Providing investors **access** to the income and growth potential of Canadian **private equity**.

Annual Report 2006

Fortune magazine calls the private equity boom "breathtaking"; for our unitholders it's an opportunity.

Private Equity *is a large, vital and growing asset class. And, ideally, a common sense component in a balanced portfolio. The trouble is, investment opportunities in successful private businesses are hard to find, and generally require large pools of capital well beyond the reach of most investors.*

Now, there's a simple way to invest…

"…Here's what private equity firms have figured out how to do: Attract and keep the world's best managers, focus them extraordinarily well, provide strong incentives, free them from distractions, give them all the help they can use, and let them do what they can do. No wonder these companies tend to be outstanding performers."

FORTUNE MAGAZINE, 11-27-06

"Private equity can no longer be considered a cottage industry. Rather, its scale and global scope signify an industry that is changing — and maturing."

THE McKINSEY & COMPANY REPORT: 2005

Newport Partners Income Fund *taps into the income and growth potential of Canadian private equity. We do this by managing a portfolio of long-term investments in established, well-managed private businesses with a track record of strong earnings, an executable growth plan and management we know and trust. Unitholders receive a steady stream of income from the annual profits generated by these companies and participate in the growth potential of their increasing value over time.*

INCOME

GROWTH

LIQUIDITY

DIVERSIFICATION

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Distributions/Unit

($000s except per unit amounts)

Year ended December 31, 2006

NPY (representing non-controlling interest)		33,436
Newport		33,744
Total weighted average units outstanding[1]		67,180
Total distributions paid and payable	$	66,657
Distributions per unit	$	0.99
Cash provided by continuing operating activities		50,565
Add: changes in non-cash working capital		11,049
Add: priority income per partnership agreement[2]		38
Deduct: maintenance capital expenditures and reserves		2,208
Deduct: capital lease payments		3,009
Distributable cash from continuing operations		56,435
Cash used by discontinued operations		(2,934)
Distributable cash		53,501
Distributable cash per unit from continuing operations	$	0.84
Cash used per unit by discontinued operations	$	(0.04)
Distributable cash per unit	$	0.80

Balance Sheet

($000s)

As at December 31, 2006

Total assets	$	894,349
Revolving credit facility		5,000
Long-term debt		170,000
Convertible debt		83,970
Unitholders' equity – Newport & NPY		478,235

1 Represents weighted average number of units outstanding during the period adjusted for C LP units, which are currently subordinated and therefore received no distributions.

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

3 Newport's agreement with ESR contemplates that certain employee bonuses are paid for by the 20% limited partners. GAAP requires that the bonuses be expensed and therefore reduce EBITDA. Since there is no cash outlay by Newport, the expense is added back in arriving at distributable cash.

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

Summary Financial Table

(Segmented) ($000s) Year ended December 31, 2006

	FINANCIAL SERVICES	MARKETING	INDUSTRIAL SERVICES	OTHER	CORPORATE[4]	TOTAL
Revenue	$ 69,379	$ 69,323	$ 186,821	$ 40,579	$ -	$ 366,102
Gross margin	38,601	33,792	39,809	10,761	-	122,963
Income from continuing operations before non-controlling interest	18,658	5,642	9,188	3,053	(15,930)	20,611
EBITDA	34,915	13,174	19,847	6,746	(4,513)	70,169
Interest (income) expense	(271)	238	1,681	934	7,911	10,493
Income taxes	96	-	-	-	-	96
Maintenance capital expenditures and reserves	297	390	1,017	116	388	2,208
Capital lease payments	33	138	2,821	17	-	3,009
Compensation expense funded by operating partner[2]	2,034	-	-	-	-	2,034
Priority income per partnership agreement[3]	(720)	689	-	69	-	38
Distributable cash from continuing operations	$ 36,074	$ 13,097	$ 14,328	$ 5,748	$ (12,812)	$ 56,435
Cash used by discontinued operations						(2,934)
Distributable cash						53,501
Distributable cash per unit from continuing operations						$ 0.84
Cash used per unit by discontinued operations						$ (0.04)
Distributable cash per unit						**$ 0.80**

Portfolio Summary by Operating Partnership

($000s) Year ended December 31, 2006

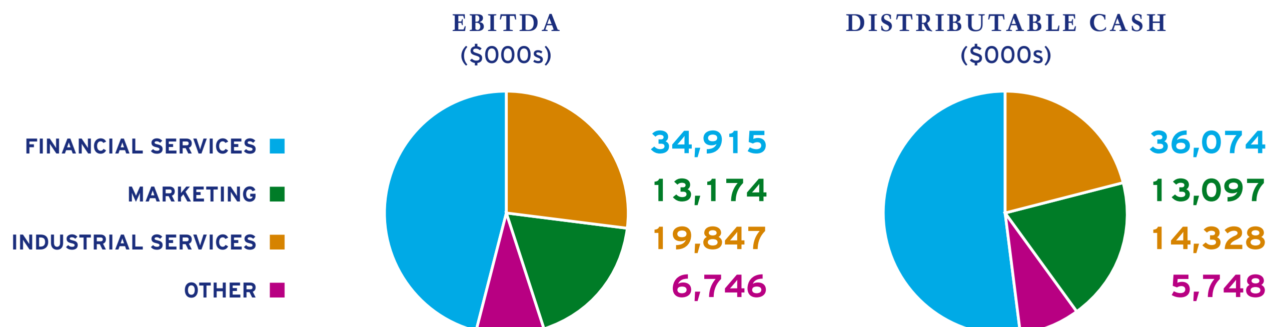
OPERATING PARTNERSHIP	DATE OF INITIAL INVESTMENT	OWNERSHIP INTEREST	INVESTED CAPITAL	2006 EBIDTA	2006 DISTRIBUTABLE CASH	2006 CASH YIELD*
FINANCIAL SERVICES						
EZEE	Mar. 2004	100%	$ 30,700	$ 2,538	$ 2,479	8.1%
Brompton	Aug. 2005	45%	27,200	4,122	4,332	15.9%
ESR	Aug. 2005	80%	56,000	11,023	12,485	22.3%
Morrison Williams	Aug. 2005	80%	42,000	8,588	8,582	20.4%
NP LP	Aug. 2005	100%	20,700	7,160	6,766	32.8%
Hargraft	Apr. 2006	75%	16,000	1,484	1,430	12.5%
MARKETING						
S & E	Oct. 2004	80%	5,700	831	993	17.4%
Gemma	Mar. 2005	80%	28,000	5,051	5,066	18.1%
Capital C	Aug. 2005	67%	23,700	5,303	5,029	22.6%
IC Group	July 2006	80%	8,000	1,366	1,276	37.0%
Armstrong	Oct. 2006	80%	20,000	623	733	15.2%
INDUSTRIAL SERVICES						
NPC	Oct. 2004	80%	36,200	13,474	8,565	23.7%
Murray	Mar. 2006	80%	30,500	6,373	5,763	23.9%
OTHER						
RLogistics	May 2006	36%	10,000	970	970	14.6%
Peerless	June 2006	90%	36,000	3,464	2,983	15.6%
Titan	Sept. 2006	88%	25,200	1,943	1,357	16.2%
Gusgo	Oct. 2006	80%	12,500	369	438	19.1%
DISCONTINUED OPERATIONS						
RGC	Oct. 2004	80%	77,500	(1,160)	(2,934)	-3.8%

* Distributable cash as a percentage of time-weighted invested capital.

These are non-GAAP measures, which do not have any standard meaning and therefore are unlikely to be comparable to similar measures presented by other issuers – see Non-GAAP Measures and Forward-Looking Information. Footnotes and definitions are provided on pages 13 and 48.

17 Diverse Companies – Continuing Operations

Newport provides unitholders diversification, to help mitigate risk, by opportunistically investing in a wide range of successful private businesses, without industry bias. Currently, the portfolio consists of 17 companies in four business segments.



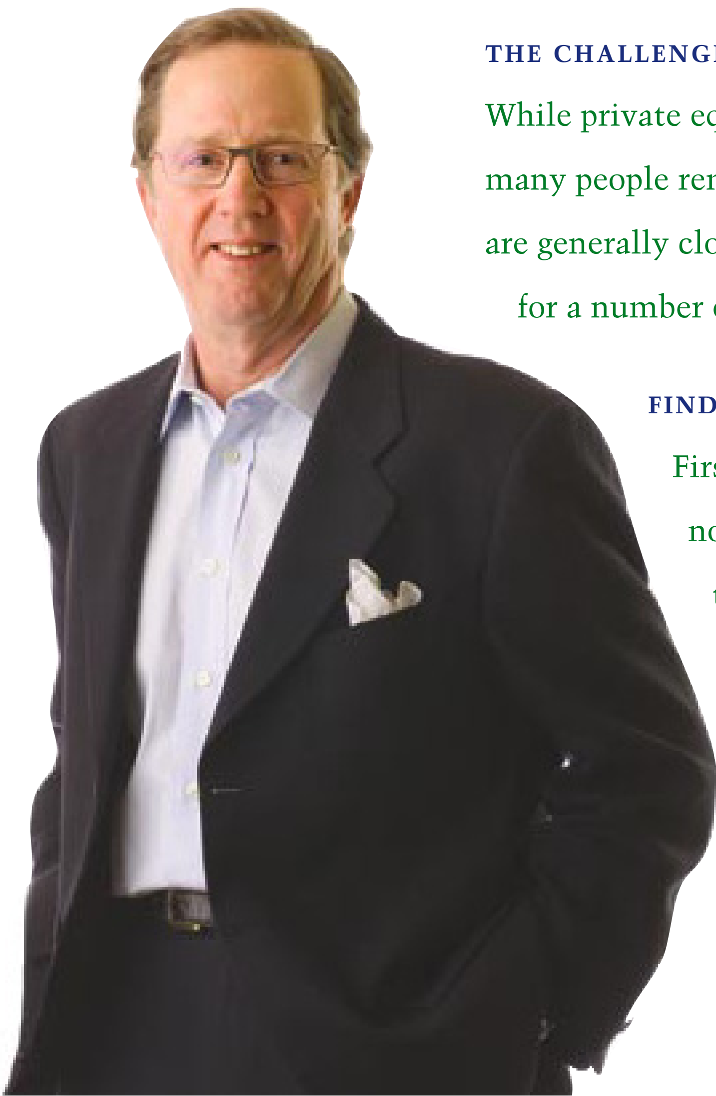
MESSAGE FROM

Aubrey Baillie, Executive Chairman

Dear Fellow Investors:

The growth of private equity has been extensively covered in national newspapers and finance magazines across North America for the past several years. The reason behind the attention is simple: opportunity.

Private businesses represent a major growth driver of the Canadian economy. The best of the best have strong, dedicated, entrepreneurial management teams delivering exceptional returns.



THE CHALLENGE FOR INVESTORS

While private equity has been making headlines, the challenge for many people remains how to invest – as thriving private businesses are generally closely held and inaccessible to the average investor for a number of reasons.

FINDING AND FUNDING PRIVATE INVESTMENTS

First, there's the question of access. While there's no shortage of businesses that seek growth capital, the challenge is finding the "hidden gems" – successful businesses that are well managed, profitable and growing. Equally challenging is finding management that shares your interests, values, drive and long-term vision.

Identifying a private investment opportunity is only the beginning. The next step is funding it. Unlike public equities that are bought and sold a share at a time, most private investments have large minimum thresholds that are well beyond the reach of most individual investors. And then there is the question of proper diversification – to avoid overexposure to a single private holding and to reduce overall risk. Managing a private equity portfolio requires a distinct set of skills, which, I believe, are an amalgam of both art and science – and not easily replicable.

MANAGING YOUR PRIVATE INVESTMENTS

The skill that is, perhaps, the most difficult to replicate is qualifying and monitoring investments the way an experienced asset manager would do. In addition to conducting exacting due diligence to evaluate the potential risks and rewards of a private investment, there's the need for the proper infrastructure to manage a portfolio of multiple investments. This can be challenging even for a major capital provider. It requires access to expertise in legal, tax and accounting functions, as well as systems for financial monitoring, reporting and control.

SELLING YOUR PRIVATE INVESTMENTS

Then there's the question of liquidity – being able to cash out of your private investment. Not being publicly traded, these opportunities pose a particular challenge when it comes time to sell: that is, knowing if, when and how to divest your interest – and having to consider timing your exit in conjunction with the interests of other shareholders.

THE SOLUTION — UNDER ONE ROOF

Bringing this expertise together under one roof is the very foundation of Newport Partners Income Fund: we provide investors with an easy and effective way to access the income and growth potential of Canadian private equity… while they enjoy the benefit of being part of a diversified and liquid, publicly-traded fund. I encourage you to read this annual report and Management's Discussion & Analysis that starts on page 13. There you'll find the specifics of Newport's approach to private equity investment – and the results of our active asset management style.

GOVERNANCE

I would like to add that in its management of a broad portfolio of private equity investments, Newport looks to its strong and independent group of Trustees for stewardship. You will find their names and biographies on page 11 of this report. This accomplished group oversees best practices, and the integrity of the investment and reporting processes, to ensure that the strategic direction of the business stays on course and that value creation for unitholders remains an imperative. I would like to thank them and our management team for their service and strong commitment.

AUBREY BAILLIE, Chairman
March 29, 2007

MESSAGE FROM

Peter Wallace, President & CEO

Dear Fellow Investors:

2006 did not measure up to our expectations. Although the portfolio delivered an unlevered 15.5 percent yield on the Fund's invested capital, overall results were weighed down by the underperformance of its largest investment, RGC.

For fiscal 2006, the Fund generated distributable cash of $53.5 million, including $(2.9) million of cash used by operations from RGC, which translated to $0.80 per unit. We estimate the underperformance of RGC accounted for a deficiency of approximately $0.25 per unit, compared with the results we'd been expecting for the year.

We have taken steps to improve performance through the recently announced sale of RGC, and as managers of the Fund, we take full responsibility for the underperformance of this investment. As the largest individual investors in the Fund, we also bear the financial consequences alongside our fellow unitholders.

When Newport made its original investment in RGC in October 2004, we were backing an ambitious consolidation plan to bring together proven performers in Canadian consumer

INDUSTRIAL SERVICES

NPC is a leading provider of maintenance, facility construction, pipeline, and project management services for major oil and gas companies. Its diversified operations have helped it to steadily grow revenues since its founding in 1988. Since Newport invested in October 2004, NPC has grown in size (revenues have more than doubled) and in scope (with strategic accretive acquisitions using $11.8 million of Newport's capital). Our invested capital has also helped NPC to broaden its geographic reach, all contributing to its 23.7 percent yield in 2006.

NPC PROVIDES CONSTRUCTION AND MAINTENANCE SERVICES TO THE OIL AND GAS, PULP AND PAPER AND HEAVY INDUSTRIAL INDUSTRIES IN BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN AND MANITOBA.

electronics distribution under industry leader, and co-investor, Andy Redmond. In hindsight, RGC's strategy of acquiring and integrating three major businesses in the span of 14 months tried to accomplish too much too soon. At the same time, severe and rapid margin compression was impacting the entire industry. RGC wasn't able to respond quickly enough to all of these factors and in the second quarter, its results deteriorated significantly. Ultimately the company failed to deliver on its revised estimate for the rest of fiscal 2006, and we decided, along with CEO Andy Redmond, that redeploying our investment would be in the best long-term interest of our unitholders.

On March 27, 2007, we announced a definitive agreement to sell RGC, (excluding RGC's 45 percent interest in RLogistics) to Synnex Canada for net proceeds of $35 million. Our 2006 financial results reflect a $55.8 million writedown on the carrying value of RGC to $29 million based on the estimated net sale proceeds to Newport. The transaction is expected to close on or about April 30, 2007. RGC is reported in these financial statements as discontinued operations and RLogistics, which will remain in the portfolio, is reported in a newly-created 'Other' business segment.

The disposition of RGC is expected to improve overall returns going forward, as we redeploy the proceeds in investments that can deliver yields of 16 – 20 percent on our invested capital. Removing it from the portfolio also reduces the impact that it was having on the seasonality and volatility of the portfolio's distributable cash.

2006 FINANCIAL RESULTS

While the RGC investment was disappointing, it is prudent to place it in context. When we established Newport Partners Income Fund, our plan was to create a publicly traded vehicle that gives investors **a simple way to own a professionally-managed and diversified portfolio of high-quality Canadian private companies.** I believe this plan is working very well – and with the improvements we've introduced to provide greater transparency on each holding, I think investors will agree.

In terms of overall results for the year, revenue from continuing operations was $366.1 million, producing $70.2 million of EBITDA and $56.4 million of distributable cash, or $0.84 per unit. The benefits of diversification become apparent as the other investments in the portfolio helped to shoulder the weight of RGC's underperformance.

FINANCIAL SERVICES

ESR, specialty managing general agent, and one of Canada's leading independent underwriters of commercial liability insurance, is a model example of Newport's investment criteria.

ESR is **well established**, founded 40 years ago. It has a **niche** stronghold, focusing on specialty areas most insurers have difficulty handling. ESR has **experienced management** and an excellent underwriting team handling business on behalf of major insurers who bear the risk of underwriting losses. ESR has a **long history of profitability**, including a record 2006 – despite a highly competitive market environment.

ESR FOCUSES ON SPECIALTY INSURANCE AREAS, INCLUDING A PROGRAM FOR POLLUTION COVERAGES FOR MANUFACTURERS, CONTRACTORS, AND INSTITUTIONAL CLIENTS, EVEN FOR TOUGH POLLUTION RISKS SUCH AS WASTE MANAGEMENT AND ASBESTOS REMOVAL CONTRACTORS.

At the same time, I am pleased to report that Newport has maintained a strong balance sheet. In December, we increased our funding capacity and replaced our short-term financing with a more permanent debt component through a new $320 million multi-purpose senior credit facility with an affiliate of Fortress. At year end, our net debt to last twelve months EBITDA ratio was approximately 1.6 times.

BUILDING A PORTFOLIO FOR INCOME

One model for private equity investing is to buy using a lot of leverage – as much as four to six times debt to EBITDA is not uncommon. Investment returns are then earned on the subsequent sale of the business. **Newport is different. We take a long-term *income-oriented* approach that uses less debt and leaves more cash available for distribution to unitholders.** With each investment we make we expect to receive annual cash flow from our share of the profits of the business, equating to 16 – 20 percent of our total invested capital.

In 2006, the private businesses in Newport's portfolio, excluding discontinued operations, produced an average unlevered yield on invested capital of 19.8 percent. Of the nine companies we held for the full year, the individual yields ranged from a high of 32.8 percent from NP LP, to a low of 8.1 percent from EZEE. I am pleased to report that five of these companies delivered yields to the Fund that were greater than 20 percent of invested capital, while only one was below 16 percent. As asset managers, we know that in any given year there will be positive and negative variances. Our diversification strategy helps to smooth out the variances to achieve a satisfactory overall yield.

The Fund's performance begins with our disciplined approach to investing in established successful companies at sensible prices. We aim to buy quality, cash-generating private businesses at valuation multiples generally in the range of five to six times historical distributable cash, which gives us our 16 – 20 percent yield. In other words, we don't have to assume a growth rate for the businesses in order to generate attractive rates of return.

MARKETING

The five entrepreneurial marketing companies in Newport's portfolio have garnered success as innovators in the multi-billion dollar global marketing industry by focusing on non-traditional areas where they have established leading or niche positions. Capital C, Gemma, S&E, IC Group and Armstrong delivered a combined 20.3 percent annualized yield on the Fund's invested capital in 2006, and are positioned for future long-term growth as marketers increasingly redirect their spending from mass advertising to specialty marketing channels.

IN 2006, CAPITAL C WAS THE FIRST NON-MASS ADVERTISING AGENCY TO WIN *MARKETING* MAGAZINE'S AGENCY OF THE YEAR AWARD FOR ITS WORK IN INCUBATING NEW BRANDS (LIKE XOXO WINES), DEVELOPING NON-TRADITIONAL MARKETING EFFORTS, AND EVOLVING FROM A SHOP THAT SIMPLY CREATES PROMOTIONS TO ONE THAT PROMOTES CREATIONS.

BUILDING A PORTFOLIO FOR GROWTH

That said, the growth rate of the businesses held in the portfolio this year was impressive. I am pleased to report that for the 12-month period ended December 31, 2006, exclusive of discontinued operations, the 17 companies currently in our portfolio collectively achieved EBITDA growth of 9.8 percent over the prior year. Of the nine we held for the full year, four achieved double-digit growth, including NP LP, Morrison Williams, Capital C and NPC. Six companies delivered record years of performance in 2006: Brompton, NP LP, Morrison Williams, ESR, Capital C, and NPC.

During the year we also completed $162.6 million worth of new investments that resulted in the addition of seven new holdings in the portfolio and the expansion of four of our existing businesses through strategic acquisitions.

Through organic growth, the addition of new holdings and strategic acquisitions by existing portfolio companies, both distributable cash and the underlying value of the portfolio can be expected to increase over time. As one example, the growth of NPC, one of our larger and strongest performing investments, has resulted in a significant increase in the value of that asset – certainly enough to offset the loss realized on RGC. What's more, as some of these businesses become larger and more dominant in their respective markets, they can be expected to command a higher multiple on distributable cash than the five to six times valuation that we likely paid when we first made the investment.

Investors won't see Newport taking the 'big swings' associated with private equity firms investing in leveraged buy-outs. What they can expect is a balance that strives to offer **reasonable growth with the advantage of lower risk from lower leverage, greater diversification, market liquidity and steady income from monthly cash distributions.**

OUTLOOK

For 2007, organic growth from our current portfolio is expected to be flat to slightly negative, as some of the larger businesses face headwinds in their respective industries, specifically commercial insurance and the oil and gas sector. In particular, this will impact first quarter results, which we anticipate will be the weakest of the four quarters in fiscal 2007.

INDUSTRIAL SERVICES

Murray was the leading provider of demolition and decommissioning services in Canada when Newport invested in March 2006. Over the past 10 months, the company has delivered an annualized yield on our invested capital of 23.9 percent. In January 2007, using Newport's capital, Murray invested $50 million to merge with Quantum Environmental, a leader in the clean-up and rehabilitation of commercial and industrial sites and facilities. Quantum Murray has enhanced its competitive position, and continues to pursue growth opportunities as Canada's pre-eminent demolition, remediation and abatement services firm.

MURRAY IS CURRENTLY COMPLETING A MAJOR ABATEMENT AND DEMOLITION PROJECT FOR A COAL-FIRED GENERATING PLANT ADJACENT TO LAKE ONTARIO THAT INCLUDES THE FELLING OF FOUR TERMINALS USING EXPLOSIVES. 85% OF ALL MATERIAL FROM THE SITE WILL BE RECYCLED.

Looking ahead, we like the composition of our current portfolio for its earnings ability and its diversification. With the addition of strategic acquisitions completed by EZEE, Murray and NPC in the first quarter of 2007, the Fund's EBITDA 'run rate' has increased: Newport's share of normalized LTM EBITDA produced by all of its current holdings as of the date of this report, excluding discontinued operations, is $98.2 million.

Our outlook is favourable for growth in 2007 from our investment program. We plan to invest $100 to $150 million of new capital (inclusive of $49.5 million of investments completed to date) at generally five to six times cash flow multiples. Based on our current funding capacity, including the proceeds from the sale of RGC, and our solid pipeline of qualified investment opportunities, we believe we can achieve this goal.

Newport's distribution policy is reviewed and approved by the Fund's Trustees. The current level of distributions, at an annualized rate of $1.00 per unit, is being maintained. It is our expectation that distributable cash from current holdings and new investments that will be added to the portfolio in 2007, will allow the Fund to make progress on closing the gap caused by the underperformance of RGC.

We believe that Newport's units are currently undervalued. In fact, we have been buyers of Newport units. In December, we established a Normal Course Issuer Bid to allow us to make purchases of our units for cancellation and to date we have bought 627,500 units under these terms. We expect to continue to make purchases under this plan in 2007. In addition, Newport's principals and Trustees have collectively purchased over one million units in the market from January 1, 2006, to date, for total ownership of 14.5 million units of Newport and NPY.

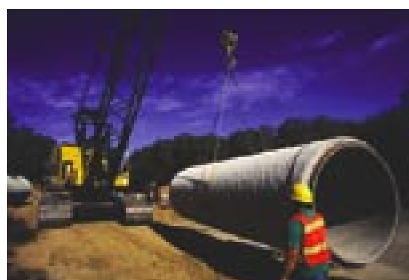
With respect to the federal government's proposed tax policy changes regarding income trusts, management and your Trustees will continue to review the strategic options as these policies are confirmed. Regardless of whatever organizational structure we ultimately adopt, we expect to continue with our business plan. Whether we do this as an income fund or as a dividend-producing entity, I believe that Newport's unique combination of **income, growth, liquidity and diversification** gives investors an effective way to access the rapidly growing private equity marketplace. I hope that by reading this report, you'll get a better sense of exactly how we bring each of these elements together to create an investment opportunity that is well suited to your portfolio.

PETER WALLACE, President & CEO
March 29, 2007

OTHER SERVICES

Titan is the leading independent distributor and manufacturer of rigging, traction and ground-engaging tool products to the industrial sector in western Canada.

Over the past three years, Titan has grown revenues by 70 percent, while maintaining gross profit margins, due, in large part, to customer service and market penetration: more than 75 percent of Titan's 3700 clients use 95 percent of its products. With this investment, approximately 14.3 percent of Newport's capital is invested in Alberta – with 75.4 percent in Ontario.



TITAN, ESTABLISHED IN 1968, SERVICES OVER 3,700 CUSTOMERS IN THE RE-SALE/DEALER, CONSTRUCTION, MINING, TRANSPORTATION, TRUCKING, AND OIL AND GAS INDUSTRIES.

Questions and Answers

We like to explain ourselves in simple terms, because what we do is pretty straightforward: offer investors access to the growth and income potential of Canadian private equity. In the interest of clarity, we think our answers to some of the questions we were asked during the year bear repeating.

Q WHAT OTHER INDUSTRIES ARE YOU TARGETING TO ADD TO THE FUND?

A We actually have no industry bias at all. We don't target specific sectors – nor do we try to create synergies among our operating partners, though some have naturally occurred. Our sole focus is on finding good operating companies with strong entrepreneurs and making accretive investments that meet our stringent criteria.

Q DO YOU HAVE THE MANAGEMENT CAPACITY TO KEEP GROWING THE PORTFOLIO WITH NEW INVESTMENTS?

A Yes. We've got a large investment team with capacity and substantial depth of experience. From this group, an experienced Lead Director is assigned to each operating partnership with primary responsibility for overseeing our investment in it. We also have a solid and scalable infrastructure of accounting, legal and back-office expertise. We don't operate the businesses in the portfolio; like investment managers of publicly traded securities, we try to select good businesses with good management teams. Our focus is to actively monitor and report on our investments for the benefit of all unitholders.

Q WHAT ARE YOUR PLANS FOR THE FUND, GIVEN THE FEDERAL GOVERNMENT'S PROPOSED TAXATION ON INCOME TRUSTS?

A We are reviewing our strategic options as these policy decisions are confirmed, including converting from an income trust to a

corporate structure. Two important things that you should know are: as major unitholders ourselves, we're aligned to do the right thing for unitholders; and, ultimately, we anticipate that regardless of structure, we will continue with our business plan to diversify and grow our portfolio of successful private businesses.

Q DO YOU THINK YOU CAN MAINTAIN YOUR TARGET PURCHASE MULTIPLE OF FIVE TO SIX TIMES CASH FLOW? ISN'T THERE A LOT OF COMPETITION IN THE PRIVATE EQUITY WORLD DRIVING UP PRICES RIGHT NOW?

A Yes, we think we can maintain our valuation entry point. We believe we've got a proprietary advantage in generating preferred private investment opportunities. First, our roots are in the entrepreneurial market, and so we have an extensive network of contacts across the country that generates opportunities for us. And we're starting to see more prospective investments brought to us by the management teams of our current holdings. As a result, we don't generally compete in auctions or marketed sale processes. Second, entrepreneurs like what we have to offer as a financial partner: growth capital, strategic support, operational autonomy, liquidity and diversity of personal wealth. In many cases, these factors are more important to the entrepreneur than the actual price he/she receives for the business. With this value proposition, we're considered a partner-of-choice.

HOW THE PIECES FIT

Newport possesses the unique skill sets required to manage a portfolio of private investments, so unitholders not only participate in a major engine driving the Canadian economy, they also reap the benefits of income, growth, liquidity and diversification.

Board of Trustees

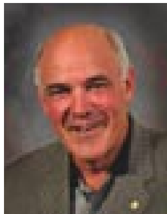
For complete biographies, visit newportpartners.ca

Paul Beeston

Mr. Beeston was COO of Major League Baseball from 1997 to 2002, and held senior offices with the Toronto Blue Jays since 1976. He is on the Board of Directors of Loblaw Companies Limited, a member of the Quebecor-Ontario Advisory Committee, Chair on the Board of Trustees of the Centre for Addiction and Mental Health, and a member of the Executive Committee of the Baseball Hall of Fame in Cooperstown.

John K. Bell

Mr. Bell is Chair of The Onbelay Group of Companies. He is a past Chair of The Polymer Plainfield Companies and Shred-Tech Ltd. He is currently Chair of Cambridge Memorial Hospital, and Co-chair of the Prosperity Council of Waterloo Region. He is past Chair of Canada's Technology Triangle Accelerator Network and The Waterloo Regional Police Commission.



K. Michael Edwards

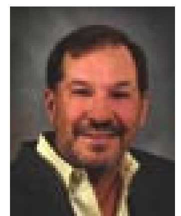
Prior to becoming the CEO of FieldWorker Products Limited, Mr. Edwards was President and CEO of RT Investment Management Holdings Inc. He held senior positions within RBC Financial Group, Richardson Greenshields, Gardiner Watson/Dean Witter, and McLeod Young Weir. He has served as a member of the Executive Committee of the Investment Dealers Association, was Chair of the Joint Industry Committee on Pension Reform, Director and member of the Executive Committee of the Mutual Fund Dealers Association, a member of the Dey Commission on Corporate Governance, and became a member of the Board of Governors of the TSX in 1985, serving both as Vice-Chair and Chair.

