



Energy Services Trust

2009 CONSOLIDATED FINANCIAL STATEMENTS

AND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

# MANAGEMENT'S REPORT TO UNITHOLDERS

## MANAGEMENT'S RESPONSIBILITY TO UNITHOLDERS

The financial statements are the responsibility of the management of Petrowest Energy Services Trust. They have been prepared in accordance with generally accepted accounting principles, using management's best estimates and judgments, where appropriate.

Management is responsible for the reliability and integrity of the financial statements, the notes to the financial statements, and other financial information contained in this report. In the preparation of these statements, estimates are sometimes necessary because a precise determination of certain assets and liabilities is dependent on future events. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

Management is also responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board is assisted in exercising its responsibilities through the Audit Committee of the Board, which is composed of three non-management directors. The Committee meets periodically with management and the auditors to satisfy itself that management's responsibilities are properly discharged, to review the financial statements and to recommend approval of the financial statements to the Board.

PricewaterhouseCoopers LLP have audited Petrowest Energy Services Trust's consolidated financial statements in accordance with generally accepted auditing standards and provided an independent professional opinion. The auditors have full and unrestricted access to the Audit Committee to discuss their audit and their related findings as to the integrity of the financial reporting progress.

*"Ralph Hesje"*

*"Lloyd A. Wiggins"*

Ralph Hesje  
President and Chief Executive Officer

Lloyd A. Wiggins  
Chief Financial Officer

March 10, 2010

## Auditors' Report

To the Unitholders of Petrowest Energy Services Trust.

We have audited the consolidated balance sheets of Petrowest Energy Services Trust as at December 31, 2009 and 2008 and the consolidated statements of loss, comprehensive loss and accumulated loss and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Trust's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

*PricewaterhouseCoopers LLP*

Chartered Accountants  
Calgary, Alberta  
March 9, 2010

**Petrowest Energy Services Trust**  
**Consolidated Balance Sheets**  
**As at December 31**

(In thousands of dollars)	2009	2008
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	-	2,348
Accounts receivable (note 15)	28,262	44,306
Prepaid expenses and other	2,158	1,083
Inventory	3,984	4,495
Assets related to discontinued operations (note 19)	174	4,549
	<b>34,578</b>	<b>56,781</b>
Property and equipment (notes 5 and 6)	67,972	87,636
Intangible assets (note 7)	8,330	13,402
Goodwill (note 8)	-	34,321
Future income taxes (note 13)	4,560	727
Discontinued assets held for sale (note 19)	-	11,880
	<b>115,440</b>	<b>204,747</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Bank overdraft	270	-
Accounts payable and accrued liabilities	11,689	15,918
Revolving bank term loan (note 9)	67,950	83,500
Current portion of obligations under capital leases	544	651
Liabilities related to discontinued operations (note 19)	11	2,447
	<b>80,464</b>	<b>102,516</b>
Obligations under capital leases	331	874
Future income taxes (note 13)	4,560	12,463
	<b>85,355</b>	<b>115,853</b>
<b>Unitholders' Equity</b>		
Units (note 10)	292,498	292,492
Contributed surplus (note 11)	1,050	635
Accumulated loss	(225,500)	(166,270)
Accumulated distributions to unitholders	(37,963)	(37,963)
	<b>30,085</b>	<b>88,894</b>
	<b>115,440</b>	<b>204,747</b>

Commitments and contingencies (note 17)

Going concern (note 2)

*See accompanying notes to the consolidated financial statements*

Approved on behalf of the board:

"Ralph Hesje"  
 Director

"Mark Schweitzer"  
 Director

**Petrowest Energy Services Trust**  
**Consolidated Statements of Loss, Comprehensive Loss and Accumulated Loss**

For the year ended December 31

(In thousands of dollars, except per unit amounts)	2009	2008
<b>Revenue</b>	<b>119,622</b>	190,307
<b>Expenses</b>		
Operating expenses	105,878	148,670
General and administrative	6,898	8,504
Interest	4,853	6,693
Amortization of property and equipment	21,002	25,773
Amortization of intangible assets	3,765	4,632
Impairment of property and equipment (note 6)	5,301	-
Impairment of intangible assets and goodwill (notes 7 and 8)	35,628	21,271
	<b>183,325</b>	215,543
	<b>(63,703)</b>	(25,236)
<b>Other income (loss)</b>		
Gain (loss) on disposal of property and equipment	188	(2,196)
Interest and other income	92	10
Net loss and comprehensive loss before taxes	<b>(63,423)</b>	(27,422)
Future income tax expense (recovery) (note 13)	<b>(11,736)</b>	1,695
<b>Net loss and comprehensive loss</b>	<b>(51,687)</b>	(29,117)
<b>Discontinued operations, net of tax (note 19)</b>	<b>(7,543)</b>	(3,459)
<b>Net loss and comprehensive loss</b>	<b>(59,230)</b>	(32,576)
<b>Accumulated loss - beginning of year</b>	<b>(166,270)</b>	(133,694)
<b>Accumulated loss - end of year</b>	<b>(225,500)</b>	(166,270)
<b>Net loss per unit (note 10)</b>		
-basic and diluted from continuing operations	<b>\$(1.57)</b>	\$(0.88)
-basic and diluted from discontinued operations	<b>(0.23)</b>	(0.10)
-basic and diluted	<b>(1.80)</b>	(0.98)

Going concern (note 2)

See accompanying notes to the consolidated financial statements

# Petrowest Energy Services Trust

## Consolidated Statements of Cash Flows

For the year ended December 31

(In thousands of dollars)	2009	2008
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net loss from continuing operations	(51,687)	(29,117)
Items not affecting cash		
Amortization of property and equipment	21,002	25,773
Amortization of intangible assets	3,765	4,632
Impairment of property and equipment (note 6)	5,301	-
Impairment of intangible assets and goodwill (notes 7 and 8)	35,628	21,271
Unit-based compensation expense (note 12)	415	34
Units issued for service	6	-
Future income tax expense (recovery)	(11,736)	1,695
(Gain) loss on disposal of property and equipment	(188)	2,196
	<b>2,506</b>	<b>26,484</b>
Changes in non-cash working capital		
Accounts receivable	16,044	(4,690)
Prepaid expenses and other	(1,075)	715
Inventory	511	281
Accounts payable and accrued liabilities	(4,229)	(10,518)
	<b>13,757</b>	<b>12,272</b>
<b>Financing activities</b>		
Unitholder distributions	-	(953)
Repayment of capital lease obligations	(650)	(692)
Proceeds from revolving term bank loan	-	1,500
Repayment of revolving term bank loan	(15,550)	-
	<b>(16,200)</b>	<b>(145)</b>
<b>Investing activities</b>		
Purchase of property and equipment	(7,022)	(12,753)
Proceeds on property and equipment disposals	565	2,877
Purchase price adjustment	-	(25)
	<b>(6,457)</b>	<b>(9,901)</b>
<b>Net change in cash from continuing operations</b>	<b>(8,900)</b>	<b>2,226</b>
<b>Cash flow from discontinued operations</b>		
Operating activities	498	958
Financing activities	(10)	(8)
Investing activities	5,794	(1,043)
<b>Net change in cash from discontinued operations</b>	<b>6,282</b>	<b>(93)</b>
Increase (decrease) in cash and cash equivalents	(2,618)	2,133
Cash and cash equivalents, beginning of year	2,348	215
Cash and cash equivalents (bank overdraft), end of year	(270)	2,348
<b>Supplementary cash flow information</b>		
Interest paid	5,140	7,071
<b>Non cash transactions</b>		
Property and equipment financed by capital leases	-	949

Going concern (note 2)

See accompanying notes to the consolidated financial statements.

