579)	1,057
	(2,325)	962
Income tax (recovery) expense	(1,709)	1,617

The Fund will become taxable on January 1, 2011 and has recognized future income tax assets and liabilities for temporary differences expected to reverse after that date. The estimated 2011 future tax

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relates to the adjustments made to the expected future tax liability related to temporary differences immediately following conversion from an income trust to a taxable corporation. The tax recovery recorded in the year ended December 31, 2010 primarily relates to increased discretionary tax deductions available post conversion.

Future income tax assets (liabilities) are attributable to the following items as at December 31:

	2010	2009
	\$	\$
Deferred financing charges	22	6
Reserves	912	712
Non-capital loss carry forwards	1,772	400
Property, plant and equipment	(1,886)	(3,245)
Intangible assets	(3,717)	(2,367)
Holdback receivables and other	(568)	(513)
Total future income tax liabilities, net	(3,465)	(5,007)

Financial statement presentation as at December 31:

	2010	2009
	\$	\$
Future income tax assets	1,372	641
Future income tax liabilities	(4,837)	(5,648)
Total future income tax liabilities, net	(3,465)	(5,007)

As at December 31, 2010, the Fund's non-operating holding company has non-capital losses available for carry-forward. The benefits resulting from these tax losses have been recognized in the accounts. These losses expire as follows:

	\$
2028	106
2029	1,163
2030	5,212
	6,481

During 2010, the Fund identified an error with respect to its 2007 future income tax liability balance. The Fund acquired certain intangible assets in 2006 and an error of \$1,872 was made in calculating the future tax liability and corresponding future income tax expense when applying the Specified Investment Flow-through rules that were substantively enacted on June 12, 2007. This error was not material to the period to which it relates; however, as correcting it in the last quarter of 2010 would be material to net income for the quarter, the Fund corrected it by decreasing opening retained earnings for the year ended December 31, 2009. This correction did not have any effect on cash flows or externally imposed financial covenants to which the Fund was subject to for the year ended December 31, 2007.

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15. DISTRIBUTIONS

The Fund makes regular monthly distributions to its unitholders of record as of the last business day of each month. Distributions to unitholders are calculated and recorded when declared. Distributions for the year ended December 31, 2010 and 2009 were as follows:

Period	Record Date	Payment Date	Distribution Per Unit	Amount
			\$	\$
January 2010	January 29, 2010	February 22, 2010	0.13	2,263
February 2010	February 26, 2010	March 22, 2010	0.13	2,264
March 2010	March 31, 2010	April 20, 2010	0.13	2,264
April 2010	April 30, 2010	May 20, 2010	0.13	2,263
May 2010	May 31, 2010	June 21, 2010	0.13	2,264
June 2010	June 30, 2010	July 20, 2010	0.13	2,264
July 2010	July 31, 2010	August 20, 2010	0.13	2,263
August 2010	August 31, 2010	September 20, 2010	0.13	2,264
September 2010	September 30, 2010	October 20, 2010	0.13	2,264
October 2010	October 29, 2010	November 22, 2010	0.13	2,263
November 2010	November 30, 2010	December 20, 2010	0.13	2,264
December 2010	December 31, 2010	December 31, 2010	0.13	2,264
2010 distributions declared		Cash	1.56	27,164
		Total	1.56	27,164
2009 distributions declared		Cash	1.76	30,655
		Non-cash	0.26	4,528
		Total	2.02	35,183

The Fund is obligated under its Declaration of Trust to distribute all taxable income earned within a calendar year. Any income of the Fund that is unavailable for cash distribution will, to the extent necessary to ensure that the Fund will not be liable for income taxes, be distributed to unitholders in the form of additional Fund units.

In the month of December 2009, the Fund declared a \$0.26 per unit distribution to be paid with the issuance of Fund units to unitholders of record on December 31, 2009. The exact value and number of Fund units distributed pursuant to this non-cash distribution was based upon the aggregate taxable income of the Fund for the fiscal year ended December 31, 2009. These issued Fund units were distributed and immediately following the distribution the number of outstanding Fund units was consolidated such that each unitholder held the same number of Fund units as before the issuance of the units.