Richard W. Ivey

Mr. Ivey is Chair of Ivest Properties Limited and serves on the Board of Directors of Canada Colors and Chemicals Limited. He currently holds the positions of Chair of the Canadian Institute for Advanced Research, Secretary and Treasurer of the Richard Ivey Foundation and Vice-Chair of the Board of Trustees of University Health Network. He is a member of the Advisory Board of the Richard Ivey School of Business, the Board of Directors of Pearson College of the Pacific Foundation, and member of the Advisory Board of Social Capital Partners.

Gerry Smith

Mr. Smith is owner and President of Huronia Investments Inc., and owner and executive with Point to Point Communications Limited and Sitecom Services Limited, both companies involved in the supply of wireless communications products and services. Previously, he was an owner and executive of Seeburn Metal Products Limited, an automotive parts manufacturing company. His past Board experience includes positions with Huronia Trust, Merchant Private Trust Limited and Connor Clark Limited.



David Williams

Mr. Williams has served as President of his investment company, Roxborough Holdings Limited, since 1994. Prior to this, he held senior management positions with Beutel Goodman Company, one of Canada's largest institutional money managers. He has extensive board experience, serving as Chairman of Bennett Environmental. He is a Director of Western Copper, Calvalley Petroleum, Atlantis Systems, Resin Systems Inc., RoaDor Industries Ltd., and Bishop's University Foundation.

Board of Directors

Aubrey W. Baillie
Paul Beeston
John K. Bell
Douglas C. Brown
K. Michael Edwards
Richard W. Ivey
Mark A. Kinney
David T. Lloyd
Gerry Smith
Peter L. Wallace
David Williams

Management

Aubrey W. Baillie
CA, Chairman

Peter L. Wallace
MBA, President & CEO

Kelly Baird
CA, CFO

Michael Svetkoff
CA, Vice President

Keith Halbert
CA, Vice President

Mihkel Holmberg
LLB, General Counsel

Investor Relations

Kelly Willis
MBA

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Management's Discussion and Analysis

March 29, 2007

Prior to our IPO on August 8, 2005, our investments in private businesses were made through NPY, established on February 27, 2004. Newport holds a 53% indirect interest in NPY. Newport is entirely dependent upon the operations of NPY, therefore, this MD&A includes discussion of NPY's financial results for the year ended December 31, 2006 and should be read in conjunction with the audited consolidated financial statements of NPY.

The financial statements have been prepared in accordance with Canadian GAAP. This MD&A makes reference to certain Non-GAAP Measures and contains Forward-Looking Information. Non-GAAP Measures do not have any standard meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. See Non-GAAP Measures and Forward-Looking Information.

Capitalized terms used herein have the meaning ascribed to them in the "Definitions" section located at page 48, and references to "we", "us", "our" or similar terms, refer to Newport or the Fund, unless the context otherwise requires.

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Forward-Looking Information

This MD&A contains certain forward-looking information. This information relates to future events or future performance and reflects management's expectations and assumptions regarding the growth, results of operations, performance and business prospects and opportunities of Newport and the Operating Partnerships. Such forward-looking information reflects management's current beliefs and is based on information currently available to management of Newport and the Operating Partnerships. In some cases, forward-looking information can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue" or the negative of these terms or other similar expressions concerning matters that are not historical facts. In particular, information regarding the future operating results and economic performance of Newport and the Operating Partnerships is forward-looking information. A number of factors, including risks and uncertainties, could cause actual events or results to differ materially from the events and results discussed in the forward-looking information. In evaluating this information, investors should specifically consider various factors, including the risks outlined under "Risk Factors", which may cause actual events or results to differ materially from any forward-looking statement. Although the forward-looking information is based on what management of Newport and the Operating Partnerships consider to be reasonable assumptions based on information currently available to it, there can be no assurance that actual events or results will be consistent with this forward-looking information, and management's assumptions may prove to be incorrect. This forward-looking information is made as of the date of this MD&A, and Newport does not assume any obligation to update or revise them to reflect new events or circumstances.

Non-GAAP Measures

The terms "EBITDA", "LTM EBITDA", "Distributable Cash", "Distributable Cash per Unit", "Invested Capital", "Net Debt" and "Corporate Costs to Net Asset Ratio", (collectively the "Non-GAAP Measures") are financial measures used in this MD&A that are not standard measures under Canadian GAAP. Therefore, Newport's Non-GAAP Measures, as presented in this MD&A, may not be comparable to similar measures presented by other issuers.

EBITDA refers to earnings of Newport and NPY determined in accordance with generally accepted accounting principles, before depreciation and amortization, interest expense and income tax expense. **LTM EBITDA** refers to EBITDA for the last twelve months. Management believes that EBITDA and LTM EBITDA are useful supplemental measures of performance and are the primary basis on which management assesses financial performance and cash available for debt service, working capital, capital expenditures, income taxes and distributions.

Distributable Cash is generally used by Canadian income funds as an indicator of financial performance. Newport's method of calculating Distributable Cash is disclosed in the Summary Financial Table. Management believes that Distributable Cash and Distributable Cash Per Unit are useful supplemental measures that provide investors with information on cash available for distribution.

Invested Capital includes the cost to acquire the equity interest and excludes transaction costs and any working capital provided to the business being invested in.

Net Debt refers to total debt less cash on hand.

Corporate Costs to Net Asset Ratio is calculated by dividing corporate costs by net assets.

Investors are cautioned that the Non-GAAP Measures should not, on their own, be construed as an indicator of Newport's or NPY's performance or cash flows, a measure of liquidity or as a measure of actual return on the Units. These Non-GAAP Measures should only be used in conjunction with the financial statements of Newport and NPY as at December 31, 2006.

VISION AND CORE BUSINESS

Private equity (investing in privately-owned businesses) is a growing asset class that has the potential to deliver superior returns. However, the considerable challenges of finding and financing investments in private companies prevent many investors from participating – as these businesses are generally hard to find, have few external shareholders, require large minimum investments and are generally illiquid.

Newport was established to provide investors with a simple way to access private equity through ownership of a professionally managed portfolio of successful Canadian private businesses that offers income, growth, diversification and liquidity.

Newport's core business is investment management. Our investment philosophy is to make long-term equity investments in established, profitable, well-managed private businesses across Canada. These businesses distribute their profits to the Fund, which in turn pays monthly distributions to unitholders. By investing in the Fund, unitholders participate in the growth potential of these businesses while earning a steady stream of income.

In pursuing our vision of becoming the equity partner of choice to Canada's most successful entrepreneurs, we expect to continue to selectively expand our investment portfolio and deliver increased value to our unitholders.

STRATEGY

To accomplish its vision, Newport's business strategy is focused on:

- Generating a steady flow of potential investment opportunities through Newport's large, national network of contacts and relationships with successful entrepreneurs. This is a proprietary advantage Newport has cultivated over a history of providing personal and corporate wealth management services to this marketplace (see NP LP description page 24).
- Offering a unique combination of benefits for successful entrepreneurs who own and operate private businesses: access to growth capital, strategic support, operational autonomy, liquidity and diversity of personal wealth. For many entrepreneurs, this value proposition is just as, or more, important than the valuation of the business. This is a point of differentiation from other prospective private equity buyers. As a result, we generally do not compete for investments and we believe that allows us to invest at attractive valuations.

Newport's investment strategy is based on:

- Investing in well established businesses with leading or niche positions in their respective industries, long histories of profitability, executable growth plans and management teams that are known to us.
- Investing for a significant equity interest (typically 50–80%) and allowing management to retain an interest in the business. This helps to ensure management's interests are aligned with ours as investors.
- Providing capital allocation and strategic advice to support the growth and performance of the businesses we hold. This is Newport's core strength, while day-to-day operations are the core competency of the management teams. We believe this strategy gives each party the platform and incentive to do what they do best.
- Investing for income. We seek to invest in businesses that have the capacity to distribute their cash flows to unitholders and grow organically without requiring significant re-investment of capital. A key element of this strategy is to invest at reasonable valuations. With each investment we make, we expect to receive cash flow from our share of the annual profits of the business, equating to 16–20 percent of our total invested capital. We believe this income-oriented approach to private equity reduces risk -- as investors effectively 'get paid while they wait' for the business to grow and its underlying value to appreciate.
- Investing for growth. As the underlying businesses grow organically and through acquisitions, using capital available from the Fund, distributable cash to investors is increased and the underlying value of the portfolio can be expected to appreciate.
- Managing risk through diversification and prudent use of leverage. This is a significant point of differentiation from many private equity firms that invest using high leverage – as much as four to six times debt to EBITDA. Newport maintains a strong balance sheet with a maximum debt to EBITDA ratio of 2.5 times.

Newport's financial strategy is based on:

- Ensuring the Fund has access to diverse and cost-effective sources of capital with which to finance its operations and the growth of its investment program.
- Minimizing the corporate costs of the Fund.

KEY PERFORMANCE DRIVERS

The performance of the Fund depends on the successful implementation of the following actions by management:

Investing Activities:

- Identifying high quality investment opportunities.
- Adhering to the Fund's investment criteria.
- Following a disciplined due diligence and investment management process.
- Providing a partnership environment that encourages and supports the entrepreneurs and management teams of the underlying businesses to achieve their business plans.
- Actively monitoring and managing the portfolio performance and reporting to unitholders.

Funding Activities:

- Securing access to capital sources that enable the Fund to make new investments that are accretive to unitholders while maintaining a strong balance sheet.

Some of Newport's key financial performance indicators and results against those indicators as of December 31, 2006 are set out below:

KEY PERFORMANCE INDICATORS	AS AT DECEMBER 31, 2006
2006 Distributable cash per unit from continuing operations	$0.84
2006 Distributable cash per unit	$0.80
Net debt / LTM EBITDA	1.6x
Corporate costs to net asset ratio	0.94%

CAPABILITY TO DELIVER RESULTS

LIQUIDITY AND CAPITAL RESOURCES

OPERATING CASH FLOW AND WORKING CAPITAL

Cash provided by operations was $53.5 million for the year ended December 31, 2006 compared to cash used of ($6.2) million for the period ended December 31, 2005. The Fund had positive working capital of approximately $126 million at December 31, 2006 compared to $55 million at December 31, 2005. Distributions paid in the year exceeded distributable cash by $13.2 million as a result of the underperformance of RGC which we estimated to be approximately $0.25 per unit. The shortfall was funded throughout the year by cash reserves and the revolving credit facility. We believe that based on our expectations of operating activities for the portfolio we will have sufficient working capital available. Reduced seasonality of the portfolio improves our ability to manage the working capital and liquidity position of the Fund. Our revolving credit facility is available to fund working capital needs as required.

FINANCING

On December 7, 2006, Newport signed a Senior Credit Agreement with an affiliate of Fortress replacing its senior credit facility from a syndicate of Canadian banks. Fortress is part of a global alternative investment and asset management firm with approximately $26 billion in a.u.m. The new credit facilities consist of three components: a $75 million revolving credit facility with a five-year maturity; a $170 million five-year term loan; and a $75 million DDTL that Newport may access during the next two years. Newport used the proceeds from the $170 million term loan to fully repay its predecessor facility and to make additional investments in Newport's portfolio of private businesses. The $75 million revolving credit facility and the $75 million DDTL will be accessed by Newport as needed to fund additional investments, working capital requirements, and for general business purposes. As of December 31, 2006, $170 million of the term loan facility and $5 million of the revolving credit facility have been drawn.

Based on the financing we currently have in place, we believe we have adequate resources to fund our planned investment of $100-$150 million in new assets for 2007.

In light of the government's proposed taxation on income trusts to be introduced in 2011, we are currently reviewing our strategic options to determine the organizational structure that is most appropriate for our business and that will allow us to deliver the greatest value to our unitholders. Regardless of our organizational structure, we expect to continue with our business plan and our model as a high income-producing investment.

CAPITAL EXPENDITURES

The portfolio incurred total capital expenditures (capital lease payments and maintenance capital expenditures) of $5.2 million for the year. The industrial services segment accounts for 73.6% of the Fund's total capital expenditures. There are no significant capital expenditures planned for 2007.

CAPITAL STRUCTURE

Newport maintains a balanced and flexible capitalization structure that is comprised largely of permanent equity and long-term debt or equity-linked debt. We believe this is the most appropriate method of financing our long-term assets.

On December 8, 2006, Newport announced that it had filed a notice with the TSX to introduce a Normal Course Issuer Bid and received approval to purchase for cancellation, through the facilities of the TSX, up to 1,924,572 of its units, representing approximately 5% of its then 38,491,445 issued and outstanding units. Subsequent to the year end, Newport purchased 627,500 units under the NCIB. We intend to continue to make purchases of the units from time to time at the prevailing market price where we believe it to be in the best interests of the Fund and our unitholders.

NON-CAPITAL RESOURCES

INVESTMENT EXPERTISE

Newport's core competency is investment management. Our principals are a highly experienced group of investment managers with, on average, 25 years financial services experience. Newport's Investment Committee, which is responsible for reviewing and approving all investments for the Fund, consists of seven senior members of the firm whose backgrounds originate in investment management, accounting and corporate finance. We believe we have the intellectual capital and the capacity within our existing team to execute our investment strategy. There has been no attrition and Newport's principals are large unitholders of the Fund.

ENTREPRENEUR NETWORK

Generating 'deal flow' of potential new investments is a critical success factor for private equity investment. Newport has trusted relationships and an extensive network of contacts in the Canadian private business sector from which it generates new investment opportunities. This network is derived from the personal contacts of Newport's principals, the management teams of the companies in the portfolio and a client base of 400 entrepreneurial families for whom Newport's principals also provide investment management services through NP LP.

In 2006, this network generated potential investment opportunities representing more than $1 billion of asset value. Newport believes this network represents a competitive advantage that will enable the Fund to achieve its planned investment of $100-$150 million of new capital in 2007.

INVESTMENT PHILOSOPHY AND CULTURE

Newport has a highly entrepreneurial culture and an investment philosophy that is attractive to successful entrepreneurs of leading private businesses – many of whom would otherwise be disinclined to accept a financial partner in their business. Newport's investment proposition for the entrepreneur is based on providing working and growth capital; strategic support; operational autonomy; and liquidity and diversity of personal wealth. In many cases, these factors are more important to the entrepreneur than the actual price he/she receives for the business.

The result of this capability is that Newport generally does not compete with other potential buyers for its investments. We believe the Fund is somewhat insulated from increased levels of private equity investment activity and rising valuations.

SYSTEMS AND PROCESSES

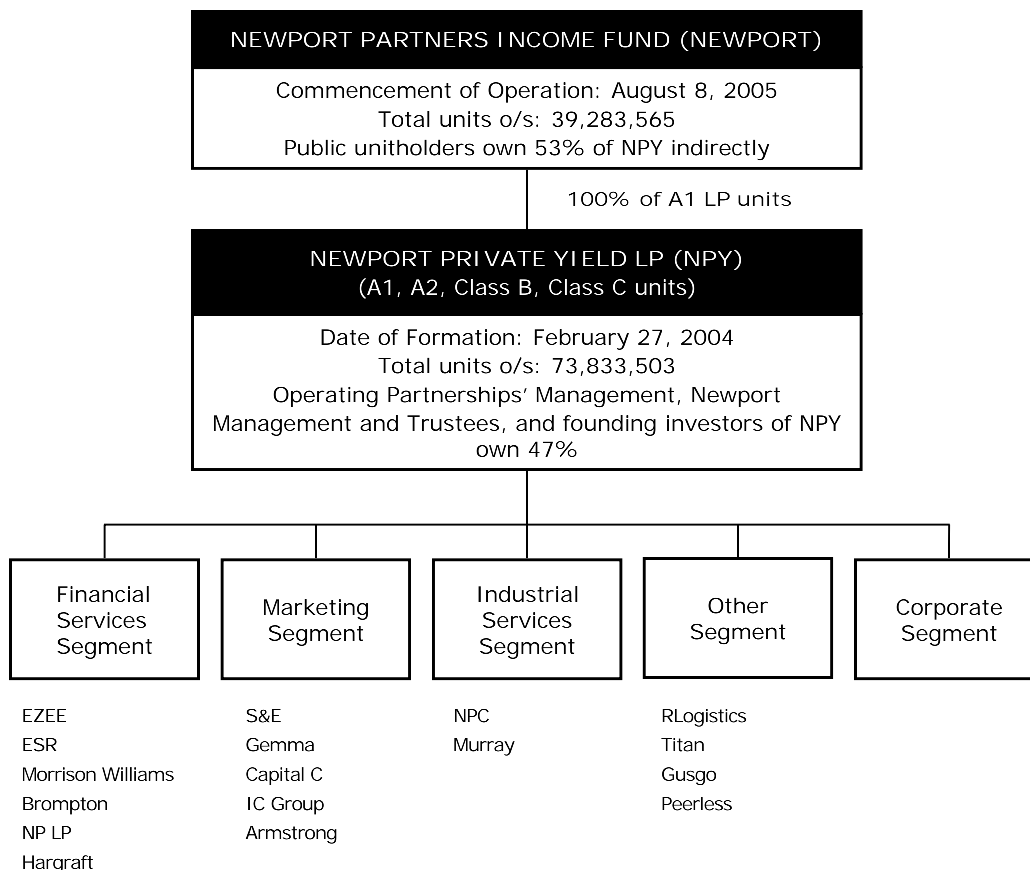
Newport believes its current management capacity and back office infrastructure are adequate to support its investment management, governance and reporting responsibilities for the Fund. In 2006, our investment team was expanded with the addition of two new Lead Directors, we added three new people to our in-house finance and legal counsel teams and we continue to refine our reporting functionality through investment in new systems. As a result, we believe we have the scalability to monitor our existing portfolio and support the planned new investments to the Fund for 2007.

OTHER FACTORS IMPORTANT TO UNDERSTANDING OUR RESULTS

SIMPLIFIED STRUCTURE – NEWPORT AND NPY

Newport is an unincorporated, open-ended, limited purpose trust, which was created to hold an indirect interest in NPY. NPY is a limited partnership formed to invest in securities of private businesses and distribute the available cash flows to the limited partners.

Newport is entirely dependent upon the operations of NPY and the Operating Partnerships and, as such, financial information on NPY has been incorporated into this MD&A.



In accordance with CICA guidelines, Newport groups operating partnerships that have generally similar business characteristics into business segments. During the fourth quarter, a new segment was created, called the Other segment, to more properly reflect the diverse characteristics of certain businesses: RLogisitcs, Peerless, Titan and Gusgo, which are now reported within this segment. In previous quarters, results from RLogisitcs were reported in the distribution segment, and results from Peerless and Titan were reported within the Industrial Services segment. Newport invested in Gusgo in October 2006 and is being reported on for the first time.

UNITS OUTSTANDING

A1	A2	B1	B2	B4	C	TOTAL
39,283,565	28,539,493	1,536,216	843,173	1,303,456	2,327,600	73,833,503

During the period January 1, 2006 to December 31, 2006, 5,309,898 A2 LP units were exchanged for units of Newport.

DISCONTINUED OPERATIONS

In October 2004, NPY made its original investment in RGC, a leading consumer electronics distributor. Concurrent with the IPO on August 8, 2005, NPY's ownership interest increased to 80%.

Under the direction of industry executive and CEO, Andy Redmond, the company embarked on a strategy to consolidate its industry. To accomplish this, RGC combined three companies over the course of 14 months. During this time, the competitive conditions within the industry changed dramatically. Significant and rapid price compression on consumer electronic products, including flash memory and flat TVs distributed by RGC, combined with changing practices by retailers, negatively impacted revenues and gross profit margins in 2006. In addition, RGC's 2005 acquisition of a major competitor, Sonigem, failed to deliver intended benefits.

During the second quarter, the company's results deteriorated significantly and management subsequently revised its revenue and EBITDA estimates downwards for the remainder of fiscal 2006. At that time we reported that it would likely be 18-24 months before RGC's performance would return to normal business levels. While RGC has been making some progress on its plan to remediate its performance, as evidenced by improved gross profit margins during the third and fourth quarters of 2006, it ultimately failed to deliver on its revised estimate for the rest of fiscal 2006.

Newport determined that better long-term returns could be obtained from investments in other businesses. Accordingly, Newport and principals of SW, the owners of 80% and 20% of the units of RGC respectively, undertook steps towards the divestiture of RGC. On March 27, 2007, Newport announced a definitive agreement for the sale of 100% of the assets of RGC for an estimated net price of $35 million (excluding its investment in RLogistics). The transaction is expected to close on or about April 30, 2007. RGC's 45% equity investment in RLogistics, completed in May 2006, is not being sold. Upon closing Newport will retain its 36% equity interest in RLogistics which will be reported in the Other segment. Included in the net loss of discontinued operations for 2006 is a provision for $55.8 million to reduce Newport's carrying value of RGC to its share of estimated net sales proceeds.

The assets and liabilities of RGC, excluding RLogistics, have been classified as discontinued in the audited consolidated balance sheets as at December 31, 2006 and December 31, 2005, and the results of operations of RGC have been classified as discontinued in the audited consolidated statements of operations and audited statements of changes in financial position for the periods ended December 31, 2006 and 2005.

CONDENSED INCOME STATEMENT INFORMATION ($000s)

	YEAR ENDED DECEMBER 31, 2006	PERIOD ENDED DECEMBER 31, 2005
Revenues	$ 225,933	$ 116,382
Net (loss) income	(63,253)*	4,956

* Included in the net loss of discontinued operations for 2006 is a provision for $55,788 to reduce Newport's carrying value of RGC to its share of estimated net sales proceeds.

For the year, RGC generated revenues of $225,933 as compared with $116,382 in the prior year period. Through its AVS division, RGC is the distributor of a line of branded MP3 players and flash memory products sold primarily to big-box retailers. While these items have been an area of sales growth for RGC, manufacturer price reductions affected revenue levels during the second half of the year. In the seasonally strong fourth quarter, RGC's revenues were impacted by the corporate restructuring of a large retail account that represented approximately 15% of RGC's sales. This resulted in temporarily reduced demand for RGC's products as the customer adjusted retail and warehouse inventory levels.

Gross profit of $20,346, translated into a 9% gross profit margin compared with $17,157 of gross profit and a 14.7% gross profit margin in the prior year. In 2006, RGC's gross profit performance was negatively impacted by a number of factors: higher than forecasted product returns, and resulting from the Sonigem acquisition, and a significant writedown of remnant inventory during the second quarter. The shortfall in sales revenue in the seasonally strong third and fourth quarters was also a factor. During the third and fourth quarters, gross profit margins showed improvement over the second quarter as management's adjusted provisions for product returns proved to be consistent with actual performance and efforts to reduce the impact of low-margin items began to show results.

For the year ended December 31, 2006, RGC generated $(1,160) of EBITDA compared with $7,283 in the prior period.

BALANCE SHEET INFORMATION ($000s)

	AS AT DECEMBER 31, 2006	AS AT DECEMBER 31, 2005
Current assets of discontinued operations	$ 68,969	$ 82,434
Long-lived assets of discontinued operations	14,403	73,345
Current liabilities of discontinued operations	54,372	66,126
Net assets of discontinued operations	$ 29,000	$ 89,653

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

GOODWILL AND INTANGIBLE ASSETS

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values. When Newport enters into a business combination, the purchase method of accounting is used. Goodwill is assigned as of the date of the business combination to reporting units that are expected to benefit from the business combination. Newport's goodwill was $253 million at December 31, 2006.

Goodwill is not amortized and is tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. As at December 31, 2006, there were no indicators of impairment in the carrying value of goodwill.

Intangible assets acquired individually or as part of a group of other assets are recognized and measured at cost. Intangible assets acquired in a transaction, including those acquired in business combinations, are recorded at their fair value. Intangible assets with determinable useful lives, such as ATM location contracts, customer relationships and contracts, and management contracts, are amortized over their useful lives and are tested for impairment annually. Intangible assets having an indefinite life, such as brands, are not amortized but instead are tested for impairment on an annual or more frequent basis by comparing their fair value with book value. As at December 31, 2006, there were no indicators of impairment in the carrying value of Newport's intangible assets. The net book value of intangible assets was $265 million at December 31, 2006.

ACCOUNTING POLICIES

The Fund prepares its financial statements in accordance with GAAP. The Fund's accounting policies are disclosed in the notes of the audited consolidated financial statements for the year ended December 31, 2006.

The comparative consolidated financial statements of the Fund cover the period from August 8, 2005 to December 31, 2005.

IMPACT OF NEW ACCOUNTING STANDARDS

The CICA has issued three new accounting standards:

Section 3855, Financial Instruments – Recognition and Measurement, effective for fiscal years beginning on or after October 1, 2006. This section describes the standards for recognizing and measuring financial instruments in the balance sheet and the standards for reporting gains and losses in the financial statements. Financial assets available for sale, assets and liabilities held for trading and derivative financial instruments, part of a hedging relationship or not, have to be measured at fair value. The impact of re-measuring our financial assets and liabilities at fair value will be recognized in opening deficit and opening accumulated other comprehensive income as appropriate.

Section 1530, Comprehensive Income, effective for fiscal years beginning on or after October 1, 2006. It describes reporting and disclosure recommendations with respect to comprehensive income and its components. Comprehensive income is the change in unitholders' equity, which results from transactions other than those resulting from investments by unitholders and distributions to unitholders. These transactions and events include unrealized gains and losses resulting from changes in fair value of certain financial instruments.

Section 3865, Hedges, effective for fiscal years beginning on or after October 1, 2006. The recommendations expand the guidelines outlined in Accounting Guideline 13, Hedging Relationships. This Section describes when and how hedge accounting can be applied as well as the disclosure requirements. Hedge accounting enables the recording of gains, losses, revenues and expenses from the derivative financial instruments in the same period as for those related to the hedged item. It is not anticipated that this standard will have any immediate impact on Newport.

These standards will be effective for the Fund as of January 1, 2007 and will be adopted on a retroactive, without restatement basis.

RESULTS - 2006 PERFORMANCE - NEWPORT

DISTRIBUTIONS/UNIT ($000s except per unit amounts)

	YEAR ENDED DECEMBER 31, 2006		PERIOD AUGUST 8, 2005 TO DECEMBER 31, 2005	
NPY (representing non-controlling interest)		33,436		39,003
Newport		33,744		25,766
Total weighted average units outstanding[✦]		67,180		64,769
Total distributions paid and payable	$	66,657	$	24,195
Distributions per unit		$0.99		$0.37
Cash provided by (used in) continuing operating activities	$	50,565	$	(5,903)
Add: changes in non-cash working capital		11,049		21,829
Add: priority income per partnership agreement[⌘]		38		1,193
Deduct: maintenance capital expenditures and reserves		2,208		766
Deduct: capital lease payments		3,009		655
Distributable cash from continuing operations		56,435		15,698
(Cash used in)/Distributable cash from discontinued operations		(2,934)		8,043
Distributable cash	$	53,501	$	23,741
Distributable cash per unit from continuing operations		$0.84		$0.24
(Cash used in)/Distributable cash per unit from discontinued operations		$(0.04)		$0.13
Distributable cash per unit		$0.80		$0.37

BALANCE SHEET ($000s)

	AS AT DECEMBER 31, 2006		AS AT DECEMBER 31, 2005	
Total assets	$	894,349	$	715,104
Revolving credit facility		5,000		-
Long-term debt		170,000		-
Convertible debt		83,970		84,339
Unitholder's equity - Newport & NPY		478,235		497,830

[✦] Represents weighted average number of units outstanding during the period adjusted for C LP units which are currently subordinated and therefore received no distributions.

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

SUMMARY FINANCIAL TABLE – NEWPORT (SEGMENTED) ($000s except per unit amounts)

Year ended December 31, 2006

	FINANCIAL SERVICES	MARKETING	INDUSTRIAL SERVICES	OTHER	CORPORATE✪	TOTAL
Revenue	69,379	69,323	186,821	40,579	-	366,102
Gross margin	38,601	33,792	39,809	10,761	-	122,963
Income from continuing operations before non-controlling interest	18,658	5,642	9,188	3,053	(15,930)	20,611
EBITDA	34,915	13,174	19,847	6,746	(4,513)	70,169
Interest (income) expense	(271)	238	1,681	934	7,911	10,493
Income taxes	96	-	-	-	-	96
Maintenance capital expenditures and reserves	297	390	1,017	116	388	2,208
Capital lease payments	33	138	2,821	17	-	3,009
Compensation expense funded by operating partner⌘	2,034	-	-	-	-	2,034
Priority income per partnership agreement✦	(720)	689	-	69	-	38
Distributable cash from continuing operations	36,074	13,097	14,328	5,748	(12,812)	56,435
Cash used by discontinued operations						(2,934)
Distributable cash						53,501
Distributable cash per unit from continuing operations						$0.84
Cash used per unit in discontinued operations						$(0.04)
Distributable cash per unit						$0.80

SUMMARY FINANCIAL TABLE – NEWPORT (SEGMENTED) ($000s except per unit amounts)

August 8 to December 31, 2005

	FINANCIAL SERVICES	MARKETING	INDUSTRIAL SERVICES	OTHER	CORPORATE✪	TOTAL
Revenue	23,621	21,947	43,290	-	-	88,858
Gross margin	14,628	9,107	6,787	-	-	30,522
Income from continuing operations before non-controlling interest	4,805	1,188	1,154	-	(2,146)	5,001
EBITDA	10,810	3,662	3,283	-	(1,627)	16,128
Interest (income) expense	(39)	32	612	-	396	1,001
Income taxes	-	-	-	-	-	-
Maintenance capital expenditures and reserves	548	337	766	-	-	1,651
Compensation expense funded by operating partner⌘	1,029	-	-	-	-	1,029
Priority income per partnership agreement✦	720	473	-	-	-	1,193
Distributable cash from continuing operations	12,050	3,766	1,905	-	(2,023)	15,698
Distributable cash from discontinued operations						8,043
Distributable cash						23,741
Distributable cash per unit from continuing operations						$0.24
Distributable cash per unit from discontinued operations						$0.13
Distributable cash per unit						$0.37

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

⌘ Newport's agreement with ESR contemplates that certain employee bonuses are paid for by the 20% limited partners. GAAP requires that the bonuses be expensed and therefore reduces EBITDA. Since there is no cash outlay by Newport the expense is added back in arriving at distributable cash.