# **Petrowest Energy Services Trust**

## **Notes to Consolidated Financial Statements**

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(Tabular amounts in thousands of dollars unless otherwise stated, except per unit amounts)

### **1 Nature of the Organization**

Petrowest Energy Services Trust (“Petrowest” or the “Trust”) is an open-ended unincorporated mutual fund trust established under and governed by the laws of the Province of Alberta pursuant to the Deed of Trust dated July 6, 2006. The Trust is involved in pre-drilling and post-completion energy services as well as industrial and civil infrastructure projects, gravel crushing and hauling for non-energy sector customers.

### **2 Going Concern**

These consolidated financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due.

The Trust’s ability to continue as a going concern is dependent upon its ability to renew its credit facility and generate positive cash flows from operations. The term of the credit facility expired on December 14, 2009 and the banking syndicate has not extended this date. As a result, the Trust is required to repay 1/12 of the amount outstanding at the end of each financial quarter following such date until December 14, 2011 at which time the remaining amount will be due and payable.

In addition, the Trust was not in compliance with three financial covenants contained in the credit facility as at December 31, 2009 and obtained waivers of these breaches of covenants from the banking syndicate until January 15, 2010. Furthermore, there were scheduled reductions and cancellations of commitments due September 30, 2009 and December 31, 2009 in the aggregate amount of \$9.5 million which the banking syndicate provided a deferral until January 15, 2010. The waivers and deferrals above have not been extended subsequent to January 15, 2010 by the banking syndicate, and as a result the Trust is in default under the credit facility which is effectively due on demand.

The Trust’s ability to continue operations is dependent on the continued support of the banking syndicate or the ability to refinance the existing bank credit facility. Currently, the Trust is negotiating with the banking syndicate on a new credit facility, but the outcome of such negotiations cannot be predicted at this time. Management and the Board are reviewing all debt and equity alternatives available. There is no assurance that the negotiations with the banking syndicate will result in a new credit facility acceptable to both the Trust and the banking syndicate or that the Trust will be successful in procuring alternate financing.

This leads to significant risk as to the ability of the Trust to meet its obligations and accordingly, the appropriateness of the use of accounting principles applicable to a going concern. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Trust were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

### **3 Summary of Significant Accounting Policies**

#### **a) Basis of presentation**

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles (“GAAP”). Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses for the period reported. Actual results could differ from these estimates. Such estimates include amortization of property and equipment, recoverability of accounts receivable, valuation of assets included in acquisitions and impairment

# Petrowest Energy Services Trust

## Notes to Consolidated Financial Statements

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(Tabular amounts in thousands of dollars unless otherwise stated, except per unit amounts)

of goodwill, intangibles and property and equipment as well as estimates of temporary differences between accounting and tax values which affect the measurement of future income tax assets and liabilities.

Management has prepared the consolidated financial statements within the framework of the Trust's accounting policies summarized below.

### b) Changes in Accounting Policies and Practices

#### Goodwill and Intangible Assets

On January 1, 2009, the Trust adopted the new CICA section 3064, "*Goodwill and Intangible Assets*" which replaced section 3062. This new standard revises the criteria for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The adoption of this standard did not have a material impact on the Trust's consolidated financial statements.

#### Financial Instruments – Disclosure

In June 2009, the AcSB published amendments to CICA section 3862, "*Financial Instruments — Disclosures*", to require improved and consistent disclosures about fair value measurements of financial instruments and liquidity risk. Section 3862 amendments apply to annual financial statements relating to fiscal years ending after September 30, 2009. In the first fiscal year of application, an entity need not provide comparative information for the disclosures required by the amendments.

The amendments are in response to market concerns about credit and liquidity risks. The enhanced disclosure requirements include:

- classifying and disclosing fair value measurements based on a three-level hierarchy;
- reconciling beginning balances to ending balances for Level 3 measurements;
- identifying and explaining movements between levels of the fair value hierarchy;
- providing a maturity analysis for derivative financial liabilities based on how the entity manage liquidity risk; and
- disclosing the remaining expected maturities of non-derivative financial liabilities if liquidity risk is managed on that basis.

The adoption of this standard did not have a material impact on the Trust's consolidated financial statements.

### c) Recent Accounting Pronouncements

In February 2008, the AcSB confirmed that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP effective January 1, 2011. The Trust is assessing the potential impacts of this transition and developing a plan accordingly.

In December 2008, the Canadian Institute of Chartered Accountants ("CICA") issued section 1582, "*Business Combinations*" which will replace section 1581. Under this new guidance, the purchase price used is based on the fair value as of the date of acquisition. The new guidance generally requires all acquisition costs to be expensed, rather than the current practice of capitalizing them as part of the purchase price; contingent liabilities including contingent considerations are to be recognized at fair value at the acquisition date and revalued at fair value with the change flowing through earnings until settled. Negative goodwill is required to be recognized immediately into earnings, unlike the current requirement to eliminate it by deducting it from non-current assets in the purchase price allocation. Entities adopting section 1582 will also be required to adopt section 1601 "*Consolidated Financial Statement*" and section 1602 "*Non-Controlling Interests*". Sections 1601 and 1602 may require a change in the measurement

# Petrowest Energy Services Trust

## Notes to Consolidated Financial Statements

(Tabular amounts in thousands of dollars unless otherwise stated, except per unit amounts)

of non-controlling interest and will require the change to be presented as part of unitholders' equity on the balance sheet. These three standards will be effective January 1, 2011 and the adoption of these standards is not anticipated to have a material impact on the Trust's consolidated financial statements.

### d) Inventory

Inventory consists of gravel, spare equipment parts, tires, materials and supplies and is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis.

### e) Property and Equipment

Property and equipment recorded on the acquisition of acquired businesses has been recorded at the estimated fair value of the assets as at the date of acquisition. All other property and equipment acquisitions are recorded at cost less accumulated amortization.