16. UNITHOLDERS' CAPITAL

	Units	Amount
		\$
Units outstanding as at December 31, 2008	17,419,468	42,951
Forfeited units returned and cancelled	(6,267)	-
Non-cash distribution	-	4,528
Units outstanding as at December 31, 2009	17,413,201	47,479
Forfeited units returned and cancelled	(1,089)	-
Units outstanding as at December 31, 2010	17,412,112	47,479

Issued and authorized

On July 1, 2005, 19,555,935 common shares of Vicwest Corporation were exchanged for an equal number of units of the Fund. The capital contribution assigned to the Fund units consisted of the share capital of Vicwest Corporation immediately prior to the conversion into an income Fund.

An unlimited number of Fund units may be issued pursuant to the Fund Declaration of Trust. Each Fund unit is transferable and represents an equal undivided beneficial interest in any distribution from the Fund and in the net assets of the Fund. All Fund units are of the same class with equal rights and privileges. The

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units are not subject to future calls or assessments and entitle the holder to one vote at all meetings of the unitholders, for each unit held.

Fund units are redeemable at any time on demand by the holders at market prices at the time and subject to certain factors including a maximum aggregate redemption of \$50 in any calendar month. Redemptions in excess of \$50 may be settled with the issuance of notes.

Forfeited units

Subsequent to a transfer of ownership of Jannock shares, and pursuant to Vicwest Corporation's financial restructuring in 2003, a number of Vicwest Corporation new common shares were issued in trust for un-exchanged Jannock shares. The shares were subsequently converted to units of Vicwest Income Fund in July 2005. The units were held in trust and during 2010, 1,089 units of these units (6,267 in 2009) were returned to the Fund and cancelled on receipt.

Normal course issuer bid

In December 2009, the Toronto Stock Exchange accepted the Fund's notice of intention to make a normal course issuer bid for up to 850,000 of the Fund's units over the following twelve month period. No units were repurchased under this authorization which expired on December 28, 2010.

Trust unit legal proceedings

Pursuant to the 2003 financial restructuring plan, proven creditor's claims arising during the restructuring were settled with the issuance of Vicwest Corporation common shares. In the event that any remaining disputed claims are proven and accepted, the Arrangement provides that Vicwest Corporation may issue up to 1,992,378 redeemable preferred shares in settlement of disputed claims with each preferred share redeemable for one Fund unit.

As of December 31, 2010, remaining disputed claims pertain to claims from former employees with respect to retirement compensation arrangements. During Vicwest Corporation's restructuring, these claims were disallowed by the court appointed monitor and were deemed excessive and unsubstantiated. These claims have not yet been resolved through the court-approved claims process partially due to a legal dispute with one of the former employees as to the quantum of benefit entitlements which has now been settled in the employee's favour. Management believes that the number of Fund units ultimately issued, if any, upon resolution and the completion of the claims processes will not be material. Management cannot provide any assurances regarding the resolution of the remaining disputed claims or whether they may be material.

17. CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS

	2010	2009
	\$	\$
Cash provided by (used for):		
Accounts receivable	6,192	6,346
Inventories	(10,984)	17,289
Prepaid expenses and other current assets	(127)	(138)
Accounts payable and accrued liabilities	3,565	(8,565)
Income taxes payable	(209)	26
	(1,563)	14,958

18. FINANCIAL INSTRUMENTS

	Fair Value	Carrying Value
	\$	\$
Cash	7,871	7,871
Accounts receivable	45,183	45,183
Due from related parties	655	819
Accounts payable and accrued liabilities	55,351	55,351
Revolver	1,025	1,025
Term debt	15,679	15,679
Convertible debentures – liability portion	46,360	45,437

Financial instruments measured at fair value on the balance sheet require classification into one of the following levels of the fair value hierarchy:

Level 1

Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2

Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3

Inputs for the asset or liability that are not based on observable market data.

Cash is recorded at fair value and is considered a level 1 on the fair value hierarchy. The fair value of the convertible debentures are determined by the market price on or near the balance sheet date.