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

INVESTMENT & FUNDING ACTIVITIES

INVESTMENTS

These tables provide a summary of new investments made by the Fund during the year ended December 31, 2006. Additional information about these investments is provided in the Segment Operating Results of NPY section of this report.

NEW OPERATING PARTNERSHIPS (DOLLAR AMOUNTS IN $000s)

SEGMENT	DATE	INVESTMENT	CAPITAL INVESTED
Financial Services	28-Apr-06	75% interest in Hargraft, an insurance broker selling specialized liability products for commercial clients and high net worth individuals.	$ 16,000
Marketing	27-Jul-06	80% interest in IC Group, a leading provider of interactive promotions, games, contests, sweeps administration, promotion risk management and insurance solutions for Fortune 100 companies and promotion agencies.	8,000*
	4-Oct-06	80% interest in Armstrong, a leading North American promotional marketing company with particular expertise in the financial services, credit card marketing and animal pharmaceutical segments.	20,000
Industrial Services	16-Mar-06	80% interest in Murray, the number one provider of demolition and decommissioning services in Canada.	30,500
Other	20-Jun-06	90% interest in Peerless, Canada's leading manufacturer of protective harsh weather outerwear for military personnel.	36,000
	1-Sep-06	88% interest in Titan, an Edmonton-based distributor and manufacturer of rigging and ground engaging tool products to the industrial sector in western Canada.	25,200†
	25-Oct-06	80% interest in Gusgo, a provider of intermodal freight services specializing in all aspects of marine container transportation and storage.	12,500
Total			$ 148,200

STRATEGIC ACQUISITIONS BY OPERATING PARTNERSHIPS (DOLLAR AMOUNTS IN $000s)

SEGMENT	DATE	INVESTMENT	CAPITAL INVESTED
Financial Services	5-May-06	EZEE acquired 100% of the shares of Les Systemes Domotec Inc., a full service provider of ATMs.	$ 500
Marketing	28-Dec-06	Capital C acquired 100% of the assets of Adeo, a digital promotions company.	1,400
Industrial Services	25-Jan-06	NPC acquired a 40% interest in Waydex, an oil and gas services business.	2,500
Other	1-May-06	RGC acquired a 45% interest in RLogistics, a wholesale liquidator of computer/electronic products. Subsequent to year end, RGC signed a definitive agreement to sell all of its assets, other than its interest in R-Logistics. Upon closing of this asset sale transaction, Newport will, through its interest in RGC, continue to own a 36% equity interest in R-Logistics.	10,000
Total			$ 14,400

FUNDING (DOLLAR AMOUNTS IN $000s)

In June, Newport completed a public offering of 8,155,000 Newport units at $9.20 per unit to raise proceeds, net of underwriting fees, of approximately $71,275.

In December, Newport entered into a Senior Credit Agreement with an affiliate of Fortress to provide up to $320,000 in funding. The facilities consist of three components: a $75,000 revolving credit facility, a $170,000 term loan, and a $75,000 DDTL. Newport used $132,000 of the proceeds from the term loan facility to fully repay and discharge all amounts drawn on its prior credit facility underwritten by a syndicate of Canadian banks.

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* In addition to the cash payment of $8,000, Newport will pay the vendors of IC Group an additional earn-out amount equal to 3.2 times the amount by which average annual distributable cash over the three year period following closing exceeds $2,000.

† In addition $10,000 was advanced to allow Titan to retire long-term debt and certain obligations.

2006 PERFORMANCE SUMMARY BY OPERATING PARTNERSHIP

OPERATING PARTNERSHIP	EBITDA($000s)	DISTRIBUTABLE CASH ($000s)	COMMENTARY
Financial Services			
Ezee	2,538	2,479	EZEE's performance stabilized in 2006 as it worked to overcome the operational challenges relating to its Quebec-based portfolio reported in 2005. The company placed more emphasis on its organic growth plan, resulting in the addition of 250 ATM machines. Its acquisition plan was delayed due to inflated valuations. In January 2007, EZEE completed the acquisition of the Canadian TRM portfolio of 1500 ATMs which was immediately accretive and will reduce EZEE's overall cost per transaction through higher volumes. The outlook is for improved EBITDA from moderate organic growth, certain revenue enhancements and cost reductions in 2007.
Brompton	4,122	4,332	Brompton had a record year despite the Federal Government's announced tax plan regarding income trusts which directly impacted 13 of its 20 funds which invest primarily in income trusts. Despite these challenging conditions, Brompton's a.u.m. grew by 16 percent to $2.9 billion in 2006 largely through the launch of three new funds and the acquisition of the BARCLAYSfunds. For 2007, Brompton has plans to offer new structured funds which should positively impact a.u.m.
ESR	11,023	12,485	ESR achieved its best year in the company's 40-year history in spite of a very challenging market environment. Commission revenue declined slightly due to intense pricing competition, while contingent profit commissions were more than offsetting, including $1.3 million that were non-recurring. The high percentage of profit commissions in ESR's revenue mix is testimony to the company's underwriting capabilities as these revenues are calculated based on actual claims experience. For 2007, management expects an unchanged market environment and has budgeted for a moderate reduction in its financial results.
Morrison Williams	8,588	8,582	Morrison Williams had a record year in 2006. Contributing factors were the performance of the Canadian equity markets and new business wins. These more than offset the poor relative performance of the income trust market. Management anticipates little growth in a.u.m. in the first quarter of 2007 due to net redemptions in various income trust based funds that the company manages. However, Morrison Williams enters 2007 with two new WRAP account contracts and a new balanced pension fund mandate.
NP LP	7,160	6,766	NP LP had a record year in 2006. While a.u.m. declined 5% over 2005 due to the performance of NPF.UN and the income trust sector as a whole, NP LP's results reflect strong investment performance overall and the positive contribution of its comprehensive wealth management offering including insurance, and an unusually large corporate assignment that generated $2.3 million of EBITDA in Q3. For 2007, NP LP has a solid personal and corporate wealth management platform on which to grow revenues. It will also look to grow its a.u.m. through the selective hiring of experienced relationship managers. The outlook is for moderate growth.
Hargraft	1,484	1,430	Newport invested in Hargraft in April 2006. Hargraft's commission revenues for the period were reduced due to significant premium pricing pressure in its markets and an unanticipated competitive attack by a tier one broker in the transportation industry, a key segment for Hargraft. However, with the client renewals and new business won in 2006, Hargraft believes it is well positioned for a cyclical upturn, although this is not expected in the next 12 months.
	34,915	36,074	
Marketing			
S&E	831	993	S&E made some progress on returning its business to normal levels after the impact of the National Hockey League lock-out in 2005. However revenue gains in the first half of the year were offset by higher expenses related to an unbudgeted business development hire and to the cancellation of a major client contract in Q3 that will impact revenues in 2007. S&E will likely under perform in 2007 as it rebuilds. To remediate this, Newport has worked with management on a plan to combine S&E's offices with Armstrong's (see below) in the third quarter. This should allow S&E to exploit cross selling opportunities with Armstrong's client base.
Gemma	5,051	5,066	After a challenging start to the year in which low levels of unemployment led to increased staff turnover, recruiting and training costs, Gemma's performance improved steadily. Management's revenue optimization, cost management, employee efficiency and business development strategies have produced five consecutive quarters of revenue and EBITDA growth. In Q4, Gemma was awarded three new contact programs that should contribute to growth in 2007.
Capital C	5,303	5,029	Capital C had a record year as it continued its successful transition to a fully integrated agency. Revenue increases from new and existing clients translated into a record year for Capital C. In addition, it was selected Agency of the Year by Marketing magazine. Capital C's May merger with Kenna and its December acquisition of Adeo, a digital marketing company, have solidified its position as a leader in the rapidly growing direct to consumer marketing industry. In 2007, Capital C will focus on bringing these currently separate lines of business into a fully integrated offering. Management expects top-line growth will be offset by additional infrastructure and integration costs related to this strategy.

OPERATING PARTNERSHIP	EBITDA($000s)	DISTRIBUTABLE CASH ($000s)	COMMENTARY
IC Group	1,366	1,276	Newport invested in IC Group in July 2006. IC Group achieved its best year in its 17-year history as it successfully executed its strategy for its on-line creative and promotions division which produces interactive promotions for a diversified base of global blue-chip clients. Program renewals from existing customers and the addition of new contracts should contribute positively to 2007 performance, particularly in the second half of the year. IC Group will also continue to focus on transitioning more of its business from project-based work to longer-term integrated loyalty and longevity programs which provide recurring revenue. IC Group's challenge will be to manage its growth as it pursues this strategy in 2007.
Armstrong	623	733	Newport invested in Armstrong in October 2006. Revenues reflect reduced spending by a Canadian on-line gaming customer. EBITDA performance benefited from lower than expected SG&A. The changed regulatory environment for on-line gaming in the U.S. is having an effect on the Canadian market and this could have a negative effect on Armstrong's results in 2007. A strategy has been put in place by management to further diversify its revenue base and two new consumer marketing accounts were acquired in the fourth quarter. Newport has a priority on $4 million of Armstrong's annual distributable cash.
	13,174	13,097	
Industrial Services			
NPC	13,474	8,565	NPC had the best year in the company's history. Record revenues were achieved with no diminution of gross profit margins. The company benefited from high levels of activity in the oil and gas sector in Alberta and the contribution of strategic acquisitions that have been accretive. For 2007, management expects a strong maintenance and shutdown season based on its currently contracted work. However, reduced drilling activity and the soft market for natural gas prices are expected to negatively impact results from NPC's facility construction operations, particularly in the first quarter. As a result, management is forecasting a reduction in its overall financial results.
Murray	6,373	5,763	Newport invested in Murray in March 2006. Murray's performance reflects the volume of large industrial contracts it performed along with high scrap metal sales from its projects. The company is well positioned with a strong backlog of work and a robust pipeline of new project opportunities for 2007 along with cross-selling opportunities and synergies from its merger with Quantum which was completed subsequent to year end. The combined entity, Quantum Murray, is a leading national decommissioning and environmental remediation firm with LTM revenues and LTM EBITDA of approximately $140 million and $20 million, respectively. Q1 will be softer, however, as several large projects have been delayed.
	19,847	14,328	
Other			
RLogistics	970	970	Newport invested in RLogistics in May 2006. This investment has performed to expectations and has increased its geographic reach during the period with new retail store openings in Ontario.
Peerless	3,464	2,983	Newport invested in Peerless in June 2006. Peerless' revenues were negatively impacted by a delay in the exercise of order options by government agencies in Q3 and shipping delays in Q4. Management expects these sales will be partially realized in Q1. Peerless is the dominant supplier of military gear for the federal government, however the size and timing of its contracts can be difficult to predict. Peerless is also opening distribution channels to sell its products to the oil and gas industry and trade professionals. A small contribution is expected from this area in 2007 with marginal projected growth in other areas.
Titan	1,943	1,357	Newport invested in Titan in September 2006. Fourth quarter revenues and EBITDA reflect reduced activity in the exploration and drilling segment of the Alberta energy sector. Severe weather, which increases demand for Titan's snow removal products and wear parts for heavy equipment, positively impacted results. Management anticipates that Titan's results in the first quarter will be impacted by the pronounced slowdown in oilfield activity. A strong construction industry, growth in the Fort McMurray market, and Titan's recent expansion into Nisku, Alberta should provide areas of growth.
Gusgo	369	438	Newport invested in Gusgo in October 2006. Q4 revenue and EBITDA were slightly weaker than expected as congestion at the Vancouver port reduced the amount of container traffic and in some cases diverted shipments to U.S. ports and carriers. Expenses and gross profit margins were in line for the period. First quarter results will be negatively impacted by the CN Rail strike which has further reduced traffic volumes. Management is focused on attempting to replace these revenues in 2007, through a new business development strategy that targets shipments from U.S. Atlantic ports. Newport has a priority on $2.4 million of distributable cash from Gusgo.
	6,746	5,748	

SUPPLEMENTARY INFORMATION

NEWPORT'S SHARE OF LTM EBITDA BY OPERATING PARTNERSHIP (CONTINUING OPERATIONS)

This table provides a pro-forma analysis of Newport's EBITDA by operating partnership, after giving effect to the contribution of all the investments in the portfolio as at December 31, 2006 as if each investment had been owned by Newport for the full twelve month period ended December 31, 2006. The 2005 comparative information is prepared on the same basis.

OPERATING PARTNERSHIP	DECEMBER 31, 2006✦	DECEMBER 31, 2005✦	CHANGE
Financial Services			
Ezee	$ 2,538	$ 2,450	3.6%
Brompton	4,122	3,800	8.5%
ESR	11,023	10,220	7.9%
Morrison Williams	8,588	7,000	22.7%
NP LP	7,160	4,600	55.7%
Hargraft	2,557	3,147	-18.8%
Marketing			
S&E	831	996	-16.5%
Capital C	5,303	4,744	11.8%
Gemma	5,051	5,061	-0.2%
IC Group	1,772	1,634	8.5%
Armstrong	3,792	3,400	11.5%
Industrial Services			
NPC	13,686	10,444	31.0%
Murray	7,977	7,784	2.5%
Other			
RLogistics	1,327	n/a	n/a
Peerless	9,978	11,062	-9.8%
Titan	5,730	5,475	4.7%
Gusgo	2,493	2,486	0.3%
Total Operating Partnerships	$ 93,928	$ 84,303	9.8% ⌘
Corporate	(4,513)	(1,860)	
Total	$ 89,415	$ 82,443	

✦ Includes EBITDA normalized to remove owner earnings and adjustments for the period prior to Newport ownership; as well as, where appropriate, adjustments for Newport priority amounts.

⌘ Change excludes contribution of RLogistics.

NEWPORT'S PRIORITY INCOME BY OPERATING PARTNERSHIP

OPERATING PARTNERSHIP	PER ANNUM	EXPIRY
Financial Services		
Brompton	$ 4,100	Q3 2007
ESR	11,200	Q3 2007
Morrison Williams	7,000	Q3 2007
NP LP	4,100	Q3 2007
Marketing		
S&E	1,000	Q2 2008
Capital C	4,100	Q3 2007
Gemma	4,800	Q3 2007
Armstrong	4,000	Q4 2010
Industrial Services		
NPC	8,100	Q3 2007
Murray	6,400	Q1 2008
Other		
Gusgo	2,400	Q4 2010

RESULTS - FOURTH QUARTER PERFORMANCE - NEWPORT

SUMMARY FINANCIAL TABLE – NEWPORT (SEGMENTED) ($000s)

Three months ended December 31, 2006

	FINANCIAL SERVICES	MARKETING	INDUSTRIAL SERVICES	OTHER	CORPORATE★	TOTAL
Revenue	18,951	22,142	46,713	23,677	-	$111,483
Gross margin	10,588	12,206	20,889	(2,674)	-	41,009
Income from continuing operations before non-controlling interest	4,550	2,019	2,600	946	(6,840)	3,275
EBITDA	8,649	4,261	4,763	4,255	(1,141)	20,787
Interest (income) expense	(118)	69	477	592	3,225	4,245
Income taxes	11	24	-	-	-	35
Maintenance capital expenditures and reserves	14	326	503	112	388	1,343
Capital lease payments	29	27	657	14	-	727
Compensation expense funded by operating partner¤	354	-	-	-	-	354
Priority income per partnership agreement⌘	-	(51)	-	69	-	18
Distributable cash from continuing operations	9,067	3,764	3,126	3,606	(4,754)	14,809
Distributable cash from discontinued operations						519
Distributable cash						$ 15,328
Distributable cash per unit from continuing operations						$0.20
Distributable cash per unit from discontinued operations						$0.01
Distributable cash per Unit						$0.21

SUMMARY FINANCIAL TABLE – NEWPORT (SEGMENTED) ($000s)

Three months ended December 31, 2005

	FINANCIAL SERVICES	MARKETING	INDUSTRIAL SERVICES	OTHER	CORPORATE★	TOTAL
Revenue	15,866	12,819	29,702	-	-	$ 58,387
Gross margin	10,429	6,395	4,615	-	-	21,439
Income from continuing operations before non-controlling interest	2,973	161	304	-	(1,849)	1,589
EBITDA	7,017	2,281	1,791	-	(1,218)	9,871
Interest expense	(63)	30	421	-	507	895
Income taxes	-	-	-	-	-	-
Maintenance capital expenditures and reserves	496	254	652	-	-	1,402
Compensation expenses paid by operating partner¤	1,029	-	-	-	-	1,029
Priority income per partnership agreement⌘	651	361	-	-	-	1,012
Distributable cash from continuing operations	8,264	2,358	718	-	(1,725)	9,615
Distributable cash from discontinued operations						7,195
Distributable cash						$ 16,810
Distributable cash per unit from continuing operations						$0.15
Distributable cash per unit from discontinued operations						$0.11
Distributable cash per Unit						$0.26

★ The results of the Corporate segment include corporate costs and corporate interest expense both at Newport and NPY.

¤ Newport's agreement with ESR contemplates that certain employee bonuses are paid for by the 20% limited partners. GAAP requires that the bonuses be expensed and therefore reduces EBITDA. Since there is no cash outlay by Newport the expense is added back in arriving at distributable cash.

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

FOURTH QUARTER RESULTS

Revenue from continuing operations for the three month period ended December 31, 2006 increased 91% from the prior year period to $111,483. EBITDA from continuing operations more than doubled to $20,787 compared to $9,871 in 2005 reflecting $8,468 of EBITDA from investments added in 2006 and growth from existing holdings. RGC is reported as discontinued operations.

During the period, the slowdown in the Alberta oil and gas sector affected the financial results of both Titan and NPC as these businesses supply products and services to that industry. In our financial services segment, contingent profit commissions from ESR were higher than expected and this contributed positively to the Fund's EBITDA results.

Distributable cash from continuing operations was $14,809 compared with $9,615 in the prior year period.

Overall, the Fund produced distributable cash of $15,328, a slight decline from $16,810 generated in 2005. There were primarily two factors that explained the decline. Distributable cash from RGC discontinued operations was $519, against $7,195 contributed in the prior year period.

As previously reported during the year, RGC has experienced challenges relating to significant margin compression on products it distributes and its acquisition of Sonigem, which has not delivered intended benefits. In the seasonally strong fourth quarter, RGC's revenues were also reduced by the corporate re-structuring of a large retail account representing approximately 15% of its sales. This resulted in temporarily reduced demand for RGC's products as the customer adjusted its retail and warehouse inventory levels. Gross profit margin improvement achieved in the third quarter was basically maintained during the period.

The second factor impacting distributable cash was a five-fold increase in interest costs to $4,245 from $895 in the prior year period. This related to an increase in the credit facility and amounts drawn to finance the Fund's investment program and provide it with a more diversified capital structure. Interest costs are affected by the timing of investments. In addition, the 2006 quarter reflects a full quarter's accrual for interest on convertible debentures where 2005 included an accrual from date of issuance, December 12, 2005.

Distributable cash per unit decreased 19% to $0.21 compared to $0.26 generated in 2005. This reduction also reflects the dilution resulting from the issuance of equity units during the year.

2006 PERFORMANCE - NPY

Consolidated financial information has been provided for the operations of NPY for the years ended December 31, 2006 and 2005. NPY's financial statements include the financial results of its 100% owned operating partners and investments in jointly controlled operating partners on a proportionate consolidation basis. Commentary on NPY's financial results does not include a reference to the corresponding periods in 2005 as the periods are not comparable.

SUMMARY NPY TABLE – CONTINUING OPERATIONS ($000s)

	YEAR ENDED DECEMBER 31, 2006	YEAR ENDED DECEMBER 31, 2005*
Revenues	$366,102	$141,173
Cost of revenues	(243,139)	(99,221)
Gross profit	122,963	41,952
Selling, general and administrative expenses	(59,864)	(21,695)
Depreciation and amortization expense	(36,933)	(13,385)
Income from equity investments	3,341	1,136
Other income	1,693	146
Interest expense	(10,493)	(1,535)
Income tax expense	(96)	-
Income from continuing operations	$20,611	$6,619
Income from continuing operations	20,611	6,619
Add:		
Depreciation and amortization expense	36,933	13,385
Amortization of Brompton intangible assets	2,036	708
Interest expense	10,493	1,535
Income tax expense	96	-
EBITDA from continuing operations	$70,169	$22,247

* Excludes, for comparison purposes, performance fees of $44,760 relating to amounts paid concurrent with the Fund's IPO.

EIGHT QUARTER SUMMARY – NPY ($000s except per unit amounts)

	2006 Q4¤	2006 Q3¤	2006 Q2¤	2006 Q1¤	2005 Q4¤	2005 Q3*	2005 Q2	2005 Q1
Revenues	$ 111,483	98,930	83,500	72,188	58,387	39,638	29,874	13,495
Cost of revenues	70,474	66,246	57,422	48,997	36,948	28,277	22,570	11,497
	41,009	32,684	26,078	23,191	21,439	11,361	7,304	1,998
Expenses								
Selling, general and administrative	22,542	15,863	11,979	9,478	12,757	5,612	2,842	1,492
Amortization of deferred financing charges	2,474	414	322	296	123	-	-	-
Amortization of intangible assets	8,099	7,299	6,247	5,307	6,288	2,841	1,433	842
Depreciation	2,174	1,327	1,570	1,404	976	688	535	367
	35,289	24,903	20,118	16,485	20,144	9,141	4,810	2,701
Income (loss) before the undernoted	5,720	7,781	5,960	6,706	1,295	2,220	2,494	(703)
Income from equity investment	871	891	562	1,017	1,113	730	-	-
Other income	964	383	112	234	76	599	-	-
Interest expense	4,245	2,555	2,091	1,602	895	216	173	211
Income tax expense (recovery)	35	77	(15)	-	-	-	-	-
Income (loss) from continuing operations	3,275	6,423	4,558	6,355	1,589	3,333	2,321	(914)
Income (loss) from discontinued operations	(56,390)	(1,099)	(3,340)	(2,424)	4,812	(514)	217	(48)
Income (loss)	$ (53,115)	5,324	1,218	3,931	6,401	2,819	2,538	(962)
Income (loss) per unit:								
Continuing Operations	$ 0.05	0.08	0.00	0.08	0.02	0.09	0.25	(0.17)
Net income (loss)	(0.74)	0.07	0.00	0.05	0.10	0.08	0.27	(0.18)
Income (loss) from continuing operations	$ 3,275	6,423	4,558	6,355	1,589	3,333	2,321	(914)
Add:								
Amortization and depreciation	13,232	9,524	8,781	7,432	7,387	3,529	1,968	1,209
Interest and income tax expenses	4,280	2,632	2,076	1,602	895	216	173	211
EBITDA from continuing operations	$ 20,787	18,579	15,415	15,389	9,871	7,078	4,462	506

¤ Figures are for Newport.
* Excludes performance fee of $44,760 for comparative purposes. Income per unit for continuing operations and net loss were $(0.88) and $(0.89) respectively including this amount. The sum of the quarterly income per unit amounts in 2005 does not equal the income per unit amounts for the full year as each quarterly amount is calculated independently and is dependent on the weighted average of units outstanding for each quarter.

SEGMENT OPERATING RESULTS

FINANCIAL SERVICES

The Financial Services segment includes our proportionate share of EZEE, ESR, NP LP, Morrison Williams, Brompton and Hargraft. NPY acquired the operations of ESR, NP LP, Morrison Williams and Brompton on closing of the Fund's IPO on August 8, 2005 and acquired Hargraft in April 2006. NPY's financial results for the corresponding period in 2005 do not reflect full period results for all investments and are not comparable.

Ezee	-	Operator of non-financial institution ATMs across Canada
ESR	-	Independent insurance underwriters and specialty managing general agents
Morrison Williams	-	Institutional money manager
Brompton	-	Asset manager of public and private investment funds
NP LP	-	Personal and corporate wealth management firm
Hargraft	-	Insurance broker specializing in liability products for commercial and high net worth clients

SUMMARY FINANCIAL TABLE ($000s)

	YEAR ENDED DECEMBER 31, 2006	YEAR ENDED DECEMBER 31, 2005
Revenues	$ 69,379	$ 33,677
Cost of revenues	(30,778)	(16,886)
Gross profit	38,601	16,791
Selling, general and administrative expenses	(9,793)	(6,727)
Depreciation and amortization	(14,396)	(6,913)
Income from equity investment	2,378	1,136
Other income	1,693	146
Interest income (expense)	271	(54)
Income tax expense	(96)	-
Income for the year	18,658	4,379
Income for the year	18,658	4,379
Add:		
Depreciation and amortization expense	14,396	6,913
Amortization of Brompton intangible assets	2,036	708
Interest (income) expense	(271)	54
Income tax expense	96	-
EBITDA	$ 34,915	$ 12,054

SUPPLEMENTARY FINANCIAL INFORMATION – AUM ($000,000s)

	DECEMBER 31, 2006	JUNE 30, 2006	DECEMBER 31, 2005
NP LP	$ 1,147	$ 1,225	$ 1,211
Morrison Williams	4,638	4,621	4,408
Brompton	2,915	2,604	2,512
Total	$ 8,700	$ 8,450	$ 8,131

(I) REVENUE

Revenue from the Financial Services segment was $69,379, compared with $33,677 in 2005.

NP LP achieved record revenues in 2006 as it benefited from a strong corporate advisory revenues earned in the third quarter, higher insurance sales to its high net worth clients, and higher fee-based revenues from its investment management services. This was achieved despite a 5% decline in a.u.m. Approximately 19% of NP LP's assets, including Newport units held in client portfolios, are invested in the income trust sector which underperformed in 2006.

Morrison Williams produced the highest revenues in its history from $4.6 billion of a.u.m. as at December 31, 2006 – a 5% increase over 2005. Strong performance of the Canadian equity markets and the addition of new accounts more than offset the negative impact of the income trust sector in which approximately 25% of Morrison Williams' a.u.m. is invested.

ESR achieved record revenues in the face of a very challenging market environment. As anticipated, commission revenue declined slightly due to intense pricing competition in the Canadian commercial liability insurance industry. More than offsetting these results were contingent profit commission revenues, of which $1,300 reported in the third quarter are non-recurring. The large amount of profit commissions in ESR's revenue mix is testimony to the company's underwriting capabilities as these revenues are calculated based on actual claims experience.

Hargraft also experienced lower commission revenues as a result of competitive pressure on premium pricing. In addition, it was impacted by an unanticipated competitive attack by a tier one insurance broker in the transportation industry, a key segment for Hargraft. Despite this difficult environment, Hargraft was successful in retaining its accounts and winning new business by providing value-added service and industry-specific expertise.

Revenues from EZEE were basically flat relative to 2005 as it successfully stabilized its Quebec-based operations which had been under competitive attack last year. The company placed more emphasis on its organic growth plan for 2006 that resulted in the addition of 250 new machines. Its acquisition plan was delayed due to inflated valuations.

(II) GROSS PROFIT

Gross profit was $38,601, which translated into a 56% gross margin. For the year ended December 31, 2005, the financial services segment produced gross profit of $16,791, which translated into a 50% gross margin. The significant contribution of the fee from NP LP's corporate wealth management project and the contribution of profit commissions combined to improve margins.

(III) GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses were $9,793 for the year ended December 31, 2006 – compared with $6,727 for the year ended December 31, 2005. This increase partially reflects the addition of Hargraft in 2006. These expenses as a percentage of revenue were 14%, compared to 20% in 2005.

(IV) DEPRECIATION AND AMORTIZATION

Depreciation and amortization was $14,396 for the year ended December 31, 2006, against $6,913 for the year ended December 31, 2005. This reflects the increase in investments held during the year.

(V) EBITDA

The Financial Services segment produced EBITDA of $34,915 for the year ended December 31, 2006. Included in this amount is $2,300 generated by NP LP's corporate advisory project reported in the third quarter and $1,300 of non-recurring high-margin profit commissions at ESR. For the year ended December 31, 2005, EBITDA was $12,054.

Income from our equity investment in Brompton was $4,332, compared to $1,844 in the 2005 period.

ESR's EBITDA is reduced by a $2,034 retention bonus plan, which ESR records as compensation expense. However, under the terms of Newport's investment agreement, this bonus is fully paid for by the minority unitholder of ESR, resulting in higher distributable cash to Newport.

(VI) INCOME

Income for the year was $18,658 compared to $4,379 in 2005.

(VII) SEASONALITY

We have continued to refine our methodology for estimating the amount of contingent profit commission at ESR. The impact of this refinement is to lessen the impact of seasonality on the business going forward with contingent profit commissions reported gradually throughout the year compared to historically being reported in the first and second quarters.

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

(VIII) OUTLOOK

Entering 2007, NP LP has a solid personal and corporate wealth management platform on which to continue its growth, however, management cannot predict the timing and magnitude of its corporate advisory fees. NP LP will look to add a.u.m. through the selective hiring of experienced relationship managers. The outlook is for moderate growth.

Morrison Williams anticipates little growth in a.u.m. in the first quarter of 2007 due to net redemptions in various income trust based funds that it manages. Positive capital market performance and new accounts may offset this as Morrison Williams entered 2007 with a new contract to manage two start-up WRAP accounts for a retail brokerage firm and a new balanced pension fund account.

Conditions in the commercial insurance market remain challenging as increased competition continues to put downward pressure on premium pricing. ESR management sees no indication of an external event that is likely to restore pricing discipline in the short term. As a result, management has budgeted for a slight decline in revenues and EBITDA for 2007. ESR has also introduced an important new Directors and Officers Liability program that it expects will generate meaningful income beginning in 2008.

Over the next 12 months, Hargraft's revenues will also be under continued pressure as the competitive environment remains tight. For 2007, Hargraft will focus on building its fledgling benefits division which management has identified as a new area of potential growth.

In January 2007, EZEE completed the acquisition of the TRM portfolio of 1,500 ATMs. This transaction is expected to be immediately accretive to EZEE's business and reduce its cost per ATM transaction through higher volumes from a total of approximately 3,800 machines. Our outlook is for improved EBITDA from moderate organic growth, certain revenue enhancements and cost reductions in 2007.

MARKETING

The Marketing segment includes our proportionate share of the results of S&E, Gemma, and Capital C for the year ended December 31, 2006. The results of IC Group are included only from August 1, 2006 and Armstrong's results from October 4, 2006. Figures for 2005 include S&E's financial results for the full year, Gemma's results for the period April 1, 2005 to December 31, 2005 and Capital C's results from August 8, 2005 to December 31, 2005. NPYs financial results for the corresponding period in 2005 do not reflect full period results for all investments and are not comparable.