Amortization is applied to reduce the value of property and equipment to its estimated residual value over its estimated useful life on a declining balance basis annually at the following rates:

Buildings, portable buildings and fencing	2% - 10%
Heavy equipment	5% - 25%
Vehicles	25% - 35%
Trailers	5% - 25%
Equipment	15% - 40%
Office furniture and equipment	20% - 30%
Communications, computer and hardware	30% - 60%
Equipment under capital lease	20% - 67%
Leasehold Improvements	Lease Term

Management tests the recoverability of property and equipment when events or changes in circumstances indicate the carrying amount may not be recoverable. If it is determined the estimated fair value net recoverable amount is less than the carrying amount, a write-down to the asset's fair value is recognized with the fair value becoming the new cost basis.

### f) Equipment under construction

Certain modifications are required to capital assets prior to the asset being placed in service. Amortization is recorded from the date the asset is placed in service.

### g) Intangible Assets

Intangible assets are comprised of acquired customer relationships, brand and trade names, and non-competition agreements. They are amortized over their useful lives on a straight line basis, which is estimated between 5 and 10 years. Intangible assets are tested for impairment when events or changes in circumstances indicate the carrying amount of the intangible is not recoverable and exceeds its fair value.

### h) Goodwill

Goodwill represents the excess of the purchase price of the acquired businesses over the fair value of net assets acquired and liabilities assumed. Goodwill is tested for impairment on an annual basis unless events or changes in circumstances indicate that the carrying value may not be recoverable and exceeds its estimated fair value. The test for impairment is a two-step process by first identifying if there is a potential impairment and then by measuring the amount of impairment to be recognized. In the first step of the impairment test the fair value of each

# **Petrowest Energy Services Trust**

## **Notes to Consolidated Financial Statements**

(Tabular amounts in thousands of dollars unless otherwise stated, except per unit amounts)

business segment is compared with its carrying amount which includes goodwill. The next step of measuring the impairment is performed if the carrying amount exceeds fair value. The fair value of goodwill for each business segment is determined by allocating the fair value of the business unit to the identifiable assets and liabilities as if the business segment had been acquired in a business combination for a purchase price equal to its fair value. The excess of the fair value of the business segment over the amounts assigned to the identifiable assets and liabilities is the implied fair value of the goodwill. The excess of the carrying amount of goodwill over the implied value of goodwill is the impairment amount which is charged to earnings in the period in which it occurs. Goodwill is stated at cost less impairment and is not amortized.

### **i) Revenue Recognition**

Petrowest's services are generally sold based upon contractual agreements or purchase orders with customers that include fixed or determinable prices based upon daily, hourly or job rates. Revenue is recognized when services are rendered or over the rental period and when collection can be reasonably assured. Mobilization revenue is included in certain contracts where Petrowest is either paid an up-front fee or a fee blended with the services. The up-front fee is recognized using the percentage of completion method. If the mobilization and services are combined, the fees are recorded as the service is provided using a percentage of completion method and any up-front mobilization costs are deferred and recognized as revenue is earned.

### **j) Income taxes**

On June 12, 2007, the legislation implementing the new tax on publicly traded income trusts and limited partnerships (the "SIFT tax"), referred to as "specified investment flow-through" ("SIFT") entities (Bill C-52), received third reading in the House of Commons and on June 22, 2007, the Bill received Royal Assent. As a result, the tax was considered to be enacted for accounting purposes in June 2007.

Under the SIFT tax, distributions will not be deductible for income tax purposes by SIFTs in 2011 and thereafter and any trust level taxable income will be taxed at rates approximating the corporate income tax rate.

For accounting purposes, as the SIFT tax was enacted in the second quarter of 2007, Petrowest recorded a non-cash charge to future income taxes to reflect the temporary differences between the book and tax basis of assets and liabilities expected to be remaining in the Trust in 2011.

The Trust follows the liability method of accounting for future income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the accounting basis and tax basis ("timing differences"), and are measured using the tax rates expected to apply when these timing differences reverse. The effects of changes to these balances are recognized in income in the period in which the change occurs.

To the extent that the Corporation does not consider it to be more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

### **k) Stock Based Compensation**

Effective April 15, 2008, the Trust adopted a Deferred Trust Unit ("DTU") plan. Under this DTU plan, DTU's are granted to employees, directors and consultants which entitles participants, at the Trust's option, to either receive a trust unit or cash equivalent in exchange for a vested unit. The DTU are either classified as equity settled instruments or as liabilities. For DTU's classified as equity settled instruments, the unit based compensation expense related to the units granted is recognized over the vesting period, on a graded basis, based on the fair value of the units at the date of the grant and is charged to unit based compensation expense and contributed

# Petrowest Energy Services Trust

## Notes to Consolidated Financial Statements

(Tabular amounts in thousands of dollars unless otherwise stated, except per unit amounts)

surplus. The contributed surplus balance is reduced as vested units are settled. For DTU's classified as liability settled instruments, the unit based compensation expense related to the units granted is recognized over the vesting period, on a graded basis, based on the fair value of the units at each reporting date where they are "marked to market" based on the unit price at the period end.

### l) Per Unit Amounts

Basic per unit amounts are calculated using the weighted average number of units outstanding during the period. Diluted per unit amounts are calculated by adding potentially dilutive DTU units to the weighted average number of units outstanding during the period based on the treasury stock method. Under this method, the diluted weighted average number of units is calculated assuming the proceeds obtained on the exercise of dilutive DTU units are purchased at the average market price of Trust units for the period.

### p) Cash and cash equivalents

Cash and cash equivalents are comprised of cash and highly liquid short term investments having an initial term of less than three months.

## 4 Seasonality

Petrowest's operations are conducted primarily in northern Alberta and northeastern British Columbia and are susceptible to the impacts of the seasons. The first quarter is subject to frozen conditions and periods of extreme cold and snow. This is typically one of the most active quarters for Petrowest, as oil and gas drilling activities focus on areas located in muskeg and swamp type conditions not normally accessible in a non-frozen state. The second quarter is generally the slowest quarter for Petrowest's operations, as the milder spring conditions result in soft, wet ground generally requiring the implementation of road bans which prevent heavy load transportation on roadways. The third quarter should reflect increased activity levels and typically generates revenues that fall somewhere in the range between quarters one and two with work relating to oil and gas projects in areas that do not entail access through muskeg. Quarter four starts out similar to the summer activity and ramps up as the ground freezes and access is permitted.