The Fund is exposed to liquidity risk, credit risk, interest rate risk, steel commodity risk and foreign currency risk as follows:

Liquidity risk

The table below summarizes the future undiscounted cash flow requirements for financial liabilities and contractual commitments at December 31, 2010 but does not include future liabilities that the Fund may incur during a future period:

	1 month or less	2-12 months	More than 12 months	Total
	\$	\$	\$	\$
Accounts payable and accrued liabilities	32,718	22,633	-	55,351
Convertible debentures	-	3,000	62,000	65,000
Senior credit facility ⁽¹⁾	53	578	15,578	16,209
Other debt	21	1,053	615	1,689
Operating leases	359	3,947	11,705	16,011
	33,151	31,211	89,898	154,260

(1) Interest payment cash outflows in respect of the Fund's credit facility have been calculated based upon the rates in effect as at December 31, 2010.

Investments to drive growth can require significant financial resources. A range of funding alternatives is available to the Fund including cash flow provided by operations, additional debt, the issuance of equity, or a combination thereof. Of the senior credit facility, \$35,985 was unused as at December 31, 2010. The Fund considers the current senior credit facility adequate for ongoing operations.

It is expected that the requirements for capital expenditures, working capital and interest payments can be financed from cash flow provided by operating activities and unused credit facilities.

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Credit risk

Credit risk arises from cash held with banks and credit exposure to customers. Cash consists of bank balances. Credit risk associated with cash is minimized by substantially ensuring that these financial assets are held at high quality financial institutions.

The Fund is subject to credit risk relating to its gross accounts receivable; however, this risk is mitigated by the Fund's customer base which covers a variety of business sectors. The Fund routinely monitors customers and limits credit extended as appropriate. The Fund establishes and maintains an allowance for possible credit losses.

Interest rate risk

The Fund is subject to interest rate risk due to changes in interest rates. The Fund's senior credit facility bears interest that is dependent on certain financial conditions and varies in accordance with borrowing rates in Canada and the US. An increase (decrease) in the general level of interest rates by 1%, with all other variables held constant, would increase (decrease) the Fund's interest expense for the year by approximately \$375.

Steel commodity risk

The Fund is subject to commodity price and availability risk with respect to purchases of steel. Flat rolled steel is the Fund's primary raw material and accounts for approximately 50% of the annual cost of goods sold. Although the Fund purchases the majority of its steel from Canadian steel producers, steel is manufactured and traded throughout the world and is subject to global pricing cyclicalities and volatility. The loss of a significant steel supplier or the inability to obtain the necessary supply of steel could have an adverse effect on the Fund's ability to produce the quantity of products necessary to sustain market share, thus impacting results of operations.

Foreign currency risk

The Fund is exposed to currency risk on a US dollar bank balance it holds, US denominated accounts receivable and accounts payable balances and because generally a higher proportion of revenues than expenditures are denominated in US dollars. Accordingly, the Fund's results are affected, and may be affected in the future, by exchange rate fluctuations of the US dollar relative to the Canadian dollar. The Fund does not manage currency risks through hedging or other currency management tools.

As at December 31, 2010, the Fund has financial instruments denominated in foreign currencies and is exposed to currency risk as follows:

	Amount
	\$
US cash	1,040
Accounts receivable	3,172
Accounts payable and accrued liabilities	1,284

Based on the above, assuming all other variables remain constant, a 10% weakening or strengthening of the Canadian dollar against the US dollar would result in an increase/decrease of \$293 in the Fund's earnings.

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19. MANAGEMENT OF CAPITAL

The following table summarizes the Fund's capital structure and ratios used to monitor capital as of December 31.

	2010	2009
Debt	\$ 62,141	\$ 30,015
Net debt	\$ 54,270	\$ 20,419
Total capitalization	\$ 110,971	\$ 90,174
Percentage of net debt to total capitalization	49%	23%
Last twelve month's EBITDA	\$ 21,375	\$ 43,798
Ratio of senior debt to EBITDA	0.7 to 1	0.7 to 1
Ratio of senior net debt to EBITDA	0.3 to 1	0.5 to 1
Distributable cash per unit for the year ended December 31	\$ 0.78	\$ 2.17

In the management of capital, the Fund includes unitholders' equity, debt and cash in the definition of capital. In general, the overall capital of the Fund is evaluated and determined in the context of its financial objectives and its strategic plan. With respect to its level of indebtedness, the Fund determines the appropriate level in the context of its cash flow and overall business risks. Generally, the Fund has maintained what it considers an appropriate level of indebtedness relative to cash flow to provide financial flexibility and to provide protection for unitholders relative to their expectation of distributions. The Fund would consider increasing its level of indebtedness relative to cash flow to assist in the financing of an acquisition.