S&E	-	Alternative advertising agency
Gemma	-	Outsourced contact centre operator for large corporations
Capital C	-	Marketing services agency providing solutions to multi-national clients
IC Group	-	Provider of interactive promotional solutions
Armstrong	-	North American promotional marketing company

SUMMARY MARKETING SERVICES TABLE ($000s)

	YEAR ENDED DECEMBER 31, 2006	YEAR ENDED DECEMBER 31, 2005
Revenues	$ 69,323	$ 33,001
Cost of revenues	(35,531)	(19,786)
Gross profit	33,792	13,215
Selling, general and administrative expenses	(20,618)	(7,553)
Depreciation and amortization expense	(7,294)	(3,606)
Interest expense	(238)	(40)
Income for the year	5,642	2,016
Income for the year	5,642	2,016
Add:		
Depreciation and amortization expense	7,294	3,606
Interest expense	238	40
EBITDA	$ 13,174	$ 5,662

(I) REVENUE

Revenue for the Marketing segment was $69,323 – a 110% increase over 2005 revenues of $33,001. These results include record revenues from Capital C, Gemma and IC Group.

Capital C produced the highest revenues in its history as it continued its successful transition to a fully-integrated agency. The company earned more work from existing clients and realized on new business based on its ability to incubate brands and develop non-traditional marketing initiatives. This resulted in Capital C being awarded 2006 Agency of the Year by Marketing magazine and recognized for its intellectual capital and ability to deliver integrated solutions to clients.

Gemma achieved record revenues despite a challenging start to the year in which low levels of unemployment in its markets resulted in higher staff turnover, hiring and training costs. New business development, revenue optimization and facility utilization strategies implemented by management have yielded results, producing five consecutive quarters of revenue growth.

IC Group achieved record revenues in 2006 as it successfully executed its business strategy for its on-line creative and promotions division which produces interactive promotions for a diversified and growing base of global blue-chip clients. In 2006, IC Group was successful in leveraging new client relationships generated through referrals from an existing key account.

S&E's revenues showed improvement over 2005 when its operations were negatively impacted by the National Hockey League lock-out. Positive contributors were the National Hockey League play-off season and higher than expected sales from its Canadian Football League property. These gains were somewhat offset by the delay and ultimate cancellation of a major client contract in Q3.

In October, Newport invested in Armstrong, a leading North American promotional marketing company. Fourth quarter revenues reflect reduced spending by Armstrong's Canadian on-line gaming clients as changes to U.S. gaming regulation had a spillover effect on the Canadian market.

(II) GROSS PROFIT

Gross profit for the Marketing segment was $33,792 and gross profit margin was 49%. Gemma's gross profit margins showed successive improvement in every quarter as management's focus on gross margin optimization produced results. In addition, IC Group's interactive promotional revenues generated strong gross profit margins. For the prior year ended December 31, 2005, gross profit was $13,215 and gross profit margin was 40%.

(III) GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the segment were $20,618. Capital C, Gemma and S&E's expenses reflected additional labour costs. General and administrative expenses for the prior year ended December 31, 2005 were $7,553. These expenses as a percentage of revenue were 30%, compared to 23% in 2005.

(IV) DEPRECIATION AND AMORTIZATION

Depreciation and amortization was $7,294 for the year ended December 31, 2006 and in line with business performance, compared with $3,606 in the prior year. This reflects the increase in investments during the year.

(V) EBITDA

EBITDA from the Marketing segment was $13,174 – a 133% increase over $5,662 of EBITDA produced in the prior year. This amount primarily reflects the increase in investments during the year and the record results from Capital C.

(VI) INCOME

Income for the year was $5,642 compared to $2,016 in 2005.

(VII) SEASONALITY

Seasonality is not typically a material factor for the Marketing segment. However, the first quarter often sees higher media purchases which typically have lower margins.

(VIII) OUTLOOK

Through the merger with Kenna, and its recent acquisition of the assets of Adeo (a digital marketing company) on December 28, 2006, Capital C has positioned itself as a leader in the rapidly-growing direct to consumer marketing industry. In 2007, Capital C will focus on creating a collaborative culture among the lines of businesses, by investing in the development of cross-competencies in the labour pool. While this investment may impact gross margin percentages in 2007, it will enable the company to evolve a fully integrated customer offering and build significant competitive advantage in the marketplace. After record results in 2006, 2007 will likely be a year of consolidation in which top-line growth is largely offset by additional infrastructure and integration costs.

Having successfully overcome the labour shortages it experienced early in 2006, Gemma has entered 2007 with a solid operational base and three new contact programs awarded in the fourth quarter. Once executed, these contracts will result in an expansion and diversification of the value and scope of Gemma's client relationships. For 2007, Gemma will continue to focus on delivering the advanced specialty solutions that command higher margins, minimize competitive threats and solidify its position as a leader among Canadian contact management providers.

S&E's challenge for 2007 will be to rebuild lost revenues attributable to the cancellation of a large client contract. Our outlook is that the company will likely underperform in the short term by an amount immaterial to the Fund. To correct this, Newport has worked with management on a plan to combine S&E's offices with Armstrong's during the third quarter. This should allow S&E to exploit cross-selling opportunities with Armstrong's customer base.

The outlook for IC Group is positive. Program renewals from existing customers and the addition of new contracts should contribute to growth, particularly in the second half of the year. IC Group will also continue to focus on transitioning more of its business from project-based work to longer-term integrated loyalty and longevity programs which provide recurring revenue. IC Group's challenge will be to manage its growth as it pursues this strategy in 2007.

For 2007, Armstrong will focus on replacing revenues that it anticipates may be lost as spending by its Canadian on-line gaming clients remains uncertain, due to the spillover effect of a changed regulatory environment for on-line gaming in the United States. The Canadian on-line gaming business represented approximately 10% of Armstrong's EBITDA for fiscal 2006. In the fourth quarter, management was successful in securing two new major consumer marketing accounts that it anticipates will begin to contribute meaningfully in the second half of the year. As a result, the first two quarters will be weaker. We do not expect growth from this investment in 2007 but anticipate that distributable cash will be in line with our yield expectations of 16–20% on invested capital.

INDUSTRIAL SERVICES

The Industrial Services segment includes our proportionate share of the results of NPC for the year ended December 31, 2006, and Murray for the ten month period ended December 31, 2006. Financial results for the corresponding period in 2005 include only our proportionate share of the results of NPC, being 50% to August 8, 2005, and 80% thereafter. NPYs financial results for the corresponding period in 2005 do not reflect full period results for all investments and are not comparable.

NPC	-	Oil & gas maintenance and facility infrastructure services
Murray	-	Demolition, abatement and remediation services

SUMMARY INDUSTRIAL SERVICES TABLE ($000s)

	YEAR ENDED DECEMBER 31, 2006			YEAR ENDED DECEMBER 31, 2005
	NPC	MURRAY	Total	NPC
Revenues	$139,069	$ 47,752	$ 186,821	$ 74,495
Cost of revenues	(114,351)	(32,661)	(147,012)	(62,549)
Gross profit	24,718	15,091	39,809	11,946
Selling, general and administrative expenses	(11,237)	(8,718)	(19,955)	(5,555)
Depreciation and amortization expense	(5,416)	(3,562)	(8,978)	(2,743)
Loss from equity investment	(7)	-	(7)	-
Interest expense	(1,624)	(57)	(1,681)	(1,056)
Income for the year	6,434	2,754	9,188	2,592
Income for the year	6,434	2,754	9,188	2,592
Add:				
Depreciation and amortization expense	5,416	3,562	8,978	2,743
Interest expense	1,624	57	1,681	1,056
EBITDA	$ 13,474	$ 6,373	$ 19,847	$ 6,391

(I) REVENUE

Revenues from the Industrial Services segment were $186,821 – a 151% increase over 2005 revenues of $74,495.

NPC delivered record revenues in 2006. Revenue growth reflected the strong contribution of NPC's ongoing base maintenance business, a higher than anticipated number of facility maintenance turnarounds in the first quarter, and the execution of several large facility construction projects. The latter was achieved in spite of reduced construction activity by natural gas exploration and production companies in the third and fourth quarters.

Murray, which has been in Newport's portfolio since March, delivered revenue performance as a result of its success in winning several large industrial projects, broadening its clients base and earning repeat business from existing customers. Also included in the revenue mix is a high component of scrap metal sales.

(II) GROSS PROFIT

Gross profit was $39,809 for the year ended December 31, 2006 – a 233% increase over $11,946 in gross profit for the prior period. Gross margins were 21% compared to 16% in 2005 and reflect the addition of Murray which has slightly higher gross profit margins.

NPC was successful in maintaining gross profit margins in line with revenue growth. However, gross profit margins in the third and fourth quarters were slightly lower than the first two quarters of the year, due to the higher component of lower-margin base maintenance work in the revenue mix.

Murray's gross profit margins were consistent with its past performance.

(III) GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses were $19,955 for the year ended December 31, 2006. For the previous year, these expenses were $5,555. These expenses as a percentage of revenue were 11%, compared to 7% in 2005.

(IV) DEPRECIATION AND AMORTIZATION

Depreciation and amortization was $8,978 for the year ended December 31, 2006 compared with $2,743 for the year ended December 31, 2005. The increase primarily reflects the addition of Murray to the portfolio in March 2006.

(V) EBITDA

The Industrial Services segment produced $19,847 of EBITDA – a 211% increase over $6,391 of EBITDA earned in the prior year. The increase reflects the inclusion of Murray's results and growth from NPC. NPC achieved approximately 20% organic EBITDA growth from its existing operations while approximately $3,000 of 2006 EBITDA was generated by acquisitions it made in late 2005 and early this year.

(VI) INCOME

Income for the year was $9,188 compared to $2,592 in 2005.

(VII) SEASONALITY

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

Murray's business is not subject to material seasonal variance, however due to the timing of large contracts quarterly results can fluctuate.

(VIII) OUTLOOK

NPC has a diversified operational base that provides recurring revenues from ongoing base maintenance work performed at lower margins combined with annual facility turnarounds and higher-margin construction facility projects. This diversification strategy has helped NPC to minimize direct exposure to commodity prices and deliver relatively consistent financial results over its history. For 2007, NPC expects a strong maintenance and shutdown season based on its currently contracted work. This will be offset by the current soft market for natural gas prices and a weak drilling season in the first quarter that will adversely affect NPC's results. Overall, management has budgeted for a modest decline in its financial results for 2007. However, an increase in natural gas prices could provide upside.

In addition, in January 2007 NPC made a strategic acquisition in Skystone, a business providing engineering, technical and management services for the oil and gas sector. For its fiscal year ended December 31, 2006, Skystone generated revenues and normalized EBITDA of approximately $8.8 million and $2.2 million, respectively. Skystone adds a design and engineering component to NPC's oil and gas services business which NPC believes is a strong strategic fit that will enhance its service offering.

Murray is well positioned with a strong backlog of work and a robust pipeline of new project opportunities for 2007 along with cross-selling opportunities and synergies from its merger with Quantum which was completed subsequent to year end. The combined entity, Quantum Murray, is a leading national decommissioning and environmental remediation firm with annual revenues of approximately $140 million. Newport has a priority on $11.1 million of distributable cash from the combined entity in both 2007 and 2008. Newport expects Q1 will be softer, as several large projects have been delayed.

OTHER

This is a newly created segment for NPY. The Other segment includes our proportionate share of the results of Peerless for the seven month period ended December 31, 2006, and Titan for the four month period ended December 31, 2006. Previously, these businesses were reported under the Industrial Services segment. RLogistics' equity accounted results are from May 1, 2006. Gusgo's financial results are included from October 25, 2006. No comparable 2005 results are provided as the investments were part of the portfolio starting in 2006.

RLogistics	-	Wholesaler and liquidator of electronic products
Peerless	-	Manufacturer of protective harsh weather outerwear for military personnel
Titan	-	Manufacturer and distributor of rigging and ground engaging tool products
Gusgo	-	Provider of intermodal freight services

SUMMARY OTHER TABLE ($000s)

		YEAR ENDED DECEMBER 31, 2006
Revenues	$	40,579
Cost of revenues		(29,818)
Gross profit		10,761
Selling, general and administrative expenses		(4,985)
Depreciation and amortization expense		(2,759)
Income from equity investment		970
Interest expense		(934)
Income for the year		3,053
Income for the year		3,053
Add:		
Depreciation and amortization expense		2,759
Interest expense		934
EBITDA	$	6,746

(I) REVENUE

Revenues from this segment were $40,579 for the year.

Peerless has been in the portfolio since June 2006. Revenues were impacted by a delay in the exercise of order options by government entities in the third quarter and shipping delays by a sub-contractor in the fourth quarter. Some of these revenues should be realized in the first quarter of 2007.

Titan has been in the portfolio since September 2006. Revenues reflect reduced activity in the exploration and drilling segment of the Alberta energy sector in the fourth quarter. Severe weather, which increases demand for Titan's snow removal products and wear parts for heavy equipment, was partially offsetting.

Gusgo has been in the portfolio since October 2006. Revenues were weaker than expected as congestion at the Vancouver port reduced the amount of container traffic and in some cases diverted shipments to U.S. ports and carriers.

(II) GROSS PROFIT

Gross profit was $10,761 for the year ended December 31, 2006.

(III) GENERAL AND ADMINISTRATIVE EXPENSES

General and Administrative Expenses were $4,985 for the year ended December 31, 2006.

(IV) DEPRECIATION AND AMORTIZATION

Depreciation and amortization was $2,759 for the year ended December 31, 2006.

(V) EBITDA

EBITDA for this segment was $6,746 as revenue performance affected the bottom line. Income from Newport's equity interest in RLogistics produced $970 for the eight months of the Fund's investment.

(VI) INCOME

Income for the year was $3,053.

(VII) SEASONALITY

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

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

Seasonality is not typically a material factor for Gusgo.

(VIII) OUTLOOK

Peerless' management expects some of the delayed revenues of 2006 will materialize in the first quarter as one significant sub-contractor has restored capacity. Peerless is the dominant supplier of military gear for the federal government however the size and timing of its contracts can be difficult to predict with certainty. Peerless has recently opened new distribution channels to sell its products to the oil and gas industry and trade professionals. These efforts are showing promise and a small contribution is expected from this area in 2007.

For the first quarter 2007, Titan's results will be impacted by the pronounced slowdown in oilfield and natural gas drilling in Alberta as it supplies products to this sector. For the full year, Titan should benefit from the anticipated continuation of a strong construction industry, growth in the Fort McMurray market due to tar sands activity and the contribution from Titan's new office in Nisku, Alberta (opened in November 2006). As reported in the third quarter, an ongoing challenge for Titan will be to attract and retain qualified personnel in the very competitive Alberta marketplace.

Gusgo's first quarter results will be negatively impacted by the CN Rail strike which has reduced traffic volumes. Management is focused on replacing these revenues in 2007 through expanding business from a high-potential account it has recently acquired and a new business development strategy that targets shipments from U.S. Atlantic ports.

CORPORATE

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

SUMMARY CORPORATE TABLE ($000s)

	YEAR ENDED DECEMBER 31, 2006	YEAR ENDED DECEMBER 31, 2005
Selling, general and administrative expenses	$ (4,513)	$ (1,860)
Amortization of deferred financing charges	(3,506)	(123)
Interest expense	(7,911)	(385)
Loss for the year	(15,930)	(2,368)
Loss for the year	(15,930)	(2,368)
Add:		
Amortization of deferred financing charges	3,506	123
Interest expense	7,911	385
EBITDA	$ (4,513)	$ (1,860)

(I) GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses were $4,513 for the year ended December 31, 2006. This compares to $1,860 for 2005, the majority of which was incurred after August 8, 2005. Expenses for 2006 were in line with expectations and include accounting and audit fees of $1,205 ($546 for 2005), salaries of $1,065 ($298 for 2005), insurance of $461 ($63 for 2005) and trustee fees of $240 ($16 for 2005), respectively. NPY's expenses also include office and administration costs. All expenses are paid for by NPY and the Fund is allocated its prorata share.

(II) AMORTIZATION

Amortization expenses were $3,506 for year ended December 31, 2006. These expenses reflect the amortization of deferred financing charges. Financing charges related to the issue of the convertible debentures and the credit facilities are amortized over five years representing their original term. Expenses in 2006 include $1,917 relating to the expensing of unamortized deferred financing charges relating to the bank credit facility which was repaid in December 2006.

(III) INTEREST EXPENSE

Interest expense of $7,911 represents expense primarily relating to the credit facility and the convertible debentures. The revolving credit facility and investment facility provided by a syndicate of Canadian banks was repaid in December 2006 and replaced with a new facility. The new facility is a Senior Credit Agreement with an affiliate of Fortress. The new facility consists of three components: a $75,000 revolving credit facility with a five year maturity; a $170,000 five-year term loan; and a $75,000 DDTL that Newport may access during the next two years. The interest rate on the revolving credit facility is BA plus 2.50% and the term loan and DDTL are priced off of LIBOR, and depending on leverage levels, the additional margin is between 3.50% and 4.95%.

(IV) LOSS

The loss for the year was $15,930 compared to $2,368 in 2005.

ADDITIONAL INFORMATION - NPY

CONTRACTUAL OBLIGATIONS ($000s)

	2007	2008	2009	2010	Thereafter	Total
Interest expense	22,324	22,324	22,324	22,324	15,987	105,283
Long-term debt	-	-	-	-	170,000	170,000
Convertible debenture	-	-	-	84,500	-	84,500
Capital lease obligations	4,535	2,461	1,154	424	147	8,721
Operating leases	6,278	5,535	3,820	2,640	8,860	27,133
Total contractual obligations	33,137	30,320	27,298	109,888	194,994	395,637

TRANSACTIONS WITH RELATED PARTIES

OWNERSHIP

As of December 31, 2006, directors, officers and employees of the general partner and entities related to NPY hold an aggregate of 25,896,362 NPY and Newport units or 35% on a fully diluted basis.

TRANSACTIONS

NPY provides funding to the Operating Partners to fund working capital requirements. Advances bear interest at the rate of prime plus one percent, are unsecured and have no fixed terms of repayment.

An employee loan was made by NPY to an executive of EZEE in the amount of $250 of which $221 is outstanding. In accordance with the terms and conditions of the loan, the loan was used to purchase units in NPY.

Employee loans were made by NPY in the aggregate amount of $825 of which $780 remains outstanding at December 31, 2006. Subsequent to year end, NPY advanced $1,235 to certain employees. In accordance with the terms and conditions of the loans, the loans were used to purchase units of Newport and are full recourse loans secured by the units and carry interest at prime.

OFF BALANCE SHEET ITEMS

NPY has $16,064 of letters of credit outstanding at December 31, 2006. The letters of credit secure cash management services provided by Royal Bank of Canada as well as bonding facilities provided by Aviva Insurance Company of Canada.

SUBSEQUENT EVENTS

NEW INVESTMENTS (DOLLAR AMOUNTS IN $000s)

STRATEGIC ACQUISITIONS BY OPERATING PARTNERSHIPS ($000s)

SEGMENT	DATE	INVESTMENT	CAPITAL INVESTED
Financial Services	12-Jan-07	EZEE acquired the Canadian ATM assets of TRM Corp. This added approximately 1,500 operating ATM locations to EZEE's portfolio resulting in a total of approximately 3,800 locations across Canada.	$ 13,300
Industrial Services	3-Jan-07	Murray purchased the assets of Quantum, a nationally recognized leader in the clean-up and rehabilitation of commercial and industrial sites and facilities providing a wide range of services including site remediation, hazardous materials abatement, and treatment and disposal of waste materials.	28,500
	13-Mar-07	NPC acquired 80% interest in Skystone, a provider of facilities design and engineering services to the oil and gas sector.	7,700
Total			$ 49,500

Financial Services

On January 12, 2007, Newport provided the capital for its operating partner, EZEE, to acquire the Canadian ATM assets of TRM for $13.3 million. The acquisition represented an excellent opportunity for EZEE to continue to execute its consolidation plan. The transaction, EZEE's thirteenth acquisition since its founding in 2001, added approximately 1,500 operating ATM locations to its portfolio, bringing its total to approximately 3,800 locations across Canada.

The addition of TRM's ATM assets is expected to improve EZEE's gross profit margin through lower costs per transaction. The acquisition also adds geographic diversification of EZEE's ATM portfolio, particularly in Ontario.

Industrial Services

On January 3, 2007, Murray acquired the assets of Quantum for $50 million, creating a leading full-service, national decommissioning and environmental remediation firm. They will carry on business on a combined basis as Quantum Murray.

Under the terms of the transaction, Quantum shareholders received $28.5 million in cash and $21.5 million in units of Murray. Newport now owns a 62% interest in the merged company with the remaining 38% interest controlled by the management of Quantum Murray. These management unitholders have subordinated their interest in Quantum Murray's cash flows to Newport's interest for a period of up to two years following closing. Newport's annual priority income from the investment under the subordination provision is $11.1 million. With $59 million invested in the combined entity, this represents an expected cash-on-cash return on invested capital of 19%.

Quantum was founded in 1992 by current president Jeff Westeinde and Doug Wynn, the president of Quantum's Hazmat division who, along with Brian Stuckert, were the principal shareholders of Quantum.

Quantum provides a wide range of services including site remediation, hazardous materials abatement, and treatment and disposal of waste materials. The company was contracted to perform more than 200 projects in 2006 and currently has 250 employees.

Key strengths of the Quantum Murray combination include: expanded service offering and cross-selling opportunities, broader geographical scope and customer penetration, and significant opportunities for organic growth.

Under the combined entity, Jeff Westeinde will be Chief Executive Officer and Shawn Murray, currently Chief Executive Officer of Murray will be President of Quantum Murray.

On March 13, 2007, NPC acquired an 80% interest in Skystone, for $7.7 million.

Founded in 1997 to meet the needs of companies that must maintain the integrity of their pressure equipment and process containment systems, Skystone provides a complete, comprehensive engineering, technical and management service for the maintenance of process containment systems to over 50 oil and gas production and processing companies.

Skystone has over 70 employees and their head office is located in Calgary, Alberta. The business is largely based on recurring revenue contracts that are often required to be performed by law. The business has low requirements for capital expenditures.

For its fiscal year ended December 31, 2006, Skystone generated revenues and normalized EBITDA of approximately $8.8 million and $2.2 million, respectively.

Skystone adds a design and engineering component to NPC's oil and gas services business which NPC believes is a strong strategic fit that will enhance its service offering.

NORMAL COURSE ISSUER BID

Subsequent to year end, under the terms of its NCIB, Newport purchased and cancelled a total of 627,500 units with an average purchase price of $6.42.

OUTLOOK

For 2007, we expect organic growth from the portfolio to be flat to slightly negative as the slowdown in the Alberta oil and gas sector and the soft commercial insurance market environment will negatively affect the financial results of some of our larger holdings that operate in these industries, specifically NPC, Titan, ESR and Hargraft. In our Marketing segment, the outlook is favourable for growth at IC Group and Gemma while Armstrong and S&E will be focused on replacing lost revenues from client attrition. Capital C expects top-line growth offset by higher integration costs. Our asset management businesses have budgeted for modest growth but the capital markets will be a key driver of their performance. The contribution from discontinued operations in the first quarter is expected to be generally consistent with the contribution of the prior year.

With the addition of strategic acquisitions made in January, Newport's current EBITDA 'run rate' has increased. For the twelve month period ended December 31, 2006, the Fund's share of the LTM EBITDA produced by all of its holdings as of the date of this report was $98.2 million. Given our planned investment program we expect that interest costs will be higher in 2007.

Our outlook is favourable for growth in 2007 from our investment program. For the current fiscal year, we plan to invest between $100-$150 million of new capital (inclusive of year to date investments of $49.5 million) at generally five to six times cash flow multiples. Our investment pipeline currently has a number of quality opportunities in various stages of review and the Newport Partners brand continues to gain strength and awareness among entrepreneurs as a good financial partner. We believe we have the scalability and management capacity to monitor an expanded portfolio. Using the credit agreement completed in December 2006, and expected proceeds from the sale of RGC, we believe we have the funding capacity we require to execute this plan.

Newport's first quarter outlook is that results will be significantly weaker than the subsequent three quarters of the year. This is due primarily to three factors: the seasonality and timing of large contracts at Quantum Murray; the current soft market for natural gas prices and a weak drilling season that adversely impact business levels at NPC and Titan; and the reduced seasonality of contingent profit commissions from ESR and Hargraft, which are now recognized gradually throughout the year. In the first quarter of 2006, ESR received approximately $2 million of contingent profit commissions that had been budgeted for subsequent quarters. In addition the timing of new investments that are expected to be made during the course of the year should positively impact results in subsequent quarters.

Newport's distribution policy is reviewed by the Fund's Trustees. The current level of distributions, at an annualized rate of $1.00 per unit, is being maintained. It is our expectation that distributable cash from our current holdings and new investments that will be added to the portfolio in 2007, will allow the Fund to make progress on closing the gap caused by the underperformance of RGC.

In light of the federal government's proposed tax policy changes regarding income trusts, we are reviewing the organizational structure that will create the maximum long-term value for unitholders. Whether the Fund's organizational structure takes the form of an income trust or a high dividend paying entity, we expect to continue with its business plan.

RISK FACTORS - NEWPORT

Our financial results are impacted by the performance of each of our Operating Partnerships and various external factors influencing the environments in which they operate. While stronger performance by one of the portfolio businesses may compensate for weaker performance by another of the portfolio businesses, any negative effects on the financial condition or results of operations of a portfolio business has a negative effect on the financial condition or result of operation of the Fund. The business and operations of Newport are affected by many factors, including those set out below.

INVESTMENT RISK

Our strategy is to invest in successful entrepreneurs operating high-quality businesses that generate sustainable cash flows. There is risk that we could invest in either an entrepreneur or a business that fails to meet our performance expectations over the medium to long term. We believe we mitigate this risk through the application of our investment partnership criteria and our disciplined investment process. By avoiding heavily-leveraged, capital intensive businesses, we also aim to preserve our capital. We prefer to invest with entrepreneurs who are known to us personally or through our network. In all cases, we must be confident of management's competence and character before investing. Investment risk is also offset by diversification of our investment portfolio which reduces the impact of any one particular cash flow source. We have also been successful at negotiating a subordination feature with most of our businesses that gives Newport a priority distribution on its cash flows.

As asset managers we may wish to divest an investment that is not meeting our targeted rate of return. Given that our investments are in private businesses which are illiquid, we may not be able to.

BUSINESS VALUATIONS

Historically, we have been able to invest in excellent private businesses at prices that are accretive to unitholders. There is no certainty that we will continue to be able to invest at the same level of attractive valuations. Market conditions, competitive factors, and the availability of suitable investments will have some impact on the prices at which we are able to acquire additional cash flows. We believe, however, that the sum of benefits we offer to the entrepreneur, along with our partnership style of operating, is a unique value proposition that will continue to attract high quality businesses to our fold at accretive prices.

CONDITION OF CAPITAL MARKETS

The condition of the capital markets represents two risks to Newport. First, we have an ongoing investment program that requires capital. There can be no assurance that this financing will be available when required or available on terms that are favourable to Newport. This has the potential to hamper our growth. We have replaced our short-term credit facility with a longer one to provide financing of new investments.

The condition of the capital markets also impacts the revenues and profits of our asset management businesses. We believe we have strong management teams operating these businesses, each with decades of experience in capital markets.

DEPENDENCE ON KEY PERSONNEL

The success of Newport and of each of its operating partnerships depends on their respective senior management teams. The loss of services of key personnel could have a material adverse affect on Newport and/or on one of its operating partnerships. Newport has implemented a keyman insurance program and has not experienced significant attrition at the senior management level.

GENERAL ECONOMIC FACTORS

Newport's business and the businesses of each of our Operating Partnerships are subject to changes in general economic conditions including but not limited to, recessionary or inflationary trends, equity market levels, consumer credit availability, interest rates, consumers' disposable income and spending levels, job security and unemployment, and overall consumer confidence. We believe the risk from general economic factors is reduced by having a diverse source of cash flows from businesses that perform differently at different points in the cycle. We also moderate general economic factor risk by maintaining a conservative balance sheet with prudent use of debt and by investing in companies with histories of profitability through market cycles.

LIMITED CUSTOMER BASES

Each of the portfolio businesses derives a significant portion of its revenues from a limited customer base. If one or more of the significant customers of such portfolio businesses were to cease doing business with them, or significantly reduced or delayed its purchase of services, the financial condition and results of operations of such portfolio business could be materially adversely affected.

ENVIRONMENTAL LEGISLATION

Environmental matters are subject to regulation under a variety of federal, provincial, territorial, state and municipal laws relating to health and safety and the environment. Management believes that the portfolio businesses are in material compliance with applicable environmental legislations; however, regulation is subject to change and, accordingly, it is impossible to predict the costs of compliance with new laws or the effects that changes would have on the portfolio businesses or their future operations.

Among the portfolio businesses, management believes that the risk of non-compliance with environmental regulation is greatest for the businesses in the Industrial Services and Other segments.

LABOUR

The success of the Fund depends on the ability of the portfolio businesses to maintain their respective productivity and profitability. The productivity and profitability of the portfolio businesses may be limited by their ability to employ, train and retain the skilled personnel necessary to meet their respective requirements. None of the portfolio businesses can be certain that they will be able to maintain the adequate skilled labour force necessary to operate efficiently and to support their growth strategies. As well, none of the portfolio businesses can be certain that their labour expenses will not increase as a result of shortage in the supply of these skilled personnel. Labour shortages or increased labour costs could impair the ability of a portfolio business to maintain or grow its respective portfolio business.

INTEREST RATE RISK

Our credit facility is referenced to the BA and LIBOR rates. Increases in rates could negatively impact our operating results.