## 5 Property and Equipment

2009	Cost	Accumulated Amortization	Net Book Value
Buildings, portable buildings and fencing	7,205	3,079	4,126
Heavy equipment	117,948	62,595	55,353
Equipment under capital lease	2,335	1,280	1,055
Vehicles	4,363	2,683	1,680
Trailers	7,039	2,688	4,351
Equipment	3,345	2,569	776
Office furniture and equipment	636	509	127
Communications and computer hardware	1,351	1,114	237
Leasehold improvements	89	18	71
Subtotal	144,311	76,535	67,776
Assets under construction	196	-	196
	144,507	76,535	67,972

# Petrowest Energy Services Trust

## Notes to Consolidated Financial Statements

(Tabular amounts in thousands of dollars unless otherwise stated, except per unit amounts)

2008	Cost	Accumulated Amortization	Net Book Value
Buildings, portable buildings and fencing	7,217	2,251	4,966
Heavy equipment	112,974	39,413	73,561
Equipment under capital lease	2,690	2,671	19
Vehicles	3,945	2,003	1,942
Trailers	7,035	1,912	5,123
Equipment	3,454	2,178	1,276
Office furniture and equipment	622	407	215
Communications and computer hardware	1,273	881	392
Leasehold improvements	74	10	64
Subtotal	139,284	51,726	87,558
Assets under construction	78	-	78
	139,362	51,726	87,636

## 6 Impairment of Property and Equipment

### Continuing Operations

Management of the Trust assesses the carrying amount of property and equipment for impairment when certain events or changes in circumstances indicate that the carrying amount may not be recoverable. In these circumstances, an impairment loss is recognized for the amount by which the carrying amount exceeds fair value. Management assessed the carrying amount of property and equipment as at September 30, 2009 as a result of significant decreases in the market price of similar property and equipment.

The first step in determining whether there is an impairment is a comparison of the carrying amount of the assets to the sum of the undiscounted cash flows related to the use of the assets. Where the carrying amount of the assets exceeds the undiscounted cash flows, it is an indication to management of an impairment.

The amount of the impairment loss is measured by the amount by which the carrying amount of the asset exceeds its fair value. Fair value is then determined to be the amount an asset could be bought or sold in a current transaction between willing parties, other than a forced or liquidation sale. Management has determined fair value utilizing an externally prepared appraisal report as the basis for calculating fair values.

As a result of the above, management recorded an impairment of property and equipment as at September 30, 2009 in the amount \$5.3 million, with \$4.8 million relating to the Construction segment and \$0.5 million to the Rentals segment.

### Discontinued Operations

The Trust provided for an impairment of \$4.5 million related to the rig mobilization and demobilization assets from the Transportation segment on March 31, 2009. The amount has been included as discontinued operations on the statement of loss for December 31, 2009. Management of the Trust determined the fair value of the rig mobilization and demobilization equipment using industry standard valuations prepared by a third party based on current market assumptions relating to the oil and gas services sector.

# Petrowest Energy Services Trust

## Notes to Consolidated Financial Statements

(Tabular amounts in thousands of dollars unless otherwise stated, except per unit amounts)

### 7 Intangible Assets

2009	Cost	Accumulated Amortization	Net Book Value
Non competition agreements	29,953	26,017	3,936
Business alliance	2,344	2,344	-
Brand and trade names	7,182	5,107	2,075
Customer relationships	18,727	16,408	2,319
	58,206	49,876	8,330

2008	Cost	Accumulated Amortization	Net Book Value
Non competition agreements	29,953	23,949	6,004
Business alliance	2,344	2,344	-
Brand and trade names	7,182	3,389	3,793
Customer relationships	18,727	15,122	3,605
	58,206	44,804	13,402

Non competition agreements, business alliance and brand and trade names are amortized over 5 years on a straight line basis. Customer relationships are amortized over 10 years on a straight line basis.

The assets and operations of Rick's Mechanical were integrated into other businesses within the Construction division. As a result the Trust discontinued using the trade name Rick's Mechanical on December 31, 2009 and wrote-off the remaining \$0.2 million in intangibles related to the trade name for Rick's Mechanical.

The Trust reviewed the carrying value of intangible assets for impairment as at June 30, 2009, as certain events or changes in circumstances occurred during the second quarter which indicated certain intangible assets were being carried at a cost greater than their fair value. As a result, an impairment of \$1.1 million was recorded. On an operating segmented basis the amount of the impairment was \$0.9 million in the Construction segment and \$0.2 million in the Rentals segment. The impairment was primarily related to customer relationships. The erosion of the Trust's enterprise value, primarily as a result of the global economic and financial crisis, combined with the change in pricing of corporate transactions in the energy services sector, were factors relating to this impairment. The continued low activity levels in the energy sector and continued pricing and margin pressures were also factors contributing to the impairment. Management of the Trust determined the fair value of intangible assets on a segment by segment basis using industry standard valuation methods such as discounted cash flows.

As at December 31, 2008, the Trust reviewed the carrying value of intangible assets for impairment, as certain events or changes in circumstances occurred during the year which indicated certain intangible assets were being carried at a cost greater than their fair value. In addition to the \$1.9 million second quarter impairment, an additional impairment of \$4.3 million was recorded in the fourth quarter of 2008. On an operating segmented basis the amount of the impairment was \$4.0 million in Construction and \$0.3 million in Rentals. The impairment was primarily related to customer relationships. The erosion of the Trust's enterprise value, primarily as a result of the global economic and financial crisis, combined with the change in pricing of corporate transactions in the energy services sector, were factors relating to the 2008 impairment. The continued low activity levels in the energy sector, changing circumstances with a business alliance, a change in the Rentals segment business relating more to internal customers, and continued pricing and margin pressures were also factors contributing to the impairment.

# Petrowest Energy Services Trust

## Notes to Consolidated Financial Statements

(Tabular amounts in thousands of dollars unless otherwise stated, except per unit amounts)

Management of the Trust determined the fair value of intangible assets on a segment by segment basis using industry standard valuation methods based on current market assumptions relating to the oil and gas services sector.

### 8 Goodwill

Goodwill represents the excess of purchase price of the acquired businesses over the fair value of net assets acquired and liabilities assumed.

	<b>December 31, 2009</b>	December 31, 2008
September 7, 2006 acquisitions	<b>97,949</b>	97,949
Additional settlement costs	<b>119</b>	119
May 18, 2007 acquisitions	<b>21,939</b>	21,939
Additional Settlement Costs	<b>690</b>	690
	<b>120,697</b>	120,697
Accumulated impairment	<b>120,697</b>	86,376
Closing balance	-	34,321

During the latter half of 2008 and first six months of 2009, the global economic and financial crisis significantly impacted the Canadian economy. This crisis resulted in reduced liquidity in the financial markets and caused lower commodity pricing. There was significant reductions in capital spending by companies operating in the oil and gas sector. Although the Trust is partially diversified from the oil and gas sector, the events impacted management's review of the carrying value of goodwill. As at June 30, 2009 the Trust recorded an impairment of goodwill for the remaining balance of \$34.3 million due to further decreases in oil and gas sector activity levels in the second quarter. On an operating segmented basis the amount of the impairment was \$12.0 million in Construction, \$4.5 million in Transportation, \$15.0 million in Civil, and \$2.8 million in Rentals. The erosion of the Trust's enterprise value, primarily as a result of the global economic and financial crisis, combined with the change in pricing of corporate transactions in the energy services sector, the continued low activity levels in the energy sector, and continued pricing and margin pressures, were factors contributing to the impairment. These factors impacted the activity in the oil and gas sector and demand for the Trust's services, resulting in lower utilization of the Trust's capacity, and an erosion of the Trust's enterprise value. Management of the Trust determined the fair value of goodwill on a segment by segment basis using industry standard valuation methods such as earnings multiples and discounted cash flows.