The Fund manages its capital structure and makes adjustments due to changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Fund may issue new units or purchase units for cancellation pursuant to normal course issuer bids, issue new debt to replace existing debt with different characteristics, adjust the distributions paid to unitholders, adjust borrowing levels and consequently change cash balances. As at December 31, 2010, the Fund was in compliance with all of the provisions of its credit agreement.

The Fund monitors capital on a number of bases, including:

- The percentage of net debt to total capitalization
- The ratio of senior debt and senior net debt to Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") (a non-GAAP measure)
- The Fund's distributable cash per unit (a non-GAAP measure)

The Fund considers both convertible debt and senior debt. Debt is defined by the Fund as term debt plus revolving debt plus the liability portion of convertible debentures. Net debt is defined by the Fund as debt less cash balances. Senior debt is defined as debt less the liability portion of the convertible debentures and the debt of non-wholly owned subsidiaries. Senior net debt is defined as senior debt less cash balances. The percentage of net debt to total capitalization is calculated as net debt divided by total capitalization. Total capitalization is defined as the sum of net debt and unitholders' equity.

The ratio of senior debt or senior net debt to EBITDA is calculated as senior debt or senior net debt at the end of the period divided by the previous twelve months of EBITDA. Under the terms and conditions of the Fund's credit facility, the Fund is required to maintain a senior debt to EBITDA ratio of less than 3:1; otherwise, certain restrictions will be imposed on distributions and investments.

The Fund's distributable cash per unit is calculated as distributable cash divided by the average number of units outstanding during a period. Distributable cash is defined as EBITDA less cash interest, taxes and capital expenditures for maintenance of productive capacity.

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20. UNIT-BASED COMPENSATION

Deferred trust unit plan

The Fund has a Deferred Trust Unit (“DTU”) plan which provides Trustees with the opportunity to receive their compensation in authorized but unissued units in lieu of cash consideration. Each unit is equivalent in value to a unit of the Fund.

The units vest immediately and are reflected as a liability in the balance sheet and compensation expense in the income statement. As at December 31, 2010, 111,769 DTU’s have been allocated under the plan, with a market value of \$1,735. As at December 31, 2009, 75,808 DTU’s were allocated under the plan, with a market value of \$1,431.

During 2010, the Fund recorded a compensation recovery of \$192 (expense of \$730 in 2009) in selling, general and administrative related to the change in the market value of assigned units.

Long-term incentive plan

Notional Units	2010 Awards	2009 Awards	2008 Awards
Balance December 31, 2008	-	-	66,846
Awards granted	-	102,322	-
Notional distributions, net of withdrawals	-	5,827	5,689
Balance December 31, 2009	-	108,149	72,536
Awards granted	33,348	-	-
Notional distributions, net of withdrawals	997	8,195	31,060
Balance December 31, 2010	34,345	116,344	103,595

The Fund has a long-term incentive plan (“LTIP”) which provides for an annual grant of performance share units (“PSUs”) to senior executives and other key employees by granting to the employee, unvested, notional units of the Fund. Such PSUs are typically granted at the commencement of each fiscal year with vesting, subject to parameters outlined below, scheduled to occur at the end of the second year following the year of the grant (the “Vesting Date”). Each PSU granted is equivalent in value to a unit of the Fund and while unvested, accrue additional notional PSU grants in line with actual cash distributions of the Fund.

The vesting of granted PSUs and the amount of units vested is contingent on certain measures of performance of the Fund’s total unitholder return as compared to a predetermined market index at the end of the three year performance period following the initial grant date.