PROPOSED CHANGES TO THE INCOME TAX RULES

On October 31, 2006, the Department of Finance announced that income tax rules applicable to publicly traded trusts and partnerships will be significantly modified. In particular, certain income of (and distributions made by) these entities will be taxed in a manner similar to income earned by (and distributions made by) a corporation. These proposals will be effective for the 2007 taxation year with respect to trusts which commenced public trading after October 31, 2006, but the application of the rules will be delayed to the 2011 taxation year with respect to trusts which were publicly traded prior to November 1, 2006 (although the announcement suggested that this transitional relief could be lost under certain circumstances, including the "undue expansion" of an income trust). On December 21, 2006, the Department of Finance issued for public comment the draft legislation to implement these proposals. There is no assurance that the draft legislation will be enacted in the manner proposed or at all.

On December 15, 2006, the Department of Finance released guidance for income trusts and other flow-through entities that qualify for the four-year transitional relief. The guidance establishes objective tests with respect to how much an income trust is permitted to grow without jeopardizing its transitional relief. In general, the Fund will be permitted to issue new equity over the next four years equal to its market capitalization as of the end of trading on October 31, 2006 (subject to certain annual limits). Market capitalization, for these purposes, is to be measured in terms of the value of the Fund's issued and outstanding publicly-traded units. If these limits are exceeded, the Fund may lose its transitional relief and thereby become immediately subject to the proposed rules.

The Fund is considering these announcements and the possible impact of the proposed rules to the Fund and is reviewing its strategic options. The proposed rules (including the guidance released on December 15, 2006) may adversely affect the marketability of the Fund's units and the ability of the Fund to undertake financings and acquisitions, and, at such time as the proposed rules apply to the Fund, the distributable cash of the Fund may be materially reduced.

If the proposed changes to the taxation of publicly traded trusts and partnerships are enacted, this will result in the recording of future taxes at the substantively enacted tax rates in respect of temporary differences of the Fund that are expected to reverse after the date the changes take effect.

DEPENDENCE ON NPY

The Fund is an open-ended, limited purpose trust, which is, for purposes of its income, entirely dependent on NPY's interests in the Operating Partnerships. Although the Fund intends to distribute the interest on the Trust Notes and distributions on the Trust Units earned by the Fund, less expenses and amounts, if any, paid by the Fund in connection with the redemption of Fund units, there can be no assurance regarding the Fund's ability to make distributions, which remains dependent upon the ability of the Trust to pay its interest obligations under the Trust Notes and to pay distributions or other returns of capital in respect of the Trust Units, which ability, in turn, is dependent upon NPY and the operations and assets of the Operating Partnerships.

POTENTIAL FUTURE DEVELOPMENTS

Management of the Fund, in the ordinary course of business, regularly explores potential strategic opportunities and transactions. The public announcement of any of these or similar strategic opportunities or transactions might have a significant effect on the price of the Fund's securities. The Fund's policy is not to publicly disclose the pursuit of a potential strategic opportunity or transaction unless and until a definitive binding agreement is reached. There can be no assurance that investors who buy or sell securities of the Fund are doing so at a time when the Fund is not pursuing a particular strategic opportunity or transaction that, when announced, would have a significant effect on the price of the Fund's securities.

RISK FACTORS - UNITHOLDERS

UNPREDICTABILITY AND VOLATILITY OF FUND UNIT PRICE

A publicly traded income trust will not necessarily trade at values determined by reference to the underlying value of its business. The prices at which the fund units will trade cannot be predicted. The market price of the Fund units could be subject to significant fluctuations in response to variations in quarterly operating results, distributions and other factors. The annual yield on the Fund units as compared to the annual yield on other financial instruments may also influence the price of Fund units in the public trading markets. In addition, the securities markets have experienced significant price and volume fluctuations from time to time in recent years that often have been unrelated or disproportionate to the operating performance of particular issuers. These broad fluctuations may adversely affect the market price of the Fund units.

NATURE OF FUND UNITS

The Fund units are not "deposits" within the meaning of the Canada Deposit Insurance Corporation Act and are not insured under the provisions of that act of any other legislation. Furthermore, the Fund is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company. In addition, although the Fund qualifies as a "mutual fund trust" as defined in the Tax Act (as of the date hereof), the Fund is not a "mutual fund" as defined by the securities legislation.

Securities like the Fund units are hybrids in that they share certain attributes common to both equity securities and debt instruments. The Fund units do not represent debt instruments and there is no principal amount owing to Fund unitholders under the Fund units. As holders of Fund units, Fund unitholders do not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. Each Fund unit represents an equal, undivided, beneficial interest in the Fund. The Fund's principal assets are Trust Units and Trust Notes. The price per Fund unit is a function of the Fund's anticipated distributable cash at any time, which is, in turn dependent on the distributable cash distributed upstream by the Operating Partnerships.

CASH DISTRIBUTIONS

Cash distributions are not guaranteed and will fluctuate with the performance of business of the Fund. Although the Fund intends to distribute the income earned by the Fund, less expenses and amounts, if any, paid by the Fund in connection with the redemption of Fund units, there can be no assurance regarding the amounts of cash distributions distributed upstream by the Operating Partnerships and, thus, eventually available for distribution. The actual amount of distributions paid in respect of the Fund units will depend upon numerous factors, all of which are susceptible to a number of risks and other factors beyond the control of the Fund and the Operating Partnerships. Distributions are not guaranteed and will fluctuate with the performance of each of the Operating Partnerships. The Operating Partnerships, and NPY have the discretion to establish cash reserves (including regulatory capital reserves) for the proper conduct of their business. Adding to these reserves (including regulatory capital reserves) in any year would reduce the amount of distributable cash and, hence, of cash available for distributions by the Fund.

RESTRICTIONS ON POTENTIAL GROWTH

The payout by the Operating Partnerships of a high proportion of their operating cash flow will make additional capital and operating expenditures somewhat dependent on increased cash flow or additional financing in the future. Lack of those funds could limit the future growth of the Operating Partnerships and their cash flow.

LIMITATION ON NON-RESIDENT OWNERSHIP

The Fund Declaration of Trust imposes various restrictions on Fund unitholders. Non-resident (as defined in the Fund Declaration of Trust) Fund unitholders are prohibited from beneficially owning more than 45% of Fund units (on a non-diluted and fully diluted basis). These restrictions may limit (or inhibit the exercise of) the rights of certain Persons (as defined in the Fund Declaration of Trust), including Non-residents, to acquire Fund units, to exercise their rights as Fund unitholders and to initiate and complete take-over bids in respect of the Fund units. As a result, these restrictions may limit the demand for the Fund units from certain Fund unitholders and thereby adversely affect the liquidity and market value of the Fund units held by the public.

INVESTMENT ELIGIBILITY

There can be no assurance that the Fund units will continue to be qualified investments for registered retirement savings plans, deferred profit sharing plans, registered retirement income funds and registered education savings plans under the Tax Act. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments.

INCOME TAX MATTERS

There can be no assurance that Canadian federal income tax laws and administrative policies respecting the treatment of mutual fund trusts will not be changed in a manner, which adversely affects Fund unitholders.

Currently, a trust will not be considered to be a mutual fund trust if it is established or maintained primarily for the benefit of non-residents unless all or substantially all of its property is other than taxable Canadian property as defined in the Tax Act. On September 16, 2004, the Minister of Finance released draft amendments to the Tax Act. Under the draft amendments, a trust would lose its status as a mutual fund trust if the aggregate fair market value of all units issued by the trust held by one or more non-resident persons or partnerships that are not Canadian partnerships is more than 50% of the aggregate fair market value of all the units issued by the trust where more than 10% (based on fair market value) of the trust's property is taxable Canadian property or certain other types of property. If the draft amendments are enacted as proposed, and if, at any time more than 50% of the aggregate fair market value of the Fund units were held by non-residents and partnerships other than Canadian partnerships, the Fund may lose its mutual fund trust status. On December 6, 2004, the Department of Finance tabled a Notice of Ways and Means Motion, which did not include these proposed changes. The Department of Finance indicated that the implementation of the proposed changes would be suspended pending further consultation with interested parties.

Individual business risks are outlined in our AIF – a copy of which is available
for download from our website www.newportpartners.ca and on SEDAR www.sedar.com

DISCLOSURE CONTROLS & PROCEDURES

Our disclosure controls and procedures are designed to provide reasonable assurance that all relevant information required to be disclosed by us is recorded, processed, summarized and reported within the time periods specified in the securities legislation so that the information is accumulated and communicated to the management, including the President, CEO and CFO, to allow timely decisions regarding required disclosure. Based on an evaluation of the Newport's disclosure controls and procedures, Newport's President and CEO and CFO have concluded that these disclosures controls and procedures operated effectively as at December 31, 2006 to ensure that all material information relating to Newport has been made known to them.

Internal control over financial reporting, designed by management, has the objective of providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP. No changes were made to our internal control over financial reporting for the most recent interim period ended December 31, 2006, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ADDITIONAL INFORMATION

Additional information relating to the Fund, including the AIF, is on SEDAR at www.sedar.com

DEFINITIONS

"Adeo" - Adeo Communications Corporation
"AIF" – Annual Information Form
"Armstrong" - Armstrong Partnership LP
"a.u.m." - Assets Under Management
"Brompton" - Brompton Funds LP
"Capital C" - Capital C Communications LP and Kenna Group LP
"CEO" – Chief Executive Officer
"CICA" - Canadian Institute of Chartered Accountants
"CFO" – Chief Financial Officer
"DDTL" – Delayed-draw Term Loan
"ESR" - Elliott Special Risks LP
"EZEE" - Ezee ATM LP/On-site LP
"Fortress" – Fortress Credit Corp.
"GAAP" - generally accepted accounting principles
"Gemma" - Gemma Communications LP
"Gusgo" - Gusgo Transport LP
"Hargraft" - Hargraft Schofield LP
"IC Group" - IC Group LP
"IPO" - Initial Public Offering
"IRR" – Internal Rate of Return
"Kenna" - Kenna Group LP
"Lead Director" – Newport principal responsible for liaison with the operating partner
"LTM" – Last Twelve Months
"MD&A" - Management's Discussion and Analysis
"Morrison Williams" - Morrison Williams Investment Management LP
"Murray" - Murray Demolition LP
"NCIB" – Normal Course Issuer Bid
"NP LP" - Newport Partners LP
"NPC" - NPC Integrity Energy Services Limited Partnership
"Newport" or "the Fund" - Newport Partners Income Fund
"NPY" - Newport Private Yield LP
"Operating Partnerships" – businesses in which Newport holds an ownership interest
"Peerless" - Peerless Garments LP
"Quantum" – Quantum Environmental Group Inc.
"Quantum Murray" – Quantum Murray LP
"RGC" - Redmond Group of Companies LP (formerly Jutan Limited Partnership)
"RLogistics" – RLogistics LP
"S&E" - Sports and Entertainment Limited Partnership
"Skystone" - Skystone International LP
"SW" – SW International Ltd.
"Tax Act" – the Income Tax Act (Canada) as may be amended from time to time
"Titan" - Titan Supply LP
"TRM" – TRM Corp.
"Trust" – Newport Partners Commercial Trust
"TSX" – Toronto Stock Exchange
"Waydex" - Waydex Services Inc.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements of Newport Partners Income Fund and all of the information in the annual report are the responsibility of Management, including responsibility for establishing and maintaining disclosure controls and procedures to provide reasonable assurance that the information used internally by management and disclosed externally is complete and reliable in all material respects. Management has evaluated the effectiveness of the disclosure controls and procedures and has concluded that they are effective.

The Consolidated Financial Statements have been prepared by management in accordance with GAAP and include certain estimates that are based on management's best judgments. Actual results may differ from these estimates and judgments. Management has ensured that the Consolidated Financial Statements are presented fairly in all material respects.

Management has developed and maintains a system of internal controls to provide reasonable assurance that Newport's assets are safeguarded, transactions are accurately recorded and the financial statements report Newport's operating and financial results in a timely manner. Financial information presented elsewhere in the annual report has been prepared on a consistent basis with that in the Consolidated Financial Statements.

The Board of Trustees of Newport annually appoints an audit committee comprised of Independent Trustees and members who are not employees of Newport. This committee meets regularly with management and the auditors to review significant accounting, reporting and internal control matters. The auditors have unrestricted access to the audit committee. The audit committee reviews the financial statements, the external auditors' report and the annual report. The Audit Committee reports its findings to the Board of Trustees for the Trustee's consideration in approving the financial statements for issuance to the Unitholders. The Audit Committee also considers, for review by the Board of Trustees and approval by the Unitholders, the engagement or re-appointment of the external auditors.

KPMG LLP, an independent firm of chartered accountants, was appointed to audit Newport's Consolidated Financial Statements in accordance with Canadian generally accepted auditing standards. They have provided an independent professional opinion. KPMG LLP has full and free access to the Audit Committee.

Peter Wallace,
President & CEO

Kelly Baird,
Chief Financial Officer

Toronto, Canada
March 29, 2007

KPMG LLP
Chartered Accountants
Yonge Corporate Centre
4100 Yonge Street, Suite 200
North York, ON M2P 2H3

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Telefax (416) 228-7123
www.kpmg.ca

AUDITORS' REPORT

To the Trustees of Newport Partners Income Fund

We have audited the consolidated balance sheets of Newport Partners Income Fund (the "Fund") as at December 31, 2006 and 2005 and the consolidated statement of operations, unitholders' equity and changes in financial position for the year ended December 31, 2006 and the results of its operations, unitholders' equity and changes in financial position for the period August 8, 2005 (date of commencement of operations) to December 31, 2005. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 Fund as at December 31, 2006 and 2005 and the results of its operations, unitholders equity and its changes in financial position for the year ended December 31, 2006 and the results of its operations, unitholders' equity and changes in financial position for the period August 8, 2005 (date of commencement of operations) to December 31, 2005 in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Toronto, Canada

March 27, 2007

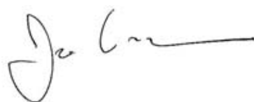
NEWPORT PARTNERS INCOME FUND

Consolidated Balance Sheets
(In thousands of dollars)

	December 31, 2006	December 31, 2005
Assets		
Current assets:		
Cash and cash equivalents (note 20)	$ 61,643	$ 25,278
Accounts receivable (note 15 (c))	101,266	65,443
Inventories	33,253	1,970
Prepaid expenses	2,555	1,543
Other current assets (note 7)	13,790	6,587
Current assets of discontinued operations (note 5)	68,969	82,434
	281,476	183,255
Property, plant and equipment (note 2)	23,706	15,427
Long-term investments (note 3)	47,001	42,154
Goodwill (note 4)	253,344	215,021
Intangible assets (note 6)	265,390	180,931
Other assets (note 7)	9,029	4,971
Long-lived assets of discontinued operations (note 5)	14,403	73,345
	$ 894,349	$ 715,104
Liabilities and Partners' Equity		
Current liabilities:		
Revolving credit facility (note 8)	$ 5,000	$ -
Accounts payable and accrued liabilities	84,737	54,807
Deferred revenue	7,465	4,112
Current portion of obligations under capital leases (note 10)	4,122	2,729
Current portion of long-term debt (note 8)	-	35
Current liabilities of discontinued operations (note 5)	54,372	66,126
	155,696	127,809
Obligations under capital leases (note 10)	3,943	3,082
Long-term debt (note 8)	170,000	-
Future tax liability (note 17)	2,505	2,044
Non-controlling interest	176,196	259,090
Convertible debenture (note 16)	83,970	84,339
Unitholders' equity (note 11)	302,039	238,740
Commitments and contingencies (note 21)		
Subsequent events (notes 5 and 24)		
	$ 894,349	$ 715,104

See accompanying notes to consolidated financial statements.

On behalf of the Trustees of the fund



John K. Bell
Trustee

Paul Beeston
Trustee

NEWPORT PARTNERS INCOME FUND

Consolidated Statements of Income

(In thousands of dollars, except per unit amounts)

	Year ended December 31, 2006	For the period from August 8, 2005 (date of commencement of operations) to December 31, 2005
Revenue	$ 366,102	$ 88,858
Cost of revenue	243,139	58,336
	122,963	30,522
Expenses		
Selling, general and administrative	59,864	16,381
Amortization of deferred financing charges	3,506	123
Amortization of intangible assets	26,952	7,852
Depreciation	6,475	1,446
	96,797	25,802
Income before the undernoted	26,166	4,720
Income from equity investments	3,341	1,136
Other income	1,693	146
Interest expense (note 9)	10,493	1,001
Income before income taxes	20,707	5,001
Income tax expense - current	96	-
Income from continuing operations before non-controlling interest	20,611	5,001
Non-controlling interest relating to continuing operations	(9,303)	(3,468)
Income from continuing operations	11,308	1,533
Income (loss) from discontinued operations before non-controlling interest (note 5)	(63,253)	4,956
Non-controlling interest relating to discontinued operations	28,600	(3,437)
Income (loss) from discontinued operations	(34,653)	1,519
Income (loss)	$ (23,345)	$ 3,052
Income (loss) per unit (note 13)		
Basic and diluted:		
Continuing operations	$ 0.34	$ 0.06
Discontinued operations	(1.03)	0.06
Net income (loss)	(0.69)	0.12

See accompanying notes to consolidated financial statements.

NEWPORT PARTNERS INCOME FUND

Consolidated Statements of Unitholders' Equity
(In thousands of dollars, except per unit amounts)

	Units	For the period from August 8, 2005 (date of commencement of operations) to December 31, 2005
Issued on initial public offering	21,300,000	$ 200,753
Issued on exercise of over allotment option	1,350,000	12,723
Issued on exchange for A2 units of Newport Private Yield LP	3,116,036	31,089
	25,766,036	244,565
Income for the period		3,052
Distributions		(9,546)
		238,071
Equity component of convertible debenture		669
Unitholders' Equity at December 31, 2005	25,766,036	$ 238,740

	Units	Year ended December 31, 2006
Unitholders' Equity at January 1, 2006, before equity component of convertible debenture	25,766,036	$ 238,071
Issued on exchange for A2 units of Newport Private Yield LP (note 4)	5,309,898	48,470
Issue of new units	8,155,000	71,275
Convertible debenture conversion	52,631	495
Loss for the period		(23,345)
Distributions		(33,591)
		301,375
Equity component of convertible debenture		664
Unitholders' Equity at December 31, 2006	39,283,565	$ 302,039

NEWPORT PARTNERS INCOME FUND

Consolidated Statements of Changes in Financial Position
(In thousands of dollars)

	Year ended December 31, 2006	For the period from August 8, 2005 (date of commencement of operations) to December 31, 2005
Cash provided by (used in):		
Operating activities:		
Income (loss) for the year	$ (23,345)	$ 3,052
Items not affecting cash:		
Income (loss) from discontinued operations	63,253	(4,956)
Amortization of deferred financing charges	3,506	123
Amortization of intangible assets	26,952	7,852
Depreciation	6,475	1,446
Income from equity investments, net of cash received	2,036	475
Non-cash compensation expense	2,034	1,029
Non-controlling interest	(19,297)	6,905
Changes in non-cash working capital (note 19)	(11,049)	(21,829)
Cash provided by (used in) discontinued operations	2,988	(314)
	53,553	(6,217)
Financing activities:		
Issuance of partnership units, net of costs	71,275	213,476
Issuance of convertible units, net of costs	-	81,298
Distributions to unitholders	(32,429)	(7,506)
Distributions to non-controlling interest	(33,818)	(11,201)
Decrease in bank indebtedness	(26,342)	(11,184)
Increase in long term debt	169,965	1,231
Repayment of capital lease obligations	(3,009)	(517)
Cash provided by (used in) discontinued operations	(1,642)	1,829
	144,000	267,426
Investing activities:		
Acquisition of businesses, net of cash acquired	(142,328)	(215,496)
Increase in other assets	(7,564)	-
Purchase of long-term investments	(6,914)	(1,465)
Purchase of intangible assets	-	(705)
Purchase of property, plant and equipment	(3,035)	(1,380)
Cash used in discontinued operations	(1,347)	(16,885)
	(161,188)	(235,931)
Increase in cash and cash equivalents	36,365	25,278
Cash and cash equivalents, beginning of year	25,278	-
Cash and cash equivalents, end of year	$ 61,643	$ 25,278
Supplemental cash flow information:		
Interest paid	$ 7,456	$ 1,058
Cash acquired upon acquisition	8,565	17,072
Supplemental disclosure of non-cash financial and investing activities:		
Acquisition of property, plant and equipment through capital leases	3,518	1,021

See accompanying notes to consolidated financial statements.

Newport Partners Income Fund ("Newport") is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario pursuant to a declaration of trust dated May 13, 2005 (the "Declaration of Trust").

Newport has been created to hold, through Newport's investment in Newport Partners Commercial Trust (the "Commercial Trust"), interests in Newport Private Yield LP ("NPY"), and its general partner, NPY GP Trust. NPY is a limited partnership formed to invest in securities of private businesses, either in limited partnerships or in corporations (collectively the "Operating Partnerships") and distribute the available cash flows to the limited partners. The operations of NPY are in the following business segments:

- financial services;
- marketing;
- industrial services;
- distribution (note 5);
- other; and
- corporate.

On July 28, 2005, a prospectus was filed for Newport for the issuance of 21,300,000 trust units. The initial public offering was completed on August 8, 2005 (the "Closing"). Subsequent to the Closing the over-allotment option was exercised, and a further 1,350,000 trust units were issued for a total of 22,650,000 units (together with the initial 21,300,000 trust units issued, the "Offering"). With the proceeds of the offering Newport acquired A1 LP units of NPY, and after the exchange of certain A2 LP units to A1 LP units, Newport indirectly holds, through Commercial Trust, all of the A1 LP Units of NPY, representing approximately 53% of the outstanding LP units.

1. Significant accounting policies

(a) Basis of presentation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Newport controls NPY through its 100% indirect ownership of the general partner of NPY, NPY GP Trust, and also has the continuing right to appoint all of the Board of Directors of the general partner of NPY, and therefore accounts for its interest as the controlling unitholder and uses the purchase method of accounting. The consolidated financial statements include 100% of NPY and the non-controlling interest represents 47% of NPY. The consolidated financial statements of NPY include NPY's 100% owned subsidiaries and investments in jointly controlled operations on a proportionate consolidation basis.

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

Under the proportionate consolidation method, NPY's share of assets, liabilities, revenue and expenses are included in each major financial statement caption from the date of purchase. All intercompany balances and transactions are eliminated upon consolidation.

The Company accounts for its investments in which it has significant influence under the equity basis.

The following table indicates the accounting method for each of the Operating Partnerships as at December 31, 2006. NPY invested in all Operating Partnerships together with their respective general partner.

Operating Partnership	Investment Date	% Ownership	Accounting Method	Business Description
On-Site LP ("On-Site")	March 2004	100	Consolidation	Automated teller machines ("ATMs") provider
Ezee ATM LP ("EZEE")	January 2005	100	Consolidation	Full-service provider of ATMs
Newport Partners LP ("NP LP")	August 2005	100	Consolidation	Individual and corporate wealth management services
Sports and Entertainment LP ("S&E")	August 2005	80	Proportionate consolidation	Alternative advertising company
NPC Integrity Energy Services LP ("NPC")	August 2005	80	Proportionate consolidation	Mid-stream production services provider to the energy industry
Gemma Communications LP ("Gemma")	March 2005	80	Proportionate consolidation	Integrated direct marketing company
Elliott Special Risks LP ("ESR")	August 2005	80	Proportionate consolidation	Managing general agent for commercial liability insurance
Morrison Williams Investment Management LP ("Morrison Williams")	August 2005	80	Proportionate consolidation	Institutional money manager
Capital C Communications LP ("Capital C")	August 2005	67	Proportionate consolidation	Integrated marketing services agency
Murray Demolition LP ("Murray")	March 2006	80	Proportionate consolidation	Demolition contract services provider

Operating Partnership	Investment Date	% Ownership	Accounting Method	Business Description
Hargraft Schofield LP ("Hargraft")	April 2006	75	Proportionate consolidation	Speciality liability products insurance brokers
Peerless Garments LP ("Peerless")	June 2006	90	Proportionate consolidation	Manufacturer of protective outerwear
IC Group LP ("IC Group")	July 2006	80	Proportionate consolidation	Provider of inter-active promotional solutions
Titan Supply LP ("Titan")	September 2006	88	Proportionate consolidation	Distributor and manufacturer of heavy industrial equipment
Armstrong Partnership LP ("Armstrong")	October 2006	80	Proportionate consolidation	Promotional marketing service provider
Gusgo Transport LP ("Gusgo")	October 2006	80	Proportionate consolidation	Transportation and storage services provider

(b) Inventories

Inventories are stated at the lower of cost, determined on either a first-in first-out basis or average cost basis, and net realizable value. Inventories of ATMs are carried at the lower of average cost and net realizable value. The cost of distribution inventory is determined on a weighted average cost basis. Raw materials and supplies are valued at the lower of cost and replacement cost.

(c) Property, plant and equipment

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

Depreciation is calculated using the following methods and annual rates based on the estimated useful life of the assets as follows:

Asset	Basis	Rate
Equipment under capital lease	Straight line	Term of lease
Buildings	Declining balance	4% and 5%
Automotive and heavy equipment	Mainly declining balance	30% - 40%
Furniture and equipment	Mainly declining balance	14% - 40%
ATMs	Declining balance	20% - 30%
Computer hardware and software	Mainly declining balance	20% - 100%
Leasehold improvements	Straight line	Term of the lease

(d) Costs incurred to develop computer software for internal use

Costs incurred in connection with developing or obtaining internal use software are capitalized and are included in 'Property, plant and equipment' under the caption 'Computer hardware and software'.

(e) Long-term investments

Investments over which Newport is able to exercise significant influence are accounted for under the equity method. Under the equity method, the original cost of investment is adjusted for Newport's share of post-acquisition earnings or losses, less distributions in the case of investments in partnerships and dividends in the case of investments in companies.

Investments are written down when there is evidence that a decline in value that is other than temporary has occurred.

(f) Impairment of long-lived assets

Long-lived assets, including property, plant and equipment and intangible assets with finite useful lives, are amortized over their useful lives. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are separately presented in the consolidated balance sheets and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposal group classified as held for sale have been presented separately in the appropriate asset and liability sections of the consolidated balance sheets.

(g) Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values. When Newport enters into a business combination, the purchase method of accounting is used. Goodwill is assigned as of the date of the business combination to reporting units that are expected to benefit from the business combination.

Goodwill is not amortized and is tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case, the implied fair value of the reporting unit's goodwill, determined in the same manner as the value of goodwill is determined in a business combination, is compared with its carrying amount to measure the amount of the impairment loss, if any.

(h) Intangible assets

Intangible assets acquired individually or as part of a group of other assets are recognized and measured at cost. Intangible assets acquired in a transaction, including those acquired in business combinations, are recorded at their fair value. Intangible assets with determinable useful lives, such as customer relationships/contracts, ATM location contracts, management contracts, distribution licences, intellectual property and non-competition agreements are amortized over their useful lives and are tested for impairment, as described in note 1(f). Intangible assets having an indefinite life, such as brands, are not amortized but instead are tested for impairment on an annual or more frequent basis by comparing their fair value with book value. An impairment loss on indefinite life intangible assets is recognized when the carrying amount of the asset exceeds its fair value.

Intangible assets with determinable lives are amortized on a straight line basis annually over their estimated useful lives as follows:

Customer relationships/contracts	5 - 10 years
ATM location contracts	4 - 5 years
Management contracts	5 years
Distribution licences	5 years
Intellectual property	1 year
Non-competition agreements	term of contract

(i) Revenue recognition

(i) Financial services

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

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

Revenue from ATM operations includes surcharge fees charged to the cardholder when cash is dispensed, and interchange fees, which are the fees charged to the financial institution for the administrative service of agreeing to pay cash to the cardholder. These fees are recognized pursuant to written contracts in the period that the cash dispensing transaction occurs. Revenue from the sale of ATMs is recognized when the machines have been delivered and title has passed to the customer and the customer assumes risk of loss, collection of the relevant receivable is probable and the sales price is fixed or determinable.

(ii) Marketing

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

(iii) Industrial services

Industrial services revenue includes revenue from contracts entered into to provide mid-stream production and maintenance services to the energy industry and from contracts to provide demolition and ancillary services. Revenue from such contracts is recognized as services are performed and related costs are incurred. Provisions for estimated losses on all uncompleted contracts are made in the period in which such losses are determined.

(iv) Distribution

Distribution revenue includes revenue generated from the import and distribution of electronic and household products which is recognized when goods are delivered and title has passed to the customer and the customer assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable, net of estimated returns, discounts and other allowances. Sales, provisions for estimated sales returns and the costs of products sold are recorded at the time of shipment.

(v) Other

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

Revenue contributed by the garment manufacturer is recognized on the percentage-of-completion method for long-term contracts. The completed contract method is used on short term contracts.

All other revenue is recognized when the service has been completed.

(j) Foreign currency translation

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

(k) Income taxes

Under the terms of the Income Tax Act (Canada), Newport, as a trust, will not be subject to income taxes to the extent that its taxable income and taxable capital gains are paid or payable to a unitholder. Any provision for income taxes relates to the corporate subsidiaries of Newport. In addition, Newport is contractually committed to distribute to its unitholders all or virtually all of its taxable income and taxable capital gains that would otherwise be taxable to it. Newport intends to continue not to be subject to income taxes.

No provision has been made in the accounts for income taxes with respect to the Operating Partnerships as they are not taxable entities and the reporting of income for tax purposes is the responsibility of each of the limited partners to the extent that allocations are made by NPY to the limited partners.

Income taxes of corporate subsidiaries are accounted for under the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that enactment or substantive enactment occurs.

Income tax obligations related to the distributions of Newport are the obligations of the unitholders.

(l) Leases

Leases entered into by NPY as lessee that transfer substantially all the benefits and risks of ownership to the lessee are recorded as capital leases and included in property, plant and equipment and long-term debt. All other leases are classified as operating leases under which leasing costs are recorded as expenses in the period in which they are incurred.

(m) Income (loss) per unit

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

excludes distributions. Convertible units and restricted units described in note 12 are included in the computation of diluted income (loss) per unit. For the years ended December 31, 2006 and 2005 disclosure of diluted income (loss) per unit is not applicable as the restricted units are anti-dilutive.

The diluted effect of convertible debentures is computed by the application of the "if converted" method. The "if converted" method assumes conversion of convertible securities at the beginning of the reporting period or at time of issuance, if later.

(n) Cash and cash equivalents

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

(o) Deferred financing charges

Financing costs incurred with respect to obtaining financing are deferred and amortized on a straight-line basis over the term of the related financing, which vary from three to five years in length.