As at December 31, 2008 the Trust recorded an impairment of goodwill totaling approximately \$15.1 million. On an operating segmented basis the amount of the impairment was \$8.6 million in Construction, \$5.7 million in Rentals and \$0.8 million in corporate.

### 9 Revolving Bank Term Loan

The credit facility is comprised of a syndicated revolving term credit facility and a working capital facility to provide availability to the Trust for growth capital and working capital requirements. Security for the credit facility is provided by a first charge debenture, a general security agreement and a general assignment of book debts.

## Petrowest Energy Services Trust

### Notes to Consolidated Financial Statements

(Tabular amounts in thousands of dollars unless otherwise stated, except per unit amounts)

As at December 31, 2009, \$68.2 million was outstanding under the Trust's revolving bank term loan (including bank overdraft). This is a reduction of \$12.9 million from the \$81.1 million (net of cash) that was outstanding as at December 31, 2008. The term of the credit facility expired on December 14, 2009 and the banking syndicate has not extended this date. As a result, the Trust is required to repay 1/12 of the amount outstanding at the end of each financial quarter following such date until December 14, 2011 at which time the remaining amount would be due and payable.

In addition, the Trust was not in compliance with three financial covenants contained in the credit facility as at December 31, 2009 and obtained waivers of these breaches of covenants from the banking syndicate until January 15, 2010. Furthermore, there were scheduled reductions and cancellations of commitments due September 30, 2009 and December 31, 2009 in the aggregate amount of \$9.5 million which the banking syndicate provided a deferral until January 15, 2010. The waivers and deferrals above have not been extended by the banking syndicate, and as a result the Trust is in default under the credit facility which is effectively due on demand.

The Trust's ability to continue operations is dependent on the continued support of the banking syndicate or the ability to refinance the existing bank credit facility. Currently, the Trust is negotiating with the banking syndicate on a new credit facility, but the outcome of such negotiations cannot be predicted at this time. Management and the Board are reviewing all debt and equity alternatives available. There is no assurance that the negotiations with the banking syndicate will result in a new credit facility acceptable to both the Trust and the banking syndicate or that the Trust will be successful in procuring alternate financing.

	<b>December 31, 2009</b>	December 31, 2008
Revolving bank term loan	<b>67,950</b>	83,500
Obligations under capital lease	<b>875</b>	1,525
	<b>68,825</b>	85,025
Less current portion of revolving bank term loan	<b>67,950</b>	83,500
Less current portion of obligations under capital lease	<b>544</b>	651
	<b>331</b>	874

# Petrowest Energy Services Trust

## Notes to Consolidated Financial Statements

(Tabular amounts in thousands of dollars unless otherwise stated, except per unit amounts)

### 10 Unitholders' Equity

#### Authorized

The Trust is authorized to issue an unlimited number of Trust units. Holders of Trust units are entitled to receive monthly distributions to the extent declared by the Board of Directors of Petrowest Energy Services General Partner Ltd. in priority to any distribution payments on the Subordinated Units.

	As at December 31, 2009		As at December 31, 2008	
	Units	Amount	Units	Amount
Balance, beginning of year	31,766,308	291,107	31,756,308	291,144
Acquired units in purchase of acquired companies	-	-	-	(56)
Issued for services rendered	20,000	6	10,000	19
	<b>31,786,308</b>	<b>291,113</b>	31,766,308	291,107
Subordinated units, beginning of year	1,160,000	1,385	1,510,000	1,735
Redemption of subordinated units issued for cash	-	-	(350,000)	(350)
Redemption of subordinated units issued for promissory notes	-	-	-	(700)
Promissory note repayment	-	-	-	700
	<b>1,160,000</b>	<b>1,385</b>	1,160,000	1,385
Balance, end of period	<b>32,946,308</b>	<b>292,498</b>	32,926,308	292,492
Weighted average units for year – Basic	<b>32,940,116</b>		33,159,077	
Weighted average units for year – Diluted	<b>35,356,830</b>		34,589,359	

Prior to the initial public offering, the Trust issued to various insiders an aggregate of 1,510,000 subordinated units at a price of \$3.00 per subordinated unit, \$4,530,000 in the aggregate, which was satisfied by payment of \$1.00 in cash and \$2.00 by way of a three-year promissory note that may be forgiven at the option of the Trust over three years if the subscriber remains as a director, officer or employee of Petrowest. No amounts have been forgiven to date. Holders of subordinated units have the right to convert into Trust units on a one-for-one basis at any time after the end of the first fiscal year ending on or after December 31, 2008 if the Trust has earned EBITDA of at least \$47.0 million and paid distributions of at least \$1.20 per Trust unit for such fiscal year. As at December 31, 2009, there was a balance of \$2,095,000 outstanding related to promissory notes, net of repayments.

Units issued for the acquisition of the companies acquired in 2006 and the 2007 Acquired Companies were placed in escrow subject to time release provisions. Escrowed units were released as to 25% on the first anniversary date of the acquisition and the remaining 75% on the second anniversary date. All escrowed units have now been released.

On September 3, 2008, the Trust acquired 350,000 subordinated units for \$700,000 from a former officer of the Trust. The transaction has been measured in these financial statements at the carrying amount of the subordinated units with the difference between the cash paid to reacquire the units and the average carrying amount of the units credited to contributed surplus. In conjunction with this transaction the former officer repaid the note receivable balance of \$700,000, resulting in no net cash outlay to the Trust.