Upon vesting, the holder is entitled to a payment of one unit of the Fund, purchased on the open market, an equivalent cash amount, or a combination thereof, at the Fund’s discretion. At the Vesting Date any unvested PSUs are immediately cancelled without payment of consideration.

During 2010, 33,348 LTIP Units were granted to employees that are scheduled to vest December 31, 2013 (in 2009, 102,342 LTIP Units were granted). The expense associated with the LTIP plan is being recognized over the period from grant date to the Vesting Date. The expense for the year ended December 31, 2010 was \$1,435 (\$1,394 in 2009).

As at December 31, 2010, an additional 25,228 units were awarded based on certain measures of performance of the Fund’s total unitholder return outperforming compared to a predetermined market index.

Unit option awards

Year granted	Number of Options Granted	Weighted average grant date fair value	Exercise price	Units vested	Expiry
		\$	\$		
2007	175,000	0.51	10.86	87,500	2017
2010	175,000	0.65	18.20	-	2020

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During 2010, the Fund granted 175,000 options, which are exercisable at \$18.20 per unit, at specified percentages of the grant, on each anniversary date over five years with an expiry date of October 1, 2020. During 2007, the Fund granted 175,000 options, which are exercisable at \$10.86 per unit, at specified percentages of the grant, on each anniversary date over five years with an expiry date of October 1, 2017. As at December 31, 2010, there are no units reserved for option grants.

The Fund has adopted the fair value method of accounting for unit based compensation and the weighted average grant date fair value has been determined using the Black-Scholes option-pricing model to be \$0.65 and \$0.51 per unit. Compensation expense is recognized over the vesting period, with a corresponding increase to contributed surplus.

For the year, the Fund recorded compensation cost of \$51 (\$22 in 2009) in respect of these options, which was credited to contributed surplus. The dilutive impact of these options on the weighted average units outstanding for year ended December 31, 2010 was 51,754 units (21,521 units in 2009).

21. COMMITMENTS

The future minimum annual lease payments, under certain premises, vehicle, manufacturing and office equipment operating lease agreements over the next five years, are approximately as follows:

	\$
2011	4,306
2012	3,507
2013	2,802
2014	2,113
2015	1,792
Thereafter	1,491
	<u>16,011</u>

22. SEGMENTED INFORMATION

The Fund operates in two segments. The Vicwest Building Products ("Vicwest BP") segment fabricates and markets metal roofing, siding and other associated building products. The Westeel Storage Solutions ("Westeel") segment manufactures storage solutions for agricultural grain and fertilizer, as well as liquid storage tanks and accessories. The Fund has segmented its operations on the basis of type of product, customer and management reporting.

Prior to 2010, the Fund did not allocate corporate costs to its operating segments, Vicwest BP and Westeel. During the first quarter of 2010, the Fund began to allocate corporate costs. The prior year segment information has been restated to conform to the current structure.

Year ended December 31, 2010	Vicwest BP	Westeel	Unallocated	Total
	\$	\$	\$	\$
Canadian revenue	216,070	98,236	-	314,306
US revenue	15,595	12,783	-	28,378
International revenue	-	14,271	-	14,271
Total revenue	<u>231,665</u>	<u>125,290</u>	<u>-</u>	<u>356,955</u>
Income before interest and income tax	3,072	11,609	-	14,681
Interest expense, net	71	-	2,662	2,733
Income tax provision (recovery)	54	561	(2,324)	(1,709)
Net income	<u>2,947</u>	<u>11,048</u>	<u>(338)</u>	<u>13,657</u>

Notes to the Consolidated Financial Statements

For the years ended December 31, 2010 and 2009

(stated in thousands of Canadian dollars, except unit and per unit amounts)

Year ended December 31, 2009	Vicwest BP	Westeel	Unallocated	Total
	\$	\$	\$	\$
Canadian revenue	228,549	125,451	-	354,000
US revenue	11,511	13,559	-	25,070
International revenue	-	12,706	-	12,706
Total revenue	240,060	151,716	-	391,776
Income before interest and income tax	14,458	23,506	-	37,964
Interest expense, net	-	-	1,866	1,866
Income tax provision	-	666	951	1,617
Net income	14,458	22,840	(2,817)	34,481