(p) Non-controlling interest

Non-controlling interest represents the exchangeable shares issued by NPY which are exchangeable for units of Newport. Non-controlling interest on the consolidated balance sheet is recognized based on either the fair value or the carrying value of the exchangeable shares on issuance together with a portion of Newport's accumulated earnings or loss attributable to the non-controlling interest subsequent to their issuance. Net income or loss is reduced for the portion of earnings attributable to the non-controlling interest. As the exchangeable shares are converted to Newport units, the non-controlling interest on the consolidated balance sheet is reduced on a pro-rata basis together with a corresponding increase in unitholders' equity for units which are recognized at fair value and for units which are recorded at carrying value the conversions are accounted for using step acquisition accounting, as their conversion would represent the acquisition of the non-controlling interest for fair value.

(q) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the periods. Significant items subject to such estimates and assumptions include the carrying amount of property, plant and equipment, accrued liabilities, intangible assets and goodwill, and valuation allowances for receivables and inventories.

2. Property, plant and equipment

December 31, 2006	Cost	Accumulated Depreciation	Net Book Value
Equipment under capital lease	$ 11,367	$ 3,054	$ 8,313
Furniture and equipment	6,003	2,164	3,839
Computer hardware and software	5,964	2,476	3,488
Automotive and heavy equipment	4,212	1,346	2,866
Land and buildings	3,266	664	2,602
Leasehold improvements	2,480	659	1,821
ATMs	1,202	425	777
	$ 34,494	$ 10,788	$ 23,706

December 31, 2005	Cost	Accumulated Depreciation	Net Book Value
Equipment under capital lease	$ 5,993	$ 615	$ 5,378
Furniture and equipment	3,839	240	3,599
Computer hardware and software	2,197	308	1,889
Automotive and heavy equipment	1,424	60	1,364
Land and buildings	1,275	-	1,275
Leasehold improvements	1,327	65	1,262
ATMs	725	65	660
	$ 16,780	$ 1,353	$ 15,427

3. Long-term investments

	December 31,2006	December 31,2005
Investments in:		
Brompton	$ 39,548	$ 41,795
RLogistics	7,026	-
Other	427	359
	$ 47,001	$ 42,154

On August 8, 2005, NPY acquired a 45% equity interest in Brompton Funds LP (together with its general partner BFGP Limited, collectively referred to as "Brompton") for $42,270 including costs of $112. The acquisition was payable by way of issue of 3,372,692 A2 LP units and 843,173 B2 LP units respectively. Brompton is a manager of public and private investment funds. The estimated fair values of the underlying assets acquired are as follows:

Goodwill	$ 20,783
Intangible assets, primarily customer relationships	21,487
	$ 42,270

The amortization of the intangible assets was $2,036 (2005 - $708).

On May 1, 2006, Redmond Group of Companies ("RGC") (formerly Jutan Limited Partnership) acquired a 45% interest in RLogistics LP ("RLogistics") for $8,500 (see note 4). RLogistics is a reverse logistics provider.

4. Business combinations

On June 6, 2006, Newport increased its interest in NPY by acquiring an additional 6% interest for $34,915, net of cash retained of $36,360. The investment amount exceeded the share of net assets of NPY acquired by $8,479 and this amount has been recorded as goodwill in these consolidated financial statements.

In addition, the following investments made by NPY during the year ended December 31, 2006 were accounted for using the purchase method, and the results of the operations have been included in NPY's consolidated financial statements since the date of investment. The preliminary estimated fair values of the assets acquired and liabilities assumed for each of the investments are as follows:

Year ended December 31, 2006	NPY	(a) Murray	(b) Waydex	(c) Hargraft	(d) Domotec	(e) Peerless	(f) IC Group	(g) Titan	(h) Armstrong	(i) Gusgo	(j) Adeo	Total
Date of investment	June 6	March 16	January 25	April 28	May 5	June 20	July 26	September 1	October 4	October 25	December 28	
Percentage acquired	6%	80.0%	32.0%	75.3%	100%	90.0%	80.0%	87.9%	80.0%	80.%	67.1%	
Accounting method	(2)	(1)	(1)	(1)	(2)	(1)	(1)	(1)	(1)	(1)	(1)	
	$	$	$	$	$	$	$	$	$	$	$	$
Assets acquired:												
Current assets	10,961	13,945	962	6,765	102	20,993	2,554	21,060	2,235	213	168	79,958
Property, plant and equipment	1,274	3,273	346	118	5	970	366	1,835	518	722	47	9,474
Long-term assets	3,370	-	-	-	-	-	-	-	-	-	-	3,370
Goodwill	21,716	4,495	39	2,676	-	1,225	3,002	6,225	6,331	4,368	128	50,205
Intangible assets	14,415	21,005	767	14,212	405	29,805	5,048	20,266	12,991	7,579	633	127,126
	51,736	42,718	2,114	23,771	512	52,993	10,970	49,386	22,075	12,882	976	270,133
Liabilities assumed:												
Current liabilities	11,252	10,611	810	7,615	4	16,778	2,770	23,779	1,875	18	-	75,512
Long-term liabilities	5,569	913	334	-	-	-	-	-	-	-	-	6,816
	16,821	11,524	1,144	7,615	4	16,778	2,770	23,779	1,875	18	-	82,328
Net assets acquired:	34,915	31,194	970	16,156	508	36,215	8,200	25,607	20,200	12,864	976	187,805
Consideration:												
Cash	34,915	28,494	931	15,956	508	36,000	8,000	25,202	16,000	9,524	976	176,506
Units issued	-	2,000	-	-	-	-	-	-	4,000	3,000	-	9,000
Transaction costs	-	700	39	200	-	215	200	405	200	340	-	2,299
	34,915	31,194	970	16,156	508	36,215	8,200	25,607	20,200	12,864	976	187,805

(1) Proportionate consolidation
(2) Consolidation

The purchase price allocations reflect management's best estimate at the time of preparing these consolidated financial statements and are subject to refinement.

(a) Murray

On March 16, 2006, Murray Demolition Corporation sold substantially all of its assets to Murray and NPY invested in 80% of the limited partnership units of Murray for $30,494, payable by way of issue of 204,291 A2 limited partnership units based on the average volume weighted trading value of Newport and $28,494 in cash. Murray is a provider of demolition contract services.

(b) Waydex Services Inc. ("Waydex")

On January 25, 2006, NPY invested $2,514 in NPC to fund NPC's direct investment in Waydex. NPC invested in 40% of the common shares of Waydex for $2,011. NPY's ownership is 32%. The cost of this investment was subsequently reduced by $847 representing amounts received by NPC relating to the period prior to the investment. NPY's ownership interest in NPC did not change from 80%, and the 20% share of this investment by NPY, being $503, has been accounted for as goodwill in these consolidated financial statements. Waydex is an oil and gas services provider.

(c) Hargraft

On April 28, 2006, Newport invested $15,956 in cash for an 80% interest in the business of Hargraft, an insurance broker selling specialized liability products for commercial clients and high-net-worth individuals.

Immediately following closing, Hargraft acquired all of the shares of Hargraft Schofield Benefits Inc. ("Hargraft Benefits") for a combination of cash and units of Hargraft with a maximum value of $2,250, subject to reduction if certain financial performance thresholds are not achieved. The issue of units of Hargraft to the vendors of the shares of Hargraft Benefits diluted NPY's interest in Hargraft to 75.34%. Once the financial performance of Hargraft Benefits has been determined in June 2007, NPY will acquire the units of Hargraft issued to the vendors of the shares of Hargraft Benefits, increasing its interest in Hargraft back to 80%.

(d) Les Systemes Domotec Inc. ("Domotec")

On May 5, 2006, NPY increased its invested capital in EZEE to allow it to acquire all of the shares of Domotec for cash consideration of $508. Domotec is a full-service provider of ATMs.

(e) Peerless

On June 20, 2006, Peerless Garments Ltd. sold substantially all of its assets to Peerless and NPY invested in 90% of the limited partnership units of Peerless for $36,000 in cash. Peerless is a manufacturer of protective outerwear.

(f) IC Group

On July 26, 2006, IC Group Inc. sold substantially all of its assets to IC Group and NPY invested in 80% of the limited partnership units of IC Group for $8,000 in cash. IC Group is a provider of interactive promotional solutions. In addition Newport will pay IC Group an additional earn-out amount equal to 3.2 times the amount by which average annual distributable cash flow over the three year period following closing exceeds $2,000. The earn-out amount is not reflected in the financial statements as the future amount cannot be determined.

(g) Titan

On September 1, 2006, Titan Supply Inc. sold substantially all of its assets to Titan and NPY invested in 88% of the limited partnership units of Titan for $25,202 in cash. In addition, NPY loaned $10,000 to allow Titan to discharge certain debt and obligations. Titan is a distributor and manufacturer of heavy industrial equipment.

(h) Armstrong

On October 4, 2006, Armstrong Partnership Ltd. sold substantially all of its assets to Armstrong and NPY invested in 80% of the limited partnership units of Armstrong for $20,000, comprising cash of $16,000 and units of NPY with a value of $4,000 (576,784 A2 limited partnership units). Armstrong is a provider of promotional marketing solutions.

(i) Gusgo

On October 25, 2006, NPY invested $9,524 in cash and issued units in NPY with a value of $3,000 (421,233 A2 limited partnership units) to acquire 80% of the limited partnership units of Gusgo. Gusgo is a container transportation services provider.

(j) Adeo Communications Corporation ("Adeo")

On December 28, 2006, NPY increased its investment in Capital C by $1,455 to allow Capital C to acquire 100% interest in Adeo for $1,455. Adeo is a digital promotions marketing agency specializing in e-business. NPY's ownership interest in Capital C did not change from 67%, and the 33% share of the investment by NPY, being $478, has been accounted for as goodwill in these consolidated financial statements.

NPY's acquisition of On-Site in 2004 included contingent consideration payable in the form of a maximum of 232,760 Class A2 NPY units which were placed in escrow. On April 3, 2006, 207,223 units were released from escrow pursuant to a calculation relating to the earnings performance of On-Site for the two years ended March 3, 2006. The balance of units held in escrow have been cancelled. The value assigned to the units released is $2,116 and has been added to the cost of the On-Site investment, and has been recorded as goodwill in these consolidated financial statements.

The consideration for the purchase in August 2005 of a 55% interest in S&E included 320,045 NPY B3 limited partnership units. As there are conditions to the release of these units, the determination of which is unknown, these units are treated as contingent consideration, and the goodwill on this investment has been reduced by $3,200.

In addition, on May 1, 2006, NPY increased its investment in RGC by $10,000 to allow RGC to acquire a 45% interest in a reverse logistics provider for $8,500 and to use the balance to provide working capital funds. NPY's ownership interest in RGC did not change from 80%, and the 20% share of the investment by NPY, being $2,000 has been accounted for as goodwill in these consolidated financial statements.

In May 2006, NPY reorganized its 80% and 50% interests in Capital C and Kenna respectively by creating a new LP into which 100% of each of these businesses were transformed. NPY now owns 67% of this new entity and has accounted for this transaction as a continuity of interests.

For the period August 8, 2005 to December 31, 2005

On August 8, 2005, Newport acquired a 35.1% interest in NPY for $213,476. Newport controls NPY through its 100% indirect ownership of the general partner of NPY, NPY GP Trust, and also has the continuing right to appoint all of the Board of Directors of the general partner of NPY, and therefore has accounted for its interest as the controlling unitholder, using the purchase method of accounting. In October 2005, through the exchange of A2 LP units of NPY into trust units, Newport increased its ownership interest in NPY to 39.9%.

On September 13, 2005, Kenna Group Inc. sold substantially all of its assets to Kenna and NPY purchased 50% of the limited partnership units of Kenna for cash of $9,164. Kenna is a provider of automated marketing solutions.

During 2005, NPY also completed the following investments indirectly through RGC and NPC respectively.

On September 30, 2005, NPY invested $17,000 in RGC to fund its acquisition of certain assets of Sonigem Products Inc ("Sonigem"). This additional investment did not result in a change in NPY's ownership interest of 80% in RGC. The 20% share of this investment, being $3,400, has been accounted for as goodwill by NPY in its financial statements. From the $17,000 investment by NPY, RGC used $16,715 to purchase Sonigem and to fund additional working capital requirements of Sonigem. Sonigem is a marketer and distributor of consumer audio and video electronics (note 5).

Subsequent to August 7, 2005, NPC acquired all of the operations of three regional oil and gas service companies located in Alberta. These investments were completed by NPC of which NPY has an 80% interest. In November 2005, NPC acquired McConnell Welding & Construction LP, and in December 2005 acquired Jenpai Oilfield Services Ltd., and the assets of Polar Facilities Ltd. These investments were completed by NPC for a total of $8,958. The latter three investments were funded primarily through an equity investment in NPC by NPY. NPY's ownership interest did not change from 80%, and the 20% share of this investment, being $1,772, has been accounted for as goodwill of NPY it its financial statements.

The purchase price was allocated to the net identifiable assets acquired on the basis of their fair values as follows:

	NPY	Kenna	Other	Total
Assets Acquired:				
Current assets	$ 39,584	$ 1,219	$ 11,333	$ 52,136
Property, plant and equipment	5,031	773	1,471	7,275
Long-term investments	14,989	-	-	14,989
Goodwill	122,822	-	5,206	128,028
Intangible assets	69,856	8,002	12,098	89,956
Other assets	236	-	-	236
	252,518	9,994	30,108	292,620
Liabilities Assumed:				
Current liabilities	36,593	830	4,367	41,790
Long-term liabilities	2,449	-	68	2,517
	39,042	830	4,435	44,307
Net assets acquired	213,476	9,164	25,673	248,313
Cash consideration	$ 213,476	$ 9,164	$ 25,673	$ 248,313

5. Discontinued operations

Management of Newport, and the principals of SW International Inc. ("SW"), the owners of 20% of the units of RGC, adopted a formal plan to dispose of all of the assets of RGC. On March 27, 2007, a definitive agreement was signed by Newport, SW and a purchaser for the sale of all of the assets of RGC for an aggregate net consideration of $35,000. The transaction is expected to close in the second quarter of 2007. RGC's 45% equity investment in RLogistics completed in May, 2006, is not being sold, and the equity income from this investment is included in the Other segment.

The assets and liabilities of RGC, excluding RLogistics, have been segregated and presented separately as discontinued in the consolidated balance sheets as at December 31, 2006 and December 31, 2005, and the results of operations of RGC have been segregated and presented separately as discontinued in the consolidated statements of income and statements of changes in financial position for the years ended December 31, 2006 and 2005.

	Year ended December 31, 2006	For the period August 8, 2005 (date of commencement of operations) to December 31, 2005
Revenues	$ 225,933	$ 116,382
Net (loss) income	(63,253)	4,956

Included in the net loss for 2006 is a provision for $55,788 to reduce Newport's carrying value of RGC to its share of estimated net sales proceeds.

	December 31, 2006	December 31, 2005
Current assets:		
Accounts receivable	$ 42,283	$ 52,424
Inventory	25,853	29,194
Prepaid expenses	833	816
Current assets of discontinued operations	68,969	82,434
Property, plant and equipment	1,475	1,019
Intangibles	10,571	29,244
Goodwill	1,908	43,082
Other assets	449	-
Long-lived assets of discontinued operations	14,403	73,345
Current liabilities:		
Bank lines	16,290	19,436
Accounts payable and accrued liabilities	35,504	43,444
Current portion of long-term debt	1,833	2,000
Deferred revenue	745	1,246
Current liabilities of discontinued operations	54,372	66,126
Net assets of discontinued operations	$ 29,000	$ 89,653

6. Intangible assets

December 31, 2006	Cost	Accumulated Amortization	Net Book Value
Definite life intangible assets:			
Customer relationships/contracts	$ 259,456	$ 30,547	$ 228,909
ATM location contracts	6,896	4,965	1,931
Management contracts	461	148	313
Intellectual property	825	825	-
Non-competition agreements	1,000	444	556
	268,638	36,929	231,709
Indefinite life intangible assets:			
Brands	33,681	-	33,681
	$ 302,319	$ 36,929	$ 265,390

The above intangible assets reflect management's best estimates of intangibles recorded through acquisitions. These estimates may be revised as purchase equations are refined.

December 31, 2005	Cost	Accumulated Amortization	Net Book Value
Definite life intangible assets:			
Customer relationships/contracts	$ 162,986	$ 7,912	$ 155,074
ATM location contracts	7,867	3,875	3,992
Management contracts	461	33	428
Intellectual property	825	275	550
Non-competition agreements	1,000	111	889
	173,139	12,206	160,933
Indefinite life intangible assets:			
Brands	19,998	-	19,998
	$ 193,137	$ 12,206	$ 180,931

7. Other assets

	December 31, 2006	December 31, 2005
Advances to operating partners (note 14)	$ 10,323	$ 6,173
Deferred financing charges	8,277	4,466
Other	4,219	919
	22,819	11,558
Less current portion	13,790	6,587
	$ 9,029	$ 4,971

Deferred financing charges are net of accumulated amortization of $2,761 (2005 - $115).

8. Credit facilities and long-term debt

(i) On December 7, 2006, NPY entered into a senior credit agreement ("the Agreement") with Fortress Credit Corp. ("Fortress") to provide up to $320,000 in funding.

The Agreement consists of three components: a $75,000 revolving credit facility; a $170,000 term loan; and a $75,000 delayed-draw term loan ("DDTL"). NPY used the proceeds from the $170,000 term loan to fully repay and discharge the $132,000 drawn on NPY's bank syndicate credit facility. (See note 8 (ii)). The balance was added to cash reserves.

The following table highlights the key terms of the Agreement:

Structure	Term	Cost
$75,000 first-out revolving credit facility	Five years and one day	Banker's Acceptance (BA) rate plus 2.50%
$170,000 term loan	Five years and one day	LIBOR rate plus 3.50% to 4.95% depending on total senior leverage ratio
$75,000 delayed draw term loan	Draws will be permitted up to two years following closing of the Agreement. Maturity date is five years and one day after the last draw and no later than seven years and one day after closing	LIBOR rate plus 3.50% to 4.95% depending on total senior leverage ratio

Repayment of the term loan and DDTL is required on their maturity date.

The Agreement is collateralized by general security agreements covering assets of all of the operating partnerships of NPY, other than RGC and Brompton.

(ii) NPY, through its wholly owned subsidiary, Newport Partners Holdings LP ("NPH"), entered into a credit agreement (the "Credit Agreement") with a syndicate of banks on August 8, 2005 for an initial amount of $40,000. The facility was amended several times in 2005 and finally on October 4, 2006 at which time the total facility provided by six Canadian chartered banks was $170,000. On December 7, 2006, NPY entered into an Agreement with Fortress and used $132,000 of its new borrowings to retire the full amount drawn on the current bank syndicate facility. At the same time, NPY expensed $1,917 of the unamortized deferred financing charges relating to the bank syndicate facility. The facility included an acquisition line facility as well as an operating facility. The operating facility was a three-year revolving facility and the acquisition facility was for a one-year term. The facilities paid interest at the bank's prime rate adjusted for leverage and were subject to certain covenants. The facilities were collateralized by general security agreements covering assets of all of the operating partnerships of NPY, other than RGC and Brompton.

9. Interest expense

Year ended	December 31, 2006	December 31, 2005
Interest on long-term debt	$ 1,040	$ -
Interest on convertible debenture	6,323	331
Interest on credit facility	3,809	752
Other interest (income) expense	(679)	(82)
	$ 10,493	$ 1,001

10. Obligations under capital leases

Capital lease obligations relate to vehicles and heavy equipment. The leases bear interest at rates from 4.1% to 10% (2005 – 4.5% to 15%) per annum and are secured by specific assets. NPY's proportionate interest in future minimum payments are as follows:

	December 31, 2006
2007	$ 4,535
2008	2,461
2009	1,154
2010	424
2011	147
Total minimum lease payments	8,721
Less amount representing interest (at rates ranging from 4.1% to 10%	656
Present value of net minimum capital lease payments	8,065
Less current portion of obligations under capital leases	4,122
	$ 3,943

Interest of $484 for the year December, 31, 2006 (2005 - $648) relating to capital lease obligations has been included in interest expense.

11. Unitholders' equity

On July 28, 2005, Newport filed a prospectus for the issuance of 21,300,000 trust units. Subsequent to the Closing, the over-allotment option was exercised and a further 1,350,000 trust units were issued. The proceeds of the offering, net of the underwriters' fee of $12,247 were $213,476.

Each unit represents an equal undivided beneficial interest in Newport and any distributions from Newport. Each unit is transferable, entitles the holder thereof to participate equally in distributions of Newport, is not subject to future calls or assessments, entitles the holder to rights of redemption and entitles the holder to one vote at all meetings of unitholders.

The beneficial interests of Newport are divided into interests of two classes, described and designated as "Units" and "Special Voting Units", respectively.

Declaration of Trust

Pursuant to the declaration of trust:

(a) an unlimited number of Units and Special Voting Units will be issuable;

(b) each Unit is transferable and represents an equal undivided beneficial interest in any distributions from Newport and in the net assets of Newport in the event of the termination or winding-up of Newport;

(c) the Units issued pursuant to the Offering will not be subject to future calls or assessments, and will entitle the holder thereof to one vote for each whole Unit held at all meetings of unitholders;

(d) the Special Voting Units do not entitle the holder to any interest or share in Newport, in any distributions from Newport or in the net assets of Newport in the event of the termination or winding-up of Newport;

(e) special Voting Units are only issued to the holders of A2 LP Units, A3 LP Units, Class B LP Units and Class C LP Units and, if determined by the trustees of Newport, other exchangeable securities, in each case, for the purpose of providing voting rights with respect of Newport to the holders of such securities;

(f) each Special Voting Unit entitles the holder thereof to that number of votes at any meeting of Unitholders equal to the number of Units that may be obtained upon the exchange (direct or indirect) of the A2 LP Units, A3 LP Units, Class B LP Units and Class C LP Units of NPY or other exchangeable securities to which the Special Voting Unit is related; and

(g) upon the exchange or conversion of an A2 LP Unit, Class B LP Unit or Class C LP Unit or other exchangeable security for Units, the Special Voting Unit that relates to such A2 LP Unit, Class B LP Unit or Class C LP Unit of NPY or other exchangeable security will immediately be cancelled without any further action and the former holder of such Special Voting Unit will cease to have any rights with respect thereto.

(h) Units are redeemable at any time on demand by the holder for which the holder is entitled to receive a price per Unit (the "Redemption Price") equal to the lesser of:

(i) 90% of the Market Price of the Units equal to the weighted average of the trading price of the Units (or, if the Units are not listed on any stock exchange, on the principal market on which the Units are quoted for trading) during the period of the last 10 trading days on such stock exchange or market ending immediately prior to the date on which the Units were tendered for redemption; and

(ii) the Closing Market Price of the Units on the date on which the Units were tendered for redemption on the principal stock exchange on which Units are listed (or, if Units are not listed on any stock exchange, on the principal market on which the Units are quoted for trading).

Monthly redemptions may not exceed $50,000. If a Unitholder is not entitled to receive cash upon the redemption of Units as a result of the monthly limit, then the redemption price will be paid and satisfied by way of a distribution in specie of the assets of Newport.

On Closing, Newport granted the holders of A2 LP Units of NPY the right to require Newport at any time to indirectly exchange each A2 LP Unit for Units of Newport on a one-for-one basis, subject to customary anti-dilution protections, pursuant to the Exchange Agreement.

As of December 31, 2006, 6,231,539 Units had been issued in exchange for A2 LP Units of NPY.

Administration Agreement

On Closing, Newport, the Commercial Trust (through which Newport owns its investment in NPY) and the new General Partner entered into the Administration Agreement. Under the terms of the Administration Agreement, the General Partner provides, for no additional consideration other than reimbursement by Newport and Commercial Trust of out-of-pocket expenses incurred by the General Partner, for the provision of such administrative and support services to Newport.

The Administration Agreement has an initial term of three years, and is renewable for additional one-year terms at the option of the parties thereto. The Administration Agreement may be terminated by any of the parties in the event of the insolvency or receivership of another party, or in the case of default by one of the other parties, in the performance of a material obligation of the Administration Agreement which is not remedied within 30 days after written notice thereof has been delivered. The Administration Agreement may also be terminated upon 30 days written notice by Newport or the Commercial Trust to the General Partner.

12. Distributions and allocations to unitholders

Effective to the date of the closing, monthly distributions were paid at $0.07708 per unit. On September 27, 2005, Newport announced an increase in its monthly distribution to $0.079167 per unit, effective for distributions payable on and after November 15, 2005. On April 13, 2006, Newport announced an increase in its monthly distribution to $0.08333 per unit, effective for distributions payable on and after May 15, 2006.

The total distributions paid and payable during the year ended December 31, 2006 were $33,591 (2005 - $9,546).

All of the net income and realized capital gains (losses) of Newport are allocated to the unitholders.

13. Income (loss) per unit

The following table sets forth the computation of basic and dilutive income (loss) per unit:

	Year ended December 31, 2006	Period from August 8 (date of commencement of operations) to December 31, 2005
Numerator:		
Income from continuing operations	$ 11,308	$ 1,533
Income (loss) from discontinued operations	(34,653)	1,519
Net income (loss)	(23,345)	3,052
Denominator:		
Weighted average number of units outstanding Basic and diluted	33,743,870	25,218,352
Income (loss) per unit (basic and diluted)		
Continuing operations	$ 0.34	$ 0.06
Discontinued operations	(1.03)	0.06
Net income (loss)	(0.69)	0.12

The computation of fully diluted income (loss) per unit is anti-dilutive and is not shown here.

14. Related party transactions

An amount of $373 (2005 - $464) due from a related party, International Supply Services Ltd., a 50% equity investment of NPC, is non-interest bearing, unsecured and has no fixed terms of repayment. A provision for doubtful receivables of $80 has been recorded against this balance.

Employee loans were made by NPY to employees of NPY and an executive of EZEE. Balances outstanding are $780 and $221 respectively (2005 – nil and $250). In accordance with the terms and condition of the loans, the loans are interest bearing and non-interest bearing respectively and were used to purchase units in NPIF and NPY respectively.

Included in Other Assets are advances of $10,323 (2005 – $6,173) made to the Operating Partnerships. Advances bear interest at bank prime, are unsecured and have no fixed terms of repayment. Interest income on the advances is $505 (2005 - $134).

Pursuant to the Partnership Agreement, NICI was entitled to a performance fee of 20% of the realized appreciation above 8% of the net assets of NPY. The Offering triggered realized appreciation for the limited partners in excess of 8% and, as a result, the performance fee was earned and payable. On Closing, NICI was paid a performance fee of $44,760, inclusive of GST, which its employees immediately reinvested back into NPY the full net of tax amount of approximately $21,600. On August 8, 2005, the Partnership Agreement was amended to eliminate all management, administrative and performance fees. NPY recorded management and administrative fees of $1,201 in 2005.

15. Financial instruments

(a) Fair values of financial assets and liabilities

Financial instruments consist of certain current assets and liabilities, where their carrying values approximate their fair values due to the relatively short periods to maturity of the instruments. The fair values of long-term financial instruments do not differ significantly from their carrying amount.

These estimates are subjective in nature and involve uncertainties and matters of significant judgement and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimate.

(b) Interest rate risk

NPY's exposure to interest rate fluctuations is with respect to short-term and long-term financing which bears interest at floating rates.

(c) Significant customers and concentration of credit risk

Financial instruments that potentially subject NPY to concentrations of credit risk consist principally of accounts receivable. NPY believes that risks are moderated by the diversity of its end customers and the geographic sales area. NPY also considers concentrations of credit risk in establishing the reserves for bad debts and believes the recorded reserves are adequate.

NPC has two customers which comprise 28% of NPC's sales and two customers which comprise 11% of NPC's accounts receivable (2005 - three customers comprised 36% of accounts receivable and three customers comprised 36% of sales).

Sales to the top three customers represents 69% of Gemma's total sales for the year ended December 31, 2006 and 70% of the accounts receivable balance at December 31, 2006 is due from these customers (2005 – four customers comprised 76% of sales and five customers comprised 81% of accounts receivable).

Sales to the top three customers represents 50% of Murray's total sales for the year ended December 31, 2006 (2005 – none) and 38% of the accounts receivable balance at December 31, 2006 (2005 – none) is due from these customers.

On a consolidated basis, the aforementioned customers of NPC, Gemma and Murray represents 14% of NPY's revenues and 7% of NPY's accounts receivable (2005 – 17% and 7%).

16. Convertible debenture

On December 12, 2005, Newport issued $85,000 principal amount of 7.50% subordinated unsecured convertible debentures for net proceeds of $81,298 after issue and related costs. The debentures are convertible into units of Newport at the option of the holder at any time prior to maturity at a conversion price of $9.50 per unit. The debentures mature on December 31, 2010 at which time they are due and payable. After December 31, 2008, the debentures may be redeemed in whole or in part by Newport, at the amount outstanding plus accrued and unpaid interest thereon, except that for redemption on or prior

to December 31, 2009 the current market price of the units must not be less than 125% of the conversion price.

Newport, Commercial Trust and NPH, the wholly owned subsidiary of NPY, entered into an agreement pursuant to which NPH agreed to bear the costs that Newport would otherwise incur as a condition of Newport arranging for Commercial Trust to invest $85,000 in the Convertible Class B LP units of NPH.

NPH has only issued two series of units, Class A LP units, which are 100% owned by NPY, and the Class B LP units which are 100% owned by Commercial Trust. In the case of conversion of the convertible debentures of Newport into units of Newport, Commercial Trust will transfer the corresponding number of Class B LP units of NPH to NPY for a corresponding number of NPY Class A1 LP units, and NPY will then exchange its Class B LP units of NPH for a corresponding number of Class A LP units of NPH.

The convertible units are classified as debt, net of the fair value of the conversion feature which has been classified as unitholders' equity. This resulted in $84,331 being classified as debt and $669 being classified as equity. Issue costs are being amortized over the term of the debentures, and the debt portion will accrete up to the principal balance at maturity. The accretion expense of $131 (2005 - $8) and amortization of issue costs of $728 (2005 - $35) are included in amortization of deferred financing charges in the consolidated statement of income. Interest expense during the period was $6,323 (2005 - $331).