# Petrowest Energy Services Trust

## Notes to Consolidated Financial Statements

(Tabular amounts in thousands of dollars unless otherwise stated, except per unit amounts)

### 11 Contributed Surplus

Continuity of contributed surplus:

	As at December 31, 2009	As at December 31, 2008
Balance – beginning of year	635	-
Unit based compensation expense	415	15
Value assigned to expired warrants	-	270
Redemption of subordinated units below carrying value	-	350
Balance – end of year	1,050	635

### 12 Unit Based Compensation

Effective April 15, 2008 the Trust adopted a Deferred Trust Unit (“DTU”) plan. Under this DTU plan, DTU’s are granted to employees, directors and consultants which entitle participants, at the Trust’s option, to either receive a trust unit or cash equivalent in exchange for a vested unit. The Trust initially granted 908,000 DTU’s at a 10 day weighted average price of \$1.22 to participants which vest one third per year over the three year period from the date of grant. The DTU’s are either classified as equity settled instruments or as liabilities. For DTU’s classified as equity settled instruments, the unit based compensation expense related to the units granted is recognized over the vesting period, on a graded basis, based on the fair value of the units at the date of the grant and is charged to unit based compensation expense and contributed surplus. The contributed surplus balance is reduced as vested units are settled. For DTU’s classified as liability settled instruments the unit based compensation expense related to the units granted is recognized over the vesting period, on a graded basis, based on the fair value of the units at each reporting date where they are “marked to market” based on the unit price at the quarter end. The forfeitures for year ended December 31, 2009 were 216,656 (2008 – 77,718) units.

The initial intent of the Trust was to settle the initial grant with units. Therefore, the DTU unit based compensation expense was calculated to September 30, 2008, based on the fair value of the units at the date of the grant. During the fourth quarter of 2008, the Trust decided to settle the first vesting with cash and the remainder with equity. Therefore, the Trust has accounted for the DTU unit based compensation expense for 2008 using the liability method up to the vesting date of April 15, 2009 and then as an equity settled instrument for the remaining periods.

On December 1, 2008, an additional grant of 600,000 DTU’s at a 10 day weighted average price of \$0.36 was made. These units will vest one third per year over the three year period from the date of grant and are classified as an equity settled instrument.

During the second quarter of 2009, an additional grant of 1,418,215 DTU’s at a 10 day weighted average price of \$0.26 was made. These units will vest one third per year over the three year period from the date of grant and beclassified as an equity settled instrument.

The effect on the consolidated financial statements for the year ended December 31, 2009 was \$428,519 (2008 - \$72,551) of unit based compensation expense.

### 13 Income taxes

On June 12, 2007, the legislation implementing the new tax on publicly traded income trusts and limited partnerships (the “SIFT tax”), referred to as (Bill C-52), received third reading in the House of Commons and on June 22, 2007 the Bill received Royal Assent. As a result, the tax was

# Petrowest Energy Services Trust

## Notes to Consolidated Financial Statements

(Tabular amounts in thousands of dollars unless otherwise stated, except per unit amounts)

considered to be enacted for accounting purposes in June 2007. SIFTs are certain publicly traded income and royalty trusts and limited partnerships, which includes Petrowest.

The majority of the temporary differences at the Trust level relate to the timing differences associated with non-capital losses and with the property and equipment and intangibles acquired by the Trust on September 7, 2006 and May 18, 2007 as follows:

	As at December 31, 2009	As at December 31, 2008
<b>Future income tax assets</b>		
Non Capital Loss	5,599	-
Trust unit issue costs	627	699
Unit based compensation	65	28
Subtotal	6,291	727
Valuation Allowance	(1,731)	-
	<b>4,560</b>	<b>727</b>
<b>Future income tax liabilities</b>		
Property and equipment	3,713	10,935
Intangible assets	847	1,528
	<b>4,560</b>	<b>12,463</b>

### 14 Related Party Transactions

Petrowest paid rent, supplies, and services for the year ended December 31, 2009 for office and shop space under leases entered into with certain employees who were former owners of businesses acquired in the amount of \$2,864,579 (2008 - \$3,176,612). Transactions were recorded at the agreed upon amount. The Trust has payables of \$296,675 (2008 - \$416,952) and receivables of \$61,374 (2008 - \$96,599) related to services provided to and from certain former owners of businesses acquired.

For the year ended December 31, 2008, the Trust acquired 350,000 subordinated units for \$700,000 from a former officer of the Trust. The transaction has been measured in these financial statements at the carrying amount of the subordinated units. This transaction also included a \$700,000 repayment of a promissory note.

### 15 Financial Instruments

#### Fair Value of Financial Assets and Liabilities

The Trust's cash and cash equivalents are designated as held-for-trading. Accounts receivable are designated as loans and receivables and recorded at amortized cost, which approximates fair value due to the short term nature of the instrument. Accounts payable and accrued liabilities, obligations under capital leases and the revolving bank term loan are designated as other liabilities and are recorded at cost. The fair value of accounts payable and accrued liabilities approximate their carrying values due to the short term nature of these instruments. The fair value of obligations under capital lease and the revolving bank term loan approximate their carrying values as the interest rates applicable to these instruments reflect current market rates. Financing costs relating to all financial instruments are expensed as incurred.

In June 2009, the CICA issued amendments to CICA Handbook Section 3862, Financial Instruments – Disclosures. The amendments include enhanced disclosures related to the fair value of financial instruments and the liquidity risk associated with financial instruments. The amendments are effective for annual financial statements for fiscal years ending after September 30, 2009 and are consistent with recent amendments to financial instrument disclosure standards

# **Petrowest Energy Services Trust**

## **Notes to Consolidated Financial Statements**

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(Tabular amounts in thousands of dollars unless otherwise stated, except per unit amounts)

in International Financial Reporting Standards (IFRS). The adoption of this section required enhanced disclosures in these financial statements.

This section was amended to require disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The Trust has concluded that the fair value of its' financial instruments effected by this amendment are all considered to be Level 2. The only qualifying financial instrument is cash and cash equivalents

### **Financial Risks**

The Trust is exposed to a number of financial risks in the normal course of its business operations, including market risks, credit risks and liquidity risks. The Trust's operations are all in Canada and therefore are not subject to foreign currency risk. The nature of these risks has not changed significantly from the period ended December 31, 2008.

#### **(a) Market Risk**

Market risk is the risk that changes in market prices such as interest rates and commodity prices will affect the Trust's operating income or the value of its financial instruments.

##### **Interest Rate Risk**

Interest rate risk is the risk that the value of a financial instrument will be affected by changes in market interest rates. The revolving bank term loan is a floating rate credit facility which has exposure to changes in market interest rates. Currently the Trust is paying interest based on the prime lending rate, which is subject to market interest rate fluctuations. For each one percent increase/decrease in the prime lending rate, the yearly effect on pre-tax net earnings would be \$679,500, based on the \$68.0 million balance of the revolving bank term loan as at December 31, 2009.

##### **Commodity Price Risk**

Commodity price risk is the risk that fluctuations in oil or natural gas prices could materially adversely affect the Trust's financial condition. The commodity prices affect the levels of drilling activity, particularly with respect to natural gas, which affects demand for services provided by certain segments of the Trust's business. The Trust mitigates this exposure with its continued diversification into activities not related to the oil and gas industry.

#### **(b) Credit Risk**

Credit risk is the risk that the counterparty to a financial instrument fails to meet its contractual obligations, resulting in a financial loss to the Trust. This relates primarily to the Trust's trade accounts receivable.