As at December 31, 2010	Vicwest BP	Westeel	Unallocated	Total
	\$	\$	\$	\$
Segment assets excluding goodwill and other intangible assets	97,109	54,540	-	151,649
Goodwill	3,332	737	-	4,069
Intangible assets	7,893	3,376	6,364	17,633
Cash and other unallocated assets	-	-	10,959	10,959
Total assets	108,334	58,653	17,323	184,310

As at December 31, 2009	Vicwest BP	Westeel	Unallocated	Total
	\$	\$	\$	\$
Segment assets excluding goodwill and other intangible assets	74,705	58,468	-	133,173
Goodwill	2,747	737	-	3,484
Intangible assets	6,093	3,849	3,110	13,052
Cash and other unallocated assets	-	-	11,857	11,857
Total assets	83,545	63,054	14,967	161,566

Year ended December 31, 2010	Vicwest BP	Westeel	Unallocated	Total
	\$	\$	\$	\$
Property, plant and equipment additions	7,355	1,362	64	8,781
Capital additions through acquisition	4,115	-	-	4,115
Goodwill additions	594	-	-	594
Intangible additions	-	-	3,255	3,255
Intangible additions through acquisition	2,893	-	-	2,893
Amortization of property, plant and equipment	3,494	1,532	173	5,199
Amortization of intangible assets	1,023	472	-	1,495
Amortization of debt issuance costs and accretion	-	-	472	472

Year ended December 31, 2009	Vicwest BP	Westeel	Unallocated	Total
	\$	\$	\$	\$
Property, plant and equipment additions	3,484	4,672	35	8,191
Capital additions through acquisition	-	-	-	-
Goodwill additions	123	-	-	123
Intangible additions	-	-	3,110	3,110
Amortization of property, plant and equipment	2,888	1,318	162	4,368
Amortization of intangible assets	994	472	-	1,466
Amortization of debt issuance costs and accretion	-	-	240	240

Notes to the Consolidated Financial Statements

For the years ended December 31, 2010 and 2009

(stated in thousands of Canadian dollars, except unit and per unit amounts)

In 2010, one customer represented more than 10% of Vicwest BP revenue, two customers each accounted for more than 10% of Westeel revenue and combined represented 36.1% of Westeel revenue. In 2009, one customer represented more than 10% of Vicwest BP revenue, two customers each accounted for more than 10% of Westeel revenue and combined represented 45.7% of Westeel revenue.

23. GUARANTEES

In the normal course of business, the Fund enters into transactions that provide limited indemnification to third parties with respect to certain contract obligations on supply and install contracts. The Fund is unable to estimate the likelihood or magnitude of potential costs associated with such indemnifications; however, as of December, 2010, no amounts have been drawn on issued performance bonds.

The Fund has issued letters of credit for \$365 (\$1,995 in 2009) as security for future potential commitments as at December 31, 2010.

24. SUBSEQUENT EVENTS

Conversion

On January 1, 2011, Vicwest Income Fund reorganized pursuant to a plan of arrangement (the "Plan of Arrangement"). The purpose of the Plan of Arrangement was to convert the Fund from an income trust to a corporation, called Vicwest Inc. (the "Company"). The conversion was effected by way of corporate arrangement, under which Vicwest unitholders received one Vicwest Inc. common share for each unit held. Following the unit for share exchange, the previous unitholders of Vicwest Income Fund maintained their pro rata ownership through shares of the Company. Consequently, the conversion did not constitute a change of control and the assets and liabilities of Vicwest Income Fund were transferred to the Company at their January 1, 2011 carrying values and were not subjected to revaluation.

After the completion of the Plan of Arrangement, holders of Vicwest Inc. debentures became entitled to receive, upon conversion of the debentures in accordance with their terms, one Vicwest Inc. common share in lieu of each Fund unit the holder was previously entitled to receive.

Normal course issuer bid

In January 2011, the Toronto Stock Exchange accepted Vicwest Inc.'s notice of intention to make a normal course issuer bid for up to 850,000 of the Fund's units over the following twelve month period.