Issued December 12, 2005	$ 85,000
Portion allocated to equity	(669)
Accretion	8
Balance December 31, 2005	$ 84,339
Amount converted to units	(500)
Accretion	131
Balance December 31, 2006	$ 83,970

In April 2006, holders of $500 of convertible debentures exercised their right to convert to units (note 11).

17. Income taxes

Share acquisitions by non-taxable entities during the period generally resulted in an excess of the carrying value of the intangible and other assets of the acquired entities over the related tax bases. Accordingly, the recovery of the intangible and other assets could result in income for tax purposes allocated to unitholders being greater than income reported for accounting purposes.

The excess of the carrying value of the intangible and other assets of the non-taxable entities over their tax bases is approximately $195,742 (2005 - $127,857).

Proposed Canadian income tax rule changes

On October 31, 2006, the Department of Finance of the Canadian Federal Government announced the "Tax Fairness Plan" whereby the income tax rules applicable to publicly traded trusts and partnerships (the "proposed legislation") will be significantly modified. In particular, income earned by these entities will be taxed in a manner similar to income earned and distributed by a corporation. The proposed legislation will be effective for the 2007 taxation year with respect to trusts which commenced public trading after October 31, 2006, but the application of the rules will be delayed to the 2011 taxation year with respect to trusts which were publicly traded prior to November 1, 2006 provided that certain "normal growth" guidelines are met.

Currently, Newport is only taxable on amounts that are not distributed to unitholders. If enacted in its current form, the proposed legislation will result in a change in which the earnings of Newport will be subject to income tax regardless of whether amounts are distributed to unitholders or not.

Newport is currently considering the possible impact of the proposed legislation. However, the proposed legislation has not yet been substantively enacted, and therefore the impact of the implementation is uncertain as of the balance sheet date, and as such, no amounts have been recorded in the financial statements.

The majority of the future tax liability relates to Newport's proportionate interest in the future tax liability of an underlying corporation.

18. Interests in jointly controlled entities

At December 31, 2006, NPY holds a 90% interest in Peerless, an 88% interest in Titan, 80% interests in S&E, NPC, Gemma, ESR, Morrison Williams, Gusgo, Armstrong, IC Group and Murray, a 75% interest in Hargraft and a 67% interest in Capital C (2005 - an 80% interest in S&E, NPC, Gemma, Capital C, ESR, and Morrison Williams and a 50% interest in Kenna). The consolidated financial statements include NPY's proportionate share of the revenue, expenses, assets and liabilities of these jointly controlled entities as follows:

	December 31, 2006	December 31, 2005
Current assets	$ 146,454	$ 69,694
Other assets	711	464
Property, plant and equipment	20,761	13,807
Long-term investments	425	359
Goodwill and intangibles	88,052	31,846
	$ 256,403	$ 116,170
Current liabilities	$ 140,779	$ 71,900
Long-term obligations	4,404	3,097
	$ 145,183	$ 74,997

	Year ended December 31, 2006	Period from August 8 to December 31, 2005
Revenue	$ 332,513	$ 118,241
Expenses	287,552	104,924
Net income	$ 44,961	$ 13,317
Cash provided by (used in):		
Operating activities	$ 48,111	$ 10,658
Financing activities	(14,242)	(15,391)
Investing activities	(34,266)	911

19. Changes in non-cash working capital

Changes in non-cash working capital balances related to operations are as follows:

	December 31, 2006	December 31, 2005
Accounts receivable	$ (1,078)	$ (17,916)
Inventories	(1,101)	(302)
Prepaid expenses	(35)	(162)
Other current assets	(7,203)	(4,294)
Accounts payable and accrued liabilities	(1,820)	(2,414)
Deferred revenue	188	3,259
	$ (11,049)	$ (21,829)

20. Trust bank accounts

NPY's investments which have insurance operations maintain trust bank accounts for premiums collected but not yet remitted to insurance companies of $7,227 at December 31, 2006 (2005 - $4,433). The funds are included in cash.

21. Commitments and contingencies

(a) NPY is committed to payments under operating leases for equipment and office premises through 2019 in the total amount of approximately $27,133. The minimum annual payments, exclusive of operating costs under these lease arrangements, are as follows:

2007	$ 6,278
2008	5,535
2009	3,820
2010	2,640
2011	1,646
Thereafter	7,214

(b) The various Acquisition Agreements provide that elections may be made under the Income Tax Act (Canada) to transfer the assets of the predecessor businesses to the various respective limited partnerships on a tax deferred basis. Accordingly, the tax cost to the Operating Partnership of the assets transferred where such elections are made may be less than the fair market value of such assets and, as such, some of the investee partnerships may realize a taxable gain on a future disposition of the assets.

(c) NPY and its Operating Partnerships are subject to claims and litigation proceedings arising in the normal course of operations. These contingencies are provided for when they are likely to occur and can be reasonably estimated. Management believes that the ultimate resolution of these matters will not have a material effect on NPY's consolidated financial statements.

(d) The acquisitions involved various corporate structuring steps to complete the transactions in a tax-effective manner. These transactions involved interpretations of the Income Tax Act (Canada) which could if interpreted differently, result in additional tax liabilities.

(e) Guarantees

(i) NPC has guaranteed the bank facility of a 90% owned subsidiary, which has an overall credit limit of $180.

(ii) NPC has guaranteed the outstanding operating line and corporate credit cards of a 45% owned joint venture to a maximum of $400.

(f) EZEE has been named as a defendant in a defamation claim and two counterclaim actions. Management is of the opinion that there is a strong defense against the defamation claim. Due to the present undeterminable outcome of the actions, management has not made a provision for any potential losses.

EZEE had previously indicated that its customer contracts in Quebec may be subject to Article 2125 of the Civil Code of Quebec which provides Quebec businesses with the right to unilaterally cancel a service contract at any time upon notice. If customers had this right, future prospects and results of operations could have been adversely affected. During 2005 EZEE initiated legal action in the Province of Quebec against two of its clients, who had terminated long-term contracts before expiry of the term, for breach of contract. In December 2005, the Quebec Superior Court ruled in favour of EZEE in both these actions. EZEE's contracts were determined to be enforceable in accordance with their terms and not subject to any unilateral cancellation right by these customers prior to the expiry of their terms.

22. Segmented information

NPY has six reportable operating segments, each of which has separate operational management and management reporting information. All of NPY's operations, assets and employees are located in Canada. The financial services segment incorporates investment management, institutional money management, wealth management, specialty insurance underwriting, and the servicing of ATMs. The marketing segment represents the investment in non-traditional marketing operations that acquires rights in media, publications and television, and an investment in an integrated direct marketing company with its primary focus on inbound and outbound teleservices, an investment in a fully integrated marketing services agency and investments in two promotional solutions marketing firms. The industrial services segment represents the investments in fully integrated providers of mid-stream production services to the energy industry and in a provider of demolition contract service. The other segment incorporates a manufacturer of protective outerwear, a distributor and manufacturer of heavy equipment, a container transportation business and a reverse logistics provider. The corporate segment represents head office administrative and financing costs incurred by the Partnership. The accounting polices of the segments are the same as those described

in the summary of significant accounting polices in note one. NPY utilizes earning before interest, taxes, depreciation and amortization ("EBITDA") as a performance measure for its operating partners and segment results, and accordingly a reconciliation from net income to EBITDA is included herein.

Year ended December 31, 2006	Financial Services	Marketing	Industrial Services		Corporate	Other	Total
			NPC	Murray			
Revenue	$ 69,379	$ 69,323	$ 139,069	$ 47,752	$ -	$ 40,579	$ 366,102
Cost of revenue	30,778	35,531	114,351	32,661	-	29,818	243,139
	38,601	33,792	24,718	15,091	-	10,761	122,963
Expenses							
Selling, general and administrative	9,793	20,618	11,237	8,718	4,513	4,985	59,864
Amortization of deferred financing charges	-	-	-	-	3,506	-	3,506
Amortization of intangible assets	13,749	5,712	2,194	2,727	-	2,570	26,952
Depreciation	647	1,582	3,222	835	-	189	6,475
	24,189	27,912	16,653	12,280	8,019	7,744	96,797
Income (loss) before the undernoted	14,412	5,880	8,065	2,811	(8,019)	3,017	26,166
Income(loss) from equity investment	2,378	-	(7)	-	-	970	3,341
Other income	1,693	-	-	-	-	-	1,693
Interest expense	(271)	238	1,624	57	7,911	934	10,493
Income tax	96	-	-	-	-	-	96
Income (loss) from continuing operations	$ 18,658	$ 5,642	$ 6,434	$ 2,754	$ (15,930)	$ 3,053	$ 20,611
Interest (income) expenses	(271)	238	1,624	57	7,911	934	10,493
Depreciation and amortization	14,396	7,294	5,416	3,562	3,506	2,759	36,933
Amortization of Brompton intangible asset (i)	2,036	-	-	-	-	-	2,036
Income tax	96	-	-	-	-	-	96
EBITDA	$ 34,915	$ 13,174	$ 13,474	$ 6,373	$ (4,513)	$ 6,746	$ 70,169
Goodwill acquired	26,508	6,739	39	4,495	-	13,818	51,599
Expenditures for property, plant and equipment (ii)	815	645	591	231	588	165	3,035
Total assets (ii)	341,485	118,641	74,981	44,338	195,437	119,467	894,349
Total goodwill	183,263	33,985	14,136	6,051	-	15,909	253,344

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

(ii) Discontinued operations previously part of the distribution segment are included in the corporate segment (note 5).

Year ended December 31, 2005	Financial Services	Marketing	Industrial Services	Corporate	Total
			NPC		
Revenue	$ 23,621	$ 21,947	$ 43,290	$ -	$ 88,858
Cost of revenue	8,993	12,840	36,503	-	58,336
	14,628	9,107	6,787	-	30,522
Expenses					
Selling, general and administrative	5,805	5,445	3,504	1,627	16,381
Amortization of deferred financing charges	-	-	-	123	123
Amortization of intangible assets	5,143	2,007	702	-	7,852
Depreciation	196	435	815	-	1,446
	11,144	7,887	5,021	1,750	25,802
Income (loss) before the undernoted	3,484	1,220	1,766	(1,750)	4,720
Income from equity investment	1,136	-	-	-	1,136
Other income	146	-	-	-	146
Interest expense	(39)	32	612	396	1,001
Income (loss) from continuing operations	$ 4,805	$ 1,188	$ 1,154	$ (2,146)	$ 5,001
Interest expense	(39)	32	612	396	1,001
Depreciation and amortization	5,339	2,442	1,517	123	9,421
Amortization of Brompton intangible asset (i)	705	-	-	-	705
EBIDTA	$ 10,810	$ 3,662	$ 3,283	$ (1,627)	$ 16,128
Goodwill acquired (ii)	186,345	19,120	9,555	43,082	258,102
Expenditures for property, plant and equipment (ii)	664	627	1,126	132	2,549
Total assets (ii)	405,069	79,695	74,559	155,781	715,104
Total goodwill (ii)	186,346	19,120	9,555	-	215,021

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

(ii) Discontinued operations previously part of the distribution segment are included in the corporate segment (note 5).

23. Comparative figures

The comparative financial statements have been reclassified from statements previously presented to conform to the December 31, 2006 annual consolidated financial statements.

24. Subsequent Events

On December 8, 2006, Newport announced that it had filed a notice with the TSX and received its approval to purchase for cancellation, through the facilities of the TSX, up to 1,924,572 of units. Subsequent to year end, Newport purchased 627,500 units under the NCIB.

On January 12, 2007, NPY invested approximately $13,300 cash into EZEE to allow it to acquire the Canadian ATM business of TRM Corp.

On January 3, 2007, Murray invested $50,000 for the assets of privately-owned Quantum Environmental Group Inc. ("Quantum"). Based in Vancouver, Quantum is a nationally recognized leader in the clean-up and rehabilitation of commercial and industrial sites and facilities.

Under the terms of the transaction, Quantum received $28,500 in cash and $21,500 in units of Murray. Upon closing NPY has a 62% interest in the merged company which has changed its name to Quantum Murray. The remaining 38% interest will be controlled by the management of Quantum Murray. To facilitate this transaction, NPY invested an additional $28,500 in Murray.

On March 13, 2007, NPY invested an additional $7,700 in NPC to allow NPC to acquire an 80% interest in Skystone LP ("Skystone"). NPY's ownership interest in NPC did not change. Skystone provides engineering, technical and management services to the oil and gas industry.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements of NPY and all of the information in the annual report are the responsibility of Management, including responsibility for establishing and maintaining disclosure controls and procedures to provide reasonable assurance that the information used internally by management and disclosed externally is complete and reliable in all material respects. Management has evaluated the effectiveness of the disclosure controls and procedures and has concluded that they are effective.

The Consolidated Financial Statements have been prepared by management in accordance with GAAP and include certain estimates that are based on management's best judgments. Actual results may differ from these estimates and judgments. Management has ensured that the Consolidated Financial Statements are presented fairly in all material respects.

Management has developed and maintains a system of internal controls to provide reasonable assurance that NPY's assets are safeguarded, transactions are accurately recorded and the financial statements report NPY's operating and financial results in a timely manner. Financial information presented elsewhere in the annual report has been prepared on a consistent basis with that in the Consolidated Financial Statements.

The Board of Directors of NPY annually appoints an audit committee comprised of Independent Directors and members who are not employees of NPY. This committee meets regularly with management and the auditors to review significant accounting, reporting and internal control matters. The auditors have unrestricted access to the audit committee. The audit committee reviews the financial statements, the external auditors' report and the annual report. The Audit Committee reports its findings to the Board of Directors for the Directors's consideration in approving the financial statements. The Audit Committee also considers, for approval by the Board of Directors the engagement or re-appointment of the external auditors.

KPMG LLP, an independent firm of chartered accountants, was appointed to audit NPY's Consolidated Financial Statements in accordance with Canadian generally accepted auditing standards. They have provided an independent professional opinion. KPMG LLP has full and free access to the Audit Committee.

Peter Wallace,
President & CEO

Kelly Baird,
Chief Financial Officer

Toronto, Canada
March 29, 2007

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AUDITORS' REPORT

To the Directors of NPY GP Trust

We have audited the consolidated balance sheet of Newport Private Yield LP (the “Partnership”) as at December 31, 2006 and 2005 and the consolidated statements of operations, changes in partners’ equity and changes in financial position for the years then ended. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 Partnership as at December 31, 2006 and 2005 and the results of its operations and its changes in financial position for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Toronto, Canada

March 27, 2007

NEWPORT PRIVATE YIELD LP

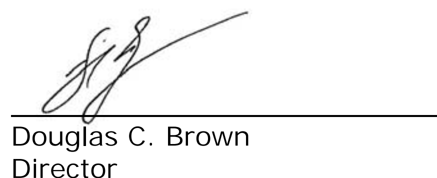
Consolidated Balance Sheets
(In thousands of dollars)

	December 31, 2006	December 31, 2005
Assets		
Current assets:		
Cash and cash equivalents (note 19)	$ 61,640	$ 25,275
Accounts receivable (note 15 (c))	102,377	65,820
Inventories	33,253	1,970
Prepaid expenses	2,555	1,543
Other current assets (note 7)	13,790	6,587
Current assets of discontinued operations (note 5)	68,969	82,434
	282,584	183,629
Property, plant and equipment (note 2)	23,706	15,427
Long-term investments (note 3)	47,001	42,154
Goodwill (note 4)	188,098	162,992
Intangible assets (note 6)	265,390	180,931
Other assets (note 7)	9,029	4,971
Long-lived assets of discontinued operations (note 5)	14,403	73,345
	$ 830,211	$ 663,449
Liabilities and Partners' Equity		
Current liabilities:		
Revolving credit facility (note 8)	$ 5,000	$ -
Accounts payable and accrued liabilities	84,737	53,601
Deferred revenue	7,465	4,112
Current portion of obligations under capital leases (note 10)	4,122	2,729
Current portion of long-term debt (note 8)	-	35
Current liabilities of discontinued operations (note 5)	54,372	66,126
	155,696	126,603
Obligations under capital leases (note 10)	3,943	3,082
Long-term debt (note 8)	170,000	-
Future tax liability (note 1 (k))	2,505	2,044
Convertible debenture (note 16)	83,970	84,339
Partners' equity (note 11)	414,097	447,381
Commitments and contingencies (note 20)		
Subsequent events (notes 5 and 23)		
	$ 830,211	$ 663,449

See accompanying notes to consolidated financial statements.

On behalf of the General Partner

Mark A. Kinney
Director



Douglas C. Brown
Director

NEWPORT PRIVATE YIELD LP

Consolidated Statements of Operations
(In thousands of dollars, except per unit amounts)

	Year ended December 31, 2006	Year ended December 31, 2005
Revenue	$ 366,102	$ 141,173
Cost of revenue	243,139	99,221
	122,963	41,952
Expenses		
Selling, general and administrative	59,864	21,695
Performance fee expense (note 14)	-	44,760
Amortization of deferred financing charges	3,506	123
Amortization of intangible assets	26,952	10,697
Depreciation	6,475	2,565
	96,797	79,840
Income (loss) before the undernoted	26,166	(37,888)
Income from equity investments	3,341	1,136
Other income	1,693	146
Interest expense (note 9)	10,493	1,535
Income (loss) before income taxes	20,707	(38,141)
Income tax expense - current	96	-
Income (loss) from continuing operations	20,611	(38,141)
Income (loss) from discontinued operations (note 5)	(63,253)	3,522
Loss	$ (42,642)	$ (34,619)
Income (loss) per unit (note 13)		
Basic and diluted:		
Continuing operations	$ 0.30	$ (1.07)
Net loss	(0.61)	(0.97)

NEWPORT PRIVATE YIELD LP

Consolidated Statements of Changes in Partners' Equity
(In thousands of dollars, except unit amounts)

	Number of Units	General Partner $	Limited Partner $	Limited Partner $ [1]	Limited Partner $	Limited Partner $	Limited Partner $	Limited Partner $	Limited Partner $	Limited Partner $	Total $
Class of units			A1	A2	A3	B1	B2	B3	B4	C	
Issue of 3,393,688 class A limited partnership units	3,393,688			36,335							36,335
Loss for the period				(1,275)							(1,275)
Distributions				(2,135)							(2,135)
Partners' equity, December 31, 2004	3,393,688			32,925							32,925
Issue of 6,147,328 class A limited partnership units	6,147,328			79,343							79,343
	9,541,016										
Split and redesignation of all original limited partnership units to A2 units (note 11)	22,206,450										-
Issue of 35,462,101 units for roll-up and new investments (note 11)	35,462,101			239,178	52,138	15,362	8,432	3,200	13,035	23,276	354,621
Issue of 22,650,000 A1 units to Newport Partners Commercial Trust	22,650,000		213,412								213,412
Issue of 2,163,013 A2 units to NICI employees (note 11)	2,163,013			21,630							21,630
Issue of General Partner units to NPY GP Trust		61									61
Redemption of 12,731,454 A2 units and 5,213,824 A3 units	(17,945,278)			(127,315)	(52,138)						(179,453)
Exchange of A2 units for A1 units			30,717	(30,717)							-
Issue costs				(10,112)							(10,112)
Loss for the year			4,347	(40,048)	-	262	144	55	223	398	(34,619)
Distributions paid			(7,424)	(16,438)	-	(446)	(245)	-	(378)	(676)	(25,607)
Distributions payable			(2,194)	(2,783)	-	(131)	(72)	-	(111)	(198)	(5,489)
Sub-total	64,536,286	61	238,858	145,663	-	15,047	8,259	3,255	12,769	22,800	446,712
Equity portion of convertible debenture (note 16)											669
Partners' equity at December 31, 2005	64,536,286	61	238,858	145,663	-	15,047	8,259	3,255	12,769	22,800	447,381
Issue of units for new investments (note 4)	1,089,586			7,916							7,916
Issue of A1 units to Newport Partners Commercial Trust	8,155,000			71,274							71,274
Exchange of A2 units for A1 units			43,923	(43,923)							-
Convertible debenture conversion	52,631			478							478
Issue costs				(1,354)							(1,354)
Loss for the year			(23,346)	(15,939)	-	(858)	(471)	-	(728)	(1,300)	(42,642)
Distribution paid			(30,389)	(26,897)	-	(1,448)	(795)	-	(1,229)	-	(60,758)
Distributions payable			(3,200)	(2,391)	-	(129)	(71)	-	(109)	(2,298)	(8,198)
	73,833,503	61	225,846	134,827	-	12,612	6,922	3,255	10,703	19,202	414,097
Partners' equity at December 31, 2006	73,833,503	61	225,846	134,827	-	12,612	6,922	3,255	10,703	19,202	414,097

[1] On August 8, 2005, the A Limited Partner Units were redesignated as A2 Limited Partner Units and split on a 2.3276 basis.

See accompanying notes to consolidated financial statements

NEWPORT PRIVATE YIELD LP

Consolidated Statements of Changes in Financial Position
(In thousands of dollars)

	Year ended December 31, 2006	Year ended December 31, 2005
Cash provided by (used in):		
Operating activities:		
Loss for the year	$ (42,642)	$ (34,619)
Loss (earnings) from discontinued operations	63,253	(3,522)
Items not affecting cash:		
Amortization of deferred financing charges	3,506	123
Amortization of intangible assets	26,952	10,697
Depreciation	6,475	2,565
Income from equity investments, net of cash received	2,036	475
Non-cash compensation expense	2,034	1,029
Changes in non-cash working capital (note 18)	(11,207)	(24,342)
Cash provided by discontinued operations	2,988	2,050
	53,395	(45,544)
Financing activities:		
Issuance of partnership units, net of costs	69,900	304,334
Redemption of partnership units	-	(179,453)
Issuance of convertible units, net of costs	-	81,298
Distributions to limited partners	(66,247)	(25,607)
Decrease in bank indebtedness	(26,342)	(9,164)
Increase (decrease) in long-term debt	169,965	(3,846)
(Repayment) addition of capital lease obligations	(3,009)	3,278
Cash provided by (used in) discontinued operations	(1,642)	1,829
	142,625	172,669
Investing activities:		
Acquisition of businesses, net of cash acquired	(140,795)	(59,125)
Increase in other assets	(7,564)	-
Purchase of long-term investments	(6,914)	(1,465)
Purchase of intangible assets	-	(795)
Purchase of property, plant and equipment	(3,035)	(3,944)
Cash used in discontinued operations	(1,347)	(38,872)
	(159,655)	(104,201)
Increase in cash and cash equivalents	36,365	22,924
Cash and cash equivalents, beginning of year	25,275	2,351
Cash and cash equivalents, end of year	$ 61,640	$ 25,275
Supplemental cash flow information:		
Interest paid	$ 7,456	$ 1,708
Cash acquired upon acquisition	3,100	8,362
Supplemental disclosure of non-cash financial and investing activities:		
Issuance of partnership units on business combinations and long-term investments	7,916	354,621
Acquisition of property, plant and equipment through capital leases	3,518	1,995

See accompanying notes to consolidated financial statements.

Newport Private Yield LP ("NPY") is a limited partnership duly constituted under the laws of the Province of Ontario formed by a limited partnership agreement dated February 27, 2004 and later amended on January 26, 2005 and August 8, 2005 (the "Partnership Agreement"). The business of NPY is to invest in securities of private businesses, either in limited partnerships or in corporations (collectively the "Operating Partnerships"), and distribute the available cash flows to the limited partners. The operations of NPY are in the following business segments:

- financial services;
- marketing;
- industrial services;
- distribution (note 5);
- other; and
- corporate.

On July 28, 2005, a prospectus was filed for Newport Partners Income Fund ("Newport") for the issuance of 21,300,000 trust units (together with the issuance of 1,350,000 from the over-allotment option, the "Offering"). Newport is an unincorporated open-ended trust established under the laws of the Province of Ontario pursuant to the Declaration of Trust. Newport is entirely dependent on the operations of NPY and the Operating Partnerships. On closing of Newport's initial public offering on August 8, 2005 (the "Closing"), Newport indirectly capitalized NPY through the purchase of 100% of NPY's A1 units, resulting in a 38% ownership of NPY. Newport has subsequently increased its ownership of NPY through additional equity investment and through the exchange of A2 LP units into A1 units and owned approximately 53% and 40% of NPY as at December 31, 2006 and December 31, 2005 respectively.

Newport was created to hold, through its investment in Newport Partners Commercial Trust (the "Commercial Trust"), its interest in NPY and 100% of the shares of Newport Partners GP Inc. ("GP Trustee") which is the sole trustee of the NPY GP Trust ("General Partner"). Prior to the offering, the General Partner of NPY was Newport Private Yield Inc. On Closing, NPY transferred to Newport Partners Holdings LP ("NPH") all of its interests in the above partnerships.

The General Partner is responsible for the management of NPY, including the determination of distributions paid to the limited partners and assumes the rights, obligations and liabilities as the sole general partner of the Partnership.

The initial term of the Partnership Agreement ends on February 28, 2014 and is automatically extendable for two consecutive periods of two years each unless otherwise determined by the General Partner.

1. Significant accounting policies

(a) Basis of presentation

These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and include the financial statements of NPY's 100%-owned subsidiaries and NPY's investments in jointly controlled operations on a proportionate consolidation basis.

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

Under the proportionate consolidation method, NPY's share of assets, liabilities, revenue and expenses are included in each major financial statement caption from the date of purchase. All intercompany balances and transactions are eliminated upon consolidation.

The Company accounts for its investments in which it has significant influence under the equity basis.

The following table indicates the accounting method for each of the Operating Partnerships as at December 31, 2006. NPY invested in all Operating Partnerships together with their respective general partner.

Operating Partnership	Investment Date	% Ownership	Accounting Method	Business Description
On-Site LP ("On-Site")	March 2004	100	Consolidation	Automated teller machines ("ATMs") provider
Ezee ATM LP ("EZEE") (i)	January 2005	100	Consolidation	Full-service provider of ATMs
Newport Partners LP ("NP LP")	August 2005	100	Consolidation	Individual and corporate wealth management services
Sports and Entertainment LP ("S&E") (ii)	August 2005	80	Proportionate consolidation	Alternative advertising company
NPC Integrity Energy Services LP ("NPC") (iii)	August 2005	80	Proportionate consolidation	Mid-stream production services provider to the energy industry
Gemma Communications LP ("Gemma")	March 2005	80	Proportionate consolidation	Integrated direct marketing company

Operating Partnership	Investment Date	% Ownership	Accounting Method	Business Description
Elliott Special Risks LP ("ESR")	August 2005	80	Proportionate consolidation	Managing general agent for commercial liability insurance
Morrison Williams Investment Management LP ("Morrison Williams")	August 2005	80	Proportionate consolidation	Institutional money manager
Capital C Communications LP ("Capital C") (iv)	August 2005	67	Proportionate consolidation	Integrated marketing services agency
Murray Demolition LP ("Murray")	March 2006	80	Proportionate consolidation	Demolition contract services provider
Hargraft Schofield LP ("Hargraft")	April 2006	75	Proportionate consolidation	Speciality liability products insurance brokers
Peerless Garments LP ("Peerless")	June 2006	90	Proportionate consolidation	Manufacturer of protective outerwear
IC Group LP ("IC Group")	July 2006	80	Proportionate consolidation	Provider of inter-active promotional solutions
Titan Supply LP ("Titan")	September 2006	88	Proportionate consolidation	Distributor and manufacturer of heavy industrial equipment
Armstrong Partnership LP ("Armstrong")	October 2006	80	Proportionate consolidation	Promotional marketing service provider
Gusgo Transport LP ("Gusgo")	October 2006	80	Proportionate consolidation	Transportation and storage services provider

(i) An initial investment in EZEE of 39.1% was made in March 2004 and a further 10.8% interest was acquired in June 2004. A further 50.1% interest was acquired in January 2005 to bring the total investment to 100%.

(ii) An initial investment in S&E of 25% was made in October 2004. An additional 55% interest was acquired on Closing to bring the total investment to 80%.

(iii) An initial investment in NPC of 50% was made in December 2004. An additional 30% interest was acquired on Closing to bring the total investment to 80%.

(iv) An investment in Capital C of 80% was made in August 2005. In September 2005, an investment in Kenna Group LP ("Kenna") of 50% was made. In May 2006, NPY reorganized its 80% and 50% interests in Capital C and Kenna respectively by creating a new LP into which 100% of each of these businesses were transferred. NPY now owns 67% of this new entity and has accounted for this transaction as a continuity of interests.

(b) Inventories

Inventories are stated at the lower of cost, determined on either a first-in first-out basis or average cost basis, and net realizable value. Inventories of ATMs are carried at the lower of average cost and net realizable value. The cost of distribution inventory is determined on a weighted average cost basis. Raw materials and supplies are valued at the lower of cost and replacement cost.

(c) Property, plant and equipment

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

Depreciation is calculated using the following methods and annual rates based on the estimated useful life of the assets as follows:

Asset	Basis	Rate
Equipment under capital lease	Straight line	Term of lease
Buildings	Declining balance	4% and 5%
Automotive and heavy equipment	Mainly declining balance	30% - 40%
Furniture and equipment	Mainly declining balance	14% - 40%
ATMs	Declining balance	20% - 30%
Computer hardware and software	Mainly declining balance	20% - 100%
Leasehold improvements	Straight line	Term of the lease

(d) Costs incurred to develop computer software for internal use

Costs incurred in connection with developing or obtaining internal use software are capitalized and are included in 'Property, Plant and Equipment' under the caption 'Computer hardware and software'.

(e) Long-term investments

Investments over which NPY is able to exercise significant influence are accounted for under the equity method. Under the equity method, the original cost of investment is adjusted for NPY's share of post-acquisition earnings or losses, less distributions in the case of investments in partnerships and dividends in the case of investments in companies.

Investments are written down when there is evidence that a decline in value that is other than temporary has occurred.

(f) Impairment of long-lived assets

Long-lived assets, including property, plant and equipment and intangible assets with finite useful lives, are amortized over their useful lives. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are separately presented in the consolidated balance sheets and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposal group classified as held for sale have been presented separately in the appropriate asset and liability sections of the consolidated balance sheets.

(g) Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values. When NPY enters into a business combination, the purchase method of accounting is used. Goodwill is assigned as of the date of the business combination to reporting units that are expected to benefit from the business combination.