The Trust maintains a broad customer base across its four operating business segments. A significant amount of the Trust's customer base is with entities in the oil and gas industry and is subject to normal industry credit risks. The other significant portion of the customer base is with significant construction and forestry companies. No customer represents

# Petrowest Energy Services Trust

## Notes to Consolidated Financial Statements

(Tabular amounts in thousands of dollars unless otherwise stated, except per unit amounts)

greater than 10% of the Trust's consolidated revenue for the year ended December 31, 2009. No customers account for greater than 10% of the Trust's accounts receivable balance as at December 31, 2009.

	Continuing Operations	Discontinued Operations	Total
0-30 days	10,741	-	10,741
30-61 days	8,401	-	8,401
61-90 days	2,788	-	2,788
Over 90 days	6,332	101	6,433
	28,262	101	28,363

Included in the accounts receivable over 90 days is a provision for doubtful accounts in the amount \$456,226. The provision is based on an individual account by account analysis and prior credit history. The movement of the provision for doubtful accounts in respect of trade accounts receivable is detailed below:

Opening balance – December 31, 2008	(500)
Additional provision	(413)
Recovery of provision	274
Receivables written off	183
Closing balance – December 31, 2009	(456)

### (c) Liquidity Risk

Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they fall due. This risk relates to the Trust's ability to generate or obtain sufficient cash or cash equivalents to satisfy these financial obligations as they become due. The Trust's processes for managing liquidity risk include managing net working capital, preparing and monitoring capital and operating budgets, coordinating and authorizing project expenditures, and authorization of contractual agreements. The Trust seeks additional financing based on the results of these processes. The budgets are updated when required as conditions change.

The timing of cash related to the satisfaction of other financial liabilities is as follows:

	1 year	2-3 years	4-5 years	Total
Bank overdraft	270	-	-	270
Accounts payable and accrued Liabilities	11,689	-	-	11,689
Obligations under capital leases	544	331	-	875
Revolving bank term loan	67,950	-	-	67,950
	80,453	331	-	80,784

See Notes 2, 9, and 17 for details on risks related to the Trust's ability to meet its continuing obligations as they become due and payable.

## 16 Capital Disclosures

The Trust strives to maintain adequate financial flexibility to preserve its ability to meet financial obligations, both current and long term. The capital structure of the Trust is managed and adjusted to reflect changes in economic conditions. In order to maintain or adjust the capital structure, adjustments may be made to the amount of distributions (if any) to unitholders and the amount of capital returned to unitholders, in addition to the amount of new units issued. Sale of redundant assets may also be undertaken to adjust the capital structure by paying down the

## Petrowest Energy Services Trust

### Notes to Consolidated Financial Statements

(Tabular amounts in thousands of dollars unless otherwise stated, except per unit amounts)

revolving bank term loan. Financing decisions are set based on the timing and extent of expected operating and capital cash outlays. Factors considered when determining whether to take on new debt or to issue equity include the amount of cash sought, the availability of these sources and their terms, and to the overall Net Debt to Capitalization ratio.

The Trust's capital structure is comprised of unitholders' equity, the revolving bank term loan and obligations under capital leases (including the current portion) and is monitored by using a non-GAAP financial metric of Net Debt to Capitalization. Net Debt is calculated as the sum of the revolving bank term loan (including the current portion) and obligations under capital leases (including the current portion), less cash and cash equivalents. The Trust initially targeted a Net Debt to Capitalization ratio in the range of 40% to 50%. For the year ended December 31, 2009 the Net Debt decreased \$13.6 million. However, the Capitalization had decreased \$73.0 million during this twelve month period, primarily as a result of the non-cash impairment of goodwill and intangibles of \$35.6 million recorded in the second quarter of 2009, non-cash impairment of property and equipment of \$5.3 million recorded in the third quarter of 2009, losses from operations (including discontinued operations) of approximately \$18.3 million (excluding impairment of goodwill, intangibles, and property and equipment) and the reduction in Net Debt. If the non-cash impairment charge of \$40.9 million is not factored into this calculation the Net Debt to Total Capitalization would be 49.3%. The Trust intends on establishing new targets when the credit facility is restructured.

	As at December 31, 2009	As at December 31, 2008
Revolving bank term loan	67,950	83,500
Obligations under capital leases	875	1,525
Add (less) cash and cash equivalents/bank overdraft	270	(2,348)
	<b>69,095</b>	82,677
Unitholders' Equity	<b>30,085</b>	88,894
Total Capitalization	<b>99,180</b>	171,571
Net Debt to Total Capitalization	<b>69.7%</b>	48.2%

The entire revolving bank term loan has been classified as current on the balance sheet. The term of the credit facility expired on December 14, 2009 and the banking syndicate has not extended this date. As a result, the Trust was required to repay 1/12 of the amount outstanding at the end of each financial quarter following such date until December 14, 2011 at which time the remaining amount would be due and payable. In addition, the Trust was not in compliance with three financial covenants contained in the credit facility as at December 31, 2009 and obtained waivers of these breaches of covenants from the banking syndicate until January 15, 2010. Furthermore, there were scheduled reductions and cancellations of commitments due September 30, 2009 and December 31, 2009 in the aggregate amount of \$9.5 million which the banking syndicate provided a deferral until January 15, 2010. The waivers and deferrals above have not been extended by the banking syndicate subsequent to January 15, 2010, and as a result the Trust is in default under the credit facility which is effectively due on demand. The Trust would unlikely have sufficient resources to repay the entire outstanding balance without obtaining alternative sources of financing.

Currently, the Trust is negotiating with the banking syndicate on a new credit facility, but the outcome of such negotiations cannot be predicted at this time. Management and the Board are reviewing all debt and equity alternatives available. There is no assurance that the negotiations with the banking syndicate will result in a new credit facility acceptable to both the Trust and the banking syndicate or that the Trust will be successful in procuring alternate financing (See Note 2 – Going Concern). The Trust's capital management objectives have not changed over the period presented.

# Petrowest Energy Services Trust

## Notes to Consolidated Financial Statements

(Tabular amounts in thousands of dollars unless otherwise stated, except per unit amounts)

### 17 Commitments and Contingencies

The Trust is committed to payments under operating leases for office and shop premises and equipment that provide for minimum annual lease payments in the twelve month periods ending as follows:

December 31, 2010	8,259
December 31, 2011	4,284
December 31, 2012	1,355
December 31, 2013	749
December 31, 2014	676
Thereafter	2,084
	<u>17,407</u>

The Trust is involved in various lawsuits and has various contractual performance obligations, the losses from which, if any, are not anticipated to be material to the consolidated financial statements.

### 18 Segmented Information

The Trust determines its reportable segments based on the structure of its operations, which are focused on four principal business segments – Construction, Transportation, Civil and Rentals. The following is selected financial information for each business segment.

#### For the year ended December 31, 2009

	Construction	Transportation	Civil	Rentals	Discontinued Operations	Corporate	Total
Total revenue	58,748	26,647	40,766	5,073	5,172	-	136,406
Less inter-segment revenue	(4,254)	(4,386)	(209)	(2,763)	(96)	-	(11,708)
Revenue	54,494	22,261	40,557	2,310	5,076	-	124,698
Operating and general and administrative	44,994	20,509	36,020	4,355	6,396	6,898	119,172
Interest expense	1,402	417	1,527	289	131	1,218	4,984
Interest income	(89)	(1)	-	-	-	(2)	(92)
(Gain) Loss on disposal of equipment	(28)	63	(218)	-	1,006	(5)	818
Amortization	11,580	3,166	7,039	2,702	586	280	25,353
Asset impairment	17,855	4,510	14,951	3,613	4,500	-	45,429
Future income taxes	-	-	-	-	-	(11,736)	(11,736)
Net earnings (loss)	(21,220)	(6,403)	(18,762)	(8,649)	(7,543)	3,347	(59,230)
Capital expenditures	3,351	895	2,076	663	3,232	37	10,254

# Petrowest Energy Services Trust

## Notes to Consolidated Financial Statements

(Tabular amounts in thousands of dollars unless otherwise stated, except per unit amounts)

For the year ended December 31, 2008

	Construction	Transportation	Civil	Rentals	Discontinued Operations	Corporate	Total
Total revenue	91,816	36,174	71,737	7,680	20,326	5	227,738
Less inter-segment revenue	(6,768)	(6,941)	(736)	(2,660)	(425)	-	(17,530)
Revenue	85,048	29,233	71,001	5,020	19,901	5	210,208
Operating and general and administrative	62,994	27,491	53,412	4,773	20,012	8,504	177,186
Interest expense	1,134	311	1,207	238	277	3,803	6,970
Interest income	(2)	-	-	(2)	-	(6)	(10)
(Gain) Loss on disposal of equipment	1,651	112	312	121	80	-	2,276
Amortization	15,515	3,351	7,858	3,302	2,991	379	33,396
Asset impairment	14,507	-	-	6,002	-	762	21,271
Future income taxes	-	-	-	-	-	1,695	1,695
Net earnings (loss)	(10,751)	(2,032)	8,212	(9,414)	(3,459)	(15,132)	(32,576)
Capital expenditures	3,294	4,181	4,522	619	1,199	137	13,952

### Selected balance sheet items as at December 31, 2009

	Construction	Transportation	Civil	Rentals	Discontinued Operations	Corporate	Total
Current assets	14,733	3,143	13,989	1,217	174	1,322	34,578
Property and equipment	25,409	9,354	23,155	8,891	-	1,163	67,972
Intangibles	3,060	762	4,083	425	-	-	8,330
Goodwill	-	-	-	-	-	-	-
Future income tax	-	-	-	-	-	4,560	4,560
Total assets	43,202	13,259	41,227	10,533	174	7,045	115,440

### Selected balance sheet items as at December 31, 2008

	Construction	Transportation	Civil	Rentals	Discontinued Operations	Corporate	Total
Current assets	49,242	21,023	34,376	(1,419)	4,549	(50,990)	56,781
Property and equipment	37,612	11,287	26,043	11,289	11,700	1,405	99,336
Intangibles	5,855	1,149	5,432	966	180	-	13,582
Goodwill	12,016	4,510	14,951	2,844	-	-	34,321
Future income tax	-	-	-	-	-	727	727
Total assets	104,725	37,969	80,802	13,680	16,429	(48,858)	204,747

All transactions between segments were initially recorded at approximate market rates. Transactions between segments have been eliminated on consolidation.

# Petrowest Energy Services Trust

## Notes to Consolidated Financial Statements

(Tabular amounts in thousands of dollars unless otherwise stated, except per unit amounts)

### 19 Discontinued Operations

On April 2, 2009, the Trust made a decision to dispose of the rig mobilization and demobilization assets of the Transportation segment. The rig mobilization and demobilization has incurred accumulated losses and negative cash flow for the last two years. Management determined that the rig mobilization and demobilization activity was unlikely to improve in the near term due to current economic conditions.

On May 14, 2009, the Trust sold all of the assets used by Petrowest in its rig mobilization and demobilization business for a sale price of \$10 million and recorded a loss on disposal of \$1 million under discontinued operations on the statement of loss. As this was an asset sale, Petrowest retained all of the accounts receivable and accounts payable associated with this business. Proceeds from the sale were used to reduce the revolving bank term loan.

Comparative figures have been adjusted to remove activities in the rig mobilization and demobilization assets and to report those amounts as a discontinued operation.

The following amounts have been included in the December 31, 2009 and December 31, 2008 Consolidated Balance Sheets:

	<b>As at December 31, 2009</b>	As at December 31, 2008
<b>Current assets related to discontinued operations</b>		
Accounts receivable	<b>102</b>	3,455
Prepaid expenses	<b>72</b>	113
Inventory	-	981
Total current assets related to discontinued operations	<b>174</b>	4,549
<b>Assets held for sale</b>		
Property and equipment	-	11,700
Intangible assets	-	180
Discontinued assets held for sale	-	11,880
<b>Current liabilities related to discontinued operations</b>		
Accounts payable and accrued liabilities	<b>11</b>	2,437
Current portion of obligations under capital leases	-	10
Total current liabilities related to discontinued operations	<b>11</b>	2,447

## Petrowest Energy Services Trust

### Notes to Consolidated Financial Statements

(Tabular amounts in thousands of dollars unless otherwise stated, except per unit amounts)

The following amounts have been included in the December 31, 2009 and December 31, 2008 Consolidated Statements of Net Loss, Comprehensive Loss and Accumulated Loss are:

	December 31, 2009	December 31, 2008
<b>Revenue</b>	<b>5,076</b>	19,901
<b>Expenses</b>		
Operating expenses	<b>6,396</b>	20,012
Interest	<b>131</b>	277
Amortization of property and equipment	<b>569</b>	2,924
Amortization of intangible assets	<b>17</b>	67
Impairment of property and equipment	<b>4,500</b>	-
	<b>11,613</b>	23,280
<b>Operating loss</b>	<b>(6,537)</b>	(3,379)
Gain/(loss) on sale of property and equipment	<b>(1,006)</b>	(80)
<b>Net loss before income taxes</b>	<b>(7,543)</b>	(3,459)
Income taxes (recovery)	-	-
<b>Discontinued Operations, net of tax</b>	<b>(7,543)</b>	(3,459)

## 20 Comparative figures

Certain comparative figures have been reclassified to conform to the current period's presentation.