Goodwill is not amortized and is tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case, the implied fair value of the reporting unit's goodwill, determined in the same manner as the value of goodwill is determined in a business combination, is compared with its carrying amount to measure the amount of the impairment loss, if any.

(h) Intangible assets

Intangible assets acquired individually or as part of a group of other assets are recognized and measured at cost. Intangible assets acquired in a transaction, including those acquired in business combinations, are recorded at their fair value. Intangible assets with determinable useful lives, such as customer relationships/contracts, ATM location contracts, management contracts, distribution licences, intellectual property and non-competition agreements are amortized over their useful lives and are tested for impairment, as described in note 1(f). Intangible assets having an indefinite life, such as brands, are not amortized but instead are tested for impairment on an annual or more frequent basis by comparing their fair value with book value. An impairment loss on indefinite life intangible assets is recognized when the carrying amount of the asset exceeds its fair value.

Intangible assets with determinable lives are amortized on a straight line basis annually over their estimated useful lives as follows:

Customer relationships/contracts	5 - 10 years
ATM location contracts	4 - 5 years
Management contracts	5 years
Distribution licences	5 years
Intellectual property	1 year
Non-competition agreements	term of contract

(i) Revenue recognition

(i) Financial services

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

Management fees are based on contracts, calculated as a percentage of the net asset value of the respective funds or other portfolios being managed and are recognized when earned, in accordance with contract terms. Commission income related to insurance policies is recognized when there is persuasive evidence of an agreement, service delivery has occurred and collectability is considered probable. Contingent profit commissions are recorded when receipt is probable and the amount is reasonably estimable. Corporate finance and advisory fees relate to

financial advisory assignments and are recorded when the underlying transaction is substantially completed under the terms of the agreement.

Revenue from ATM operations includes surcharge fees charged to the cardholder when cash is dispensed, and interchange fees, which are the fees charged to the financial institution for the administrative service of agreeing to pay cash to the cardholder. These fees are recognized pursuant to written contracts in the period that the cash dispensing transaction occurs. Revenue from the sale of ATMs is recognized when the machines have been delivered and title has passed to the customer and the customer assumes risk of loss, collection of the relevant receivable is probable and the sales price is fixed or determinable.

(ii) Marketing

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

(iii) Industrial services

Industrial services revenue includes revenue from contracts entered into to provide mid-stream production and maintenance services to the energy industry and from contracts to provide demolition and ancillary services. Revenue from such contracts is recognized as services are performed and related costs are incurred. Provisions for estimated losses on all uncompleted contracts are made in the period in which such losses are determined.

(iv) Distribution

Distribution revenue includes revenue generated from the import and distribution of electronic and household products which is recognized when goods are delivered and title has passed to the customer and the customer assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable, net of estimated returns, discounts and other allowances. Sales, provisions for estimated sales returns and the costs of products sold are recorded at the time of shipment.

(v) Other

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

Revenue contributed by the garment manufacturer is recognized on the percentage-of-completion method for long-term contracts. The completed contract method is used on short term contracts.

All other revenue is recognized when the service has been completed.

(j) Foreign currency translation

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

(k) Income taxes

No provision has been made in the accounts for income taxes with respect to the Operating Partnerships as they are not taxable entities and the reporting of income for tax purposes is the responsibility of each of the limited partners to the extent that allocations are made by NPY to the limited partners.

Income taxes of corporate subsidiaries are accounted for under the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that enactment or substantive enactment occurs.

The majority of the future tax liability relates to NPY's proportionate interest in the future tax liability of an underlying corporation.

(l) Leases

Leases entered into by NPY as lessee that transfer substantially all the benefits and risks of ownership to the lessee are recorded as capital leases and included in property, plant and equipment and long-term debt. All other leases are classified as operating leases under which leasing costs are recorded as expenses in the period in which they are incurred.

(m) Income (loss) per unit

The income (loss) per unit of NPY is computed by dividing NPY's income by the weighted average units outstanding during the reporting period. Diluted income per unit is similar to basic income per unit, except that the denominator is increased to include the number of additional units that would have been outstanding if the potentially dilutive units had been issued, and the numerator excludes distributions. Convertible units and restricted units described in note 16 are included in the computation of diluted income (loss) per unit. For the years ended December 31, 2006 and 2005 disclosure of diluted income (loss) per unit is not applicable as the restricted units are anti-dilutive.

The diluted effect of convertible debentures is computed by the application of the "if converted" method. The "if converted" method assumes conversion of convertible securities at the beginning of the reporting period or at time of issuance, if later.

(n) Cash and cash equivalents

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

(o) Deferred financing charges

Financing costs incurred with respect to obtaining financing are deferred and amortized on a straight-line basis over the term of the related financing, which vary from three to five years in length.

(p) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the periods. Significant items subject to such estimates and assumptions include the carrying amount of property, plant and equipment, accrued liabilities, intangible assets and goodwill, and valuation allowances for receivables and inventories.

2. Property, plant and equipment

December 31, 2006	Cost	Accumulated Depreciation	Net Book Value
Equipment under capital lease	$ 11,367	$ 3,054	$ 8,313
Furniture and equipment	6,003	2,164	3,839
Computer hardware and software	5,964	2,476	3,488
Automotive and heavy equipment	4,212	1,346	2,866
Land and buildings	3,266	664	2,602
Leasehold improvements	2,480	659	1,821
ATMs	1,202	425	777
	$ 34,494	$ 10,788	$ 23,706

December 31, 2005	Cost	Accumulated Depreciation	Net Book Value
Equipment under capital lease	$ 6,553	$ 1,175	$ 5,378
Furniture and equipment	4,043	444	3,599
Computer hardware and software	2,400	511	1,889
Automotive and heavy equipment	1,562	198	1,364
Land and buildings	1,316	41	1,275
Leasehold improvements	1,362	100	1,262
ATMs	939	279	660
	$ 18,175	$ 2,748	$ 15,427

3. Long-term investments

	December 31,2006	December 31,2005
Investments in:		
Brompton	$ 39,548	$ 41,795
RLogistics	7,026	-
Other	427	359
	$ 47,001	$ 42,154

On August 8, 2005, NPY acquired a 45% equity interest in Brompton Funds LP (together with its general partner BFGP Limited, collectively referred to as "Brompton") for $42,270 including costs of $112. The acquisition was payable by way of issue of 3,372,692 A2 LP units and 843,173 B2 LP units respectively. Brompton is a manager of public and private investment funds. The estimated fair values of the underlying assets acquired are as follows:

Goodwill	$ 20,783
Intangible assets, primarily customer relationships	21,487
	$ 42,270

The amortization of the intangible assets was $2,036 (2005 - $708).

On May 1, 2006, Redmond Group of Companies ("RGC") (formerly Jutan Limited Partnership) acquired a 45% interest in RLogistics LP ("RLogistics") for $8,500 (see note 4). RLogistics is a reverse logistics provider.

4. Business combinations

The following investments made during the year ended December 31, 2006 were accounted for using the purchase method, and the results of operations have been included in NPY's consolidated financial statements since the date of acquisition. The preliminary estimated fair values of the assets acquired and liabilities assumed for each of the acquisitions are as follows:

Year ended December 31, 2006	(a) Murray	(b) Waydex	(c) Hargraft	(d) Domotec	(e) Peerless	(f) IC Group	(g) Titan	(h) Armstrong	(i) Gusgo	(j) Adeo	Total
Date of investment	March 16	January 25	April 28	May 5	June 20	July 26	September 1	October 4	October 25	December 28	
Percentage acquired	80.0%	32.0%	75.3%	100%	90.0%	80.0%	87.9%	80.0%	80.%	67.1%	
Accounting method	(1)	(1)	(1)	(2)	(1)	(1)	(1)	(1)	(1)	(1)	
	$	$	$	$	$	$	$	$	$	$	$
Assets acquired:											
Current assets	13,945	962	6,765	102	20,993	2,554	21,060	2,235	213	168	68,997
Property, plant and equipment	3,273	346	118	5	970	366	1,835	518	722	47	8,200
Goodwill	4,495	39	2,676	-	1,225	3,002	6,225	6,331	4,368	128	28,489
Intangible assets	21,005	767	14,212	405	29,805	5,048	20,266	12,991	7,579	633	112,711
	42,718	2,114	23,771	512	52,993	10,970	49,386	22,075	12,882	976	218,397
Liabilities assumed:											
Current liabilities	10,611	810	7,615	4	16,778	2,770	23,779	1,875	18	-	64,260
Long-term liabilities	913	334	-	-	-	-	-	-	-	-	1,247
	11,524	1,144	7,615	4	16,778	2,770	23,779	1,875	18	-	65,507
Net assets acquired:	31,194	970	16,156	508	36,215	8,200	25,607	20,200	12,864	976	152,890
Consideration:											
Cash	28,494	931	15,956	508	36,000	8,000	25,202	16,000	9,524	976	141,591
Units issued	2,000	-	-	-	-	-	-	4,000	3,000	-	9,000
Transaction costs	700	39	200	-	215	200	405	200	340	-	2,299
	31,194	970	16,156	508	36,215	8,200	25,607	20,200	12,864	976	152,890

(1) Proportionate consolidation
(2) Consolidation

The purchase price allocations reflect management's best estimate at the time of preparing these consolidated financial statements and are subject to refinement.

(a) Murray

On March 16, 2006, Murray Demolition Corporation sold substantially all of its assets to Murray and NPY invested in 80% of the limited partnership units of Murray for $30,494, payable by way of issue of 204,291 A2 limited partnership units based on the average volume weighted trading value of Newport and $28,494 in cash. Murray is a provider of demolition contract services.

(b) Waydex Services Inc. ("Waydex")

On January 25, 2006, NPY invested $2,514 in NPC to fund NPC's direct investment in Waydex. NPC invested in 40% of the common shares of Waydex for $2,011. NPY's ownership is 32%. The cost of this investment was subsequently reduced by $847 representing amounts received by NPC relating to the period prior to the investment. NPY's ownership interest in NPC did not change from 80%, and the 20% share of this investment by NPY, being $503, has been accounted for as goodwill in these consolidated financial statements. Waydex is an oil and gas services provider.

(c) Hargraft

On April 28, 2006, Newport invested $15,956 in cash for an 80% interest in the business of Hargraft, an insurance broker selling specialized liability products for commercial clients and high-net-worth individuals.

Immediately following closing, Hargraft acquired all of the shares of Hargraft Schofield Benefits Inc. ("Hargraft Benefits") for a combination of cash and units of Hargraft with a maximum value of $2,250, subject to reduction if certain financial performance thresholds are not achieved. The issue of units of Hargraft to the vendors of the shares of Hargraft Benefits diluted NPY's interest in Hargraft to 75.34%. Once the financial performance of Hargraft Benefits has been determined in June 2007, NPY will acquire the units of Hargraft issued to the vendors of the shares of Hargraft Benefits, increasing its interest in Hargraft back to 80%.

(d) Les Systemes Domotec Inc. ("Domotec")

On May 5, 2006, NPY increased its invested capital in EZEE to allow it to acquire all of the shares of Domotec for cash consideration of $508. Domotec is a full-service provider of ATMs.

(e) Peerless

On June 20, 2006, Peerless Garments Ltd. sold substantially all of its assets to Peerless and NPY invested in 90% of the limited partnership units of Peerless for $36,000 in cash. Peerless is a manufacturer of protective outerwear.

(f) IC Group

On July 26, 2006, IC Group Inc. sold substantially all of its assets to IC Group and NPY invested in 80% of the limited partnership units of IC Group for $8,000 in cash. IC Group is a provider of interactive promotional solutions. In addition Newport will pay IC Group an additional earn-out amount equal to 3.2 times the amount by which average annual distributable cash flow over the three year period following closing exceeds $2,000. The earn-out amount is not reflected in the financial statements as the future amount cannot be determined.

(g) Titan

On September 1, 2006, Titan Supply Inc. sold substantially all of its assets to Titan and NPY invested in 88% of the limited partnership units of Titan for $25,202 in cash. In addition, NPY loaned $10,000 to allow Titan to discharge certain debt and obligations. Titan is a distributor and manufacturer of heavy industrial equipment.

(h) Armstrong

On October 4, 2006, Armstrong Partnership Ltd. sold substantially all of its assets to Armstrong and NPY invested in 80% of the limited partnership units of Armstrong for $20,000, comprising cash of $16,000 and units of NPY with a value of $4,000 (576,784 A2 limited partnership units). Armstrong is a provider of promotional marketing solutions.

(i) Gusgo

On October 25, 2006, NPY invested $9,524 in cash and issued units in NPY with a value of $3,000 (421,233 A2 limited partnership units) to acquire 80% of the limited partnership units of Gusgo. Gusgo is a container transportation services provider.

(j) Adeo Communications Corporation ("Adeo")

On December 28, 2006, NPY increased its investment in Capital C by $1,455 to allow Capital C to acquire 100% interest in Adeo for $1,455. Adeo is a digital promotions marketing agency specializing in e-business. NPY's ownership interest in Capital C did not change from 67%, and the 33% share of the investment by NPY, being $478, has been accounted for as goodwill in these consolidated financial statements.

NPY's acquisition of On-Site in 2004 included contingent consideration payable in the form of a maximum of 232,760 Class A2 NPY units which were placed in escrow. On April 3, 2006, 207,223 units were released from escrow pursuant to a calculation relating to the earnings performance of On-Site for the two years ended March 3, 2006. The balance of units held in escrow have been cancelled. The value assigned to the units released is $2,116 and has been added to the cost of the On-Site investment, and has been recorded as goodwill in these consolidated financial statements.

The consideration for the purchase in August 2005 of a 55% interest in S&E included 320,045 NPY B3 limited partnership units. As there are conditions to the release of these units, the determination of which is unknown, these units are treated as contingent consideration, and the goodwill on this investment has been reduced by $3,200.

In addition, on May 1, 2006, NPY increased its investment in RGC by $10,000 to allow RGC to acquire a 45% interest in a reverse logistics provider for $8,500 and to use the balance to provide working capital funds. NPY's ownership interest in RGC did not change from 80%, and the 20% share of the investment by NPY, being $2,000 has been accounted for as goodwill in these consolidated financial statements.

In May 2006, NPY reorganized its 80% and 50% interests in Capital C and Kenna, respectively, by creating a new LP into which 100% of each of these businesses was transferred. NPY now owns 67% of this new entity and has accounted for this transaction as a continuity of interests.

Year ended December 31, 2005

The following investments made during the year ended December 31, 2005 were accounted for using the purchase method, and the results of the operations have been included in NPY's consolidated financial statements since the date of acquisition. The fair values of the assets acquired and liabilities assumed for each of the acquisitions are as follows:

	(k) (i)	(k) (ii)	(l) (i)	(l) (ii)	(l) (iii)	(m) (i)	(m) (ii)	(m) (iii)	(m) (iv)	(n)	(o)	
Year ended December 31, 2005	EZEE	Gemma	NPC	RGC	S&E	ESR	Morrison Williams	Capital C	NPI	Kenna	Other	Total
Date of acquisition	January 28	March 31	August 8	August 8	August 8	August 8	August 8	August 8	August 8	September 14	Various	
Percentage acquired	50.1%	80.0%	30.7%	27.5%	55.0%	80.0%	80.0%	80.0%	100.0%	50.0%	80.0%	
Accounting method	(2)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(2)	(1)	(1)	
	$	$	$	$	$	$	$	$	$	$	$	$
Assets Acquired:												
Current assets	518	5,384	7,380	16,603	274	19,047	1,850	5,096	2,800	1,219	12,095	72,266
Property, plant and equipment	124	1,821	3,420	372	36	660	58	728	225	773	1,659	9,876
Long-term assets	-	-	153	41	-	266	-	80	239	-	-	779
Goodwill	14,814	1,947	5,901	26,873	4,666	37,460	31,666	12,010	45,266	-	5,206	185,809
Intangible assets	2,403	23,148	9,508	9,163	4,137	47,852	33,462	10,833	30,207	8,002	12,606	191,321
	17,859	32,300	26,362	53,052	9,113	105,285	67,036	28,747	78,737	9,994	31,566	460,051
Liabilities assumed:												
Current liabilities	2,679	3,869	8,113	12,828	578	18,233	1,689	8,036	1,901	830	5,223	63,979
Long-term liabilities	80	148	1,602	2,204	-	-	-	26	-	-	296	4,356
	2,759	4,017	9,715	15,032	578	18,233	1,689	8,062	1,901	830	5,519	68,335
Net assets acquired:	15,100	28,283	16,647	38,020	8,535	87,052	65,347	20,685	76,836	9,164	26,047	391,716
Consideration:												
Cash	15,000	28,025	-	-	-	-	-	-	-	9,059	17,955	70,039
Units issued	-	-	16,647	37,917	8,535	86,897	65,173	20,483	76,811	-	-	312,463
Note payable	-	-	-	-	-	-	-	-	-	-	7,599	7,599
Transaction costs	100	258	-	103	-	155	174	202	25	105	493	1,615
	15,100	28,283	16,647	38,020	8,535	87,052	65,347	20,685	76,836	9,164	26,047	391,716

(1) Proportionate consolidation
(2) Consolidation

(k) Acquisitions prior to Closing

(i) EZEE

On January 28, 2005, NPY acquired an additional 50.1% (7,000,000 Class B partnership units) of EZEE for $15,100, bringing its holding to 100%. EZEE is a full-service provider of ATMs and a full range of ATM management services, from ATM deployment and maintenance to transaction processing, reporting and settlement. With this acquisition, EZEE became a wholly owned subsidiary of NPY.

(ii) Gemma

On March 31, 2005, NPY acquired 80.0% (7,999 partnership units) of Gemma for $28,283. Gemma is an integrated direct marketing company with its primary focus on inbound and outbound teleservices.

(l) Roll-up Agreements concurrent with the Closing

On Closing of the public offering of Newport, NPY increased its investments in NPC, S&E and RGC to 80%. These acquisitions were made as follows:

(i) NPC

NPY acquired an additional 30.6% of the limited partnership units of NPC for $16,647 payable by way of issue of 1,664,767 A2 LP units.

(ii) RGC (note 5)

NPY acquired an additional 27.5% of the limited partnership units of RGC for $38,020 payable by way of issue of 3,791,660 A2 LP units. This increased its investment to 80%. Previously this investment had been recorded as a long-term investment using the equity method of accounting. The two earlier investments totalling 52.5% were completed in December 2004 and April 2005 for a cash consideration of $10,450, including costs of $250, and $26,000 respectively. Goodwill and intangibles arising from these two investments were $12,809 and $15,789 respectively. RGC is an importer, marketer and distributor of electronic and appliance products to the Canadian retail industry.

(iii) S&E

NPY acquired an additional 55% of the limited partnership units of S&E for $8,535 payable by way of issue of 533,409 A2 LP units and 320,045 B3 LP units respectively. S&E is an alternative advertising company that provides a specialized service for clients seeking to enhance their advertising awareness in new areas beyond traditional media placement. NPY's investment in additional limited partnership units of S&E is subject to price adjustment. The A2 LP units and B3 LP units issued are being held in escrow, and will be released on a defined schedule over a 30-month period based upon the level of distributable cash earned by S&E after Closing.

(m) Acquisitions concurrent with the Closing

On Closing, NPY invested in ESR, MWI, Capital C and NP LP pursuant to the Acquisition Agreements, in each case, in a series of transactions as follows:

(i) Elliott Special Risks Ltd. sold substantially all of its assets to ESR and NPY purchased 80% of the limited partnership units of ESR for $86,897 payable by way of issue of 3,475,882 A2 LP units and 5,213,824 A3 LP units respectively. ESR is a specialty managing general agent and is qualified to underwrite commercial liability insurance on behalf of insurers. ESR does not assume any liability for claims, expenses or payments if an insured incurs a loss. This liability is the responsibility of the insurer that underwrites the policy.

(ii) Morrison Williams Investment Management Ltd. sold substantially all of its assets to MWI and NPY purchased 80% of the limited partnership units of Morrison Williams for $65,173 payable by way of issue of 5,213,824 A2 LP units and 1,303,456 B4 units respectively. Morrison Williams is an institutional money manager.

(iii) Capital C Communications Inc. sold all of its assets to Capital C and NPY indirectly purchased 80% of the limited partnership units of Capital C for $20,483 payable by way of issue of 2,048,288 A2 LP units. Capital C is a fully integrated marketing services agency that works with its clients to develop innovative marketing programs for its clients' products and services.

(iv) Newport Insurance Inc. and Newport Securities Inc. sold substantially all of their respective assets to Newport Insurance LP and Newport Securities LP and NPY purchased 100% of the limited partnership units of Newport Insurance LP and Newport Securities LP and purchased from Newport Holdings Ltd. 100% of the shares of Newport Investment Counsel Inc. ("NICI") for $76,811 in aggregate, payable by way of issue of 3,817,264 A2 LP units, 1,536,216 B1 LP units and 2,327,600 Class C LP units. On completion of this transaction, NPY transferred its direct investment in these entities to Newport Partners LP.

(n) Acquisitions subsequent to closing

On September 13, 2005 Kenna Group sold substantially all of its assets to Kenna and NPY purchased 50% of the limited partnership units of Kenna for cash of $9,059. Kenna is a provider of automated marketing solutions.

(o) Other

During 2005, NPY also completed investments indirectly through RGC and NPC respectively.

On September 30, 2005, NPY invested $17,000 in RGC to fund its acquisition of certain assets of Sonigem Products Inc ("Sonigem"). This additional investment did not result in a change in NPY's ownership interest of 80% in RCG. The 20% share of this investment, being $3,400, has been accounted for as goodwill by NPY in its financial statements. From the $17,000 investment by NPY, RGC used $16,715 to purchase Sonigem and to fund additional working capital requirements of Sonigem. Sonigem is a marketer and distributor of consumer audio and video electronics (note 5).

Subsequent to August 7, 2005, NPC acquired all of the operations of three regional oil and gas service companies located in Alberta. These investments were completed by NPC of which NPY has an 80% interest. In November 2005, NPC acquired McConnell Welding & Construction LP, and in December 2005 acquired Jenpai Oilfield Services Ltd., and the assets of Polar Facilities Ltd. These investments were completed by NPC for a total of $9,332. These investments were funded primarily through an equity investment in NPC by NPY. NPY's ownership interest did not change from 80%, and the 20% share of this investment, being $1,772 has been accounted for as goodwill of NPY it its financial statements.

5. Discontinued operations

Management of Newport, and the principals of SW International Inc. ("SW"), the owners of 20% of the units of RGC, adopted a formal plan to dispose of all of the assets of RGC. On March 27, 2007, a definitive agreement was signed by Newport, SW and a purchaser for the sale of all of the assets of RGC for an aggregate net consideration of $35,000. The transaction is expected to close in the second quarter of 2007. RGC's 45% equity investment in RLogistics completed in May 2006, is not being sold, and the equity income from this investment is included in the Other segment.

The assets and liabilities of RGC, excluding RLogistics LP, have been segregated and presented separately as discontinued in the consolidated balance sheets as at December 31, 2006 and December 31, 2005, and the results of operations of RGC have been segregated and presented separately as discontinued in the consolidated statements of operations and statements of changes in financial position for the years ended December 31, 2006 and 2005.

	Year ended December 31, 2006	Year ended December 31, 2005
Revenues	$ 225,933	$ 116,382
Net (loss) income	(63,253)	3,522

Included in the net loss for 2006 is a provision for $55,788 to reduce Newport's carrying value of RGC to its share of estimated net sales proceeds.

	December 31, 2006	December 31, 2005
Current assets:		
Accounts receivable	$ 42,283	$ 52,424
Inventory	25,853	29,194
Prepaid expenses	833	816
Current assets of discontinued operations	68,969	82,434
Property, plant and equipment	1,475	1,019
Intangibles	10,571	29,244
Goodwill	1,908	43,082
Other assets	449	-
Long-lived assets of discontinued operations	14,403	73,345
Current liabilities:		
Bank lines	16,290	19,436
Accounts payable and accrued liabilities	35,504	43,444
Current portion of long-term debt	1,833	2,000
Deferred revenue	745	1,246
Current liabilities of discontinued operations	54,372	66,126
Net assets of discontinued operations	$ 29,000	$ 89,653

6. Intangible assets

December 31, 2006	Cost	Accumulated Amortization	Net Book Value
Definite life intangible assets:			
Customer relationships/contracts	$ 259,456	$ 30,547	$ 228,909
ATM location contracts	6,896	4,965	1,931
Management contracts	461	148	313
Intellectual property	825	825	-
Non-competition agreements	1,000	444	556
	268,638	36,929	231,709
Indefinite life intangible assets:			
Brands	33,681	-	33,681
	$ 302,319	$ 36,929	$ 265,390

The above intangible assets reflect management's best estimates of intangibles recorded through acquisitions. These estimates may be revised as purchase equations are refined.

December 31, 2005	Cost	Accumulated Amortization	Net Book Value
Definite life intangible assets:			
Customer relationships/contracts	$ 162,986	$ 7,912	$ 155,074
ATM location contracts	7,867	3,875	3,992
Management contracts	461	33	428
Intellectual property	825	275	550
Non-competition agreements	1,000	111	889
	173,139	12,206	160,933
Indefinite life intangible assets:			
Brands	19,998	-	19,998
	$ 193,137	$ 12,206	$ 180,931

7. Other assets

	December 31, 2006	December 31, 2005
Advances to operating partners (note 14)	$ 10,323	$ 6,173
Deferred financing charges	8,277	4,466
Other	4,219	919
	22,819	11,558
Less current portion	13,790	6,587
	$ 9,029	$ 4,971

Deferred financing charges are net of accumulated amortization of $2,761 (2005 - $115).

8. Credit facilities and long-term debt

(i) On December 7, 2006, NPY entered into a senior credit agreement ("the Agreement") with Fortress Credit Corp. ("Fortress") to provide up to $320,000 in funding.

The Agreement consists of three components: a $75,000 revolving credit facility; a $170,000 term loan; and a $75,000 delayed-draw term loan ("DDTL"). NPY used the proceeds from the $170,000 term loan to fully repay and discharge the $132,000 drawn on NPY's bank syndicate credit facility. (See note 8 (ii)). The balance was added to cash reserves.

The following table highlights the key terms of the Agreement:

Structure	Term	Cost
$75,000 first-out revolving credit facility	Five years and one day	Banker's Acceptance (BA) rate plus 2.50%
$170,000 term loan	Five years and one day	LIBOR rate plus 3.50% to 4.95% depending on total senior leverage ratio
$75,000 delayed draw term loan	Draws will be permitted up to two years following closing of the Agreement. Maturity date is five years and one day after the last draw and no later than seven years and one day after closing	LIBOR rate plus 3.50% to 4.95% depending on total senior leverage ratio

Repayment of the term loan and DDTL is required on their maturity date.

The Agreement is collateralized by general security agreements covering assets of all of the operating partnerships of NPY, other than RGC and Brompton.

(ii) NPY, through its wholly owned subsidiary, Newport Partners Holdings LP ("NPH"), entered into a credit agreement (the "Credit Agreement") with a syndicate of banks on August 8, 2005 for an initial amount of $40,000. The facility was amended several times in 2005 and finally on October 4, 2006 at which time the total facility provided by six Canadian chartered banks was $170,000. On December 7, 2006, NPY entered into an Agreement with Fortress and used $132,000 of its new borrowings to retire the full amount drawn on the current bank syndicate facility. At the same time, NPY expensed $1,917 of the unamortized deferred financing charges relating to the bank syndicate facility. The facility included an acquisition line facility as well as an operating facility. The operating facility was a three-year revolving facility and the acquisition facility was for a one-year term. The facilities paid interest at the bank's prime rate adjusted for leverage and were subject to certain covenants. The facilities were collateralized by general security agreements covering assets of all of the operating partnerships of NPY, other than RGC and Brompton.

9. Interest expense

Year ended	December 31, 2006	December 31, 2005
Interest on long-term debt	$ 1,040	$ -
Interest on convertible debenture	6,323	331
Interest on credit facility	3,809	752
Other interest (income) expense	(679)	452
	$ 10,493	$ 1,535

10. Obligations under capital leases

Capital lease obligations relate to vehicles and heavy equipment. The leases bear interest at rates from 4.1% to 10% (2005 – 4.5% to 15%) per annum and are secured by specific assets. NPY's proportionate interest in future minimum payments are as follows:

	December 31, 2006
2007	$ 4,535
2008	2,461
2009	1,154
2010	424
2011	147
Total minimum lease payments	8,721
Less amount representing interest (at rates ranging from 4.1% to 10%	656
Present value of net minimum capital lease payments	8,065
Less current portion of obligations under capital leases	4,122
	$ 3,943

Interest of $484 for the year December, 31, 2006 (2005 - $656) relating to capital lease obligations has been included in interest expense.

11. Limited partnership units and capital contributions

(a) Pursuant to the Partnership Agreement, and prior to August 8, 2005

(i) NPY is authorized to issue an unlimited number of units;

(ii) the general partner may raise capital from time to time by selling units of NPY and may determine the price and conditions of such issue;

(iii) each limited partner has the right, but not the obligation, to subscribe on a pro-rata basis to its current holdings in NPY for up to 50% of the units offered for sale by the General Partner; and

(iv) each unit, representing an undivided interest in the net assets of NPY, participates equally with other units and carries one vote.

(b) Pursuant to the Partnership Agreement and subsequent to August 8, 2005

(i) NPY is authorized to issue various classes and series of units, for such consideration and on such terms and conditions as may be determined by the General Partner. On Closing the issued and outstanding LP units were split on a 2.3276 to one basis and redesignated as 22,206,450 A2 LP units.

Each LP unit has economic rights that are equivalent in all material respects, except that:

(i) A2 LP units are exchangeable for units at the option of the holder on a one-for-one basis (subject to customary anti-dilution protections) at any time;

(ii) Class B LP units and Class C LP units are automatically exchanged into A2 LP units on a one-for-one basis following the applicable Class B Subordination and Class C Subordination end date;

(iii) distributions on the Class B LP units are subordinated to A1 and A2 LP units;

(iv) distributions on the Class C LP units are subordinated to A1, A2 and Class B LP units;

(v) LP units automatically become exchangeable into units of Newport upon the satisfaction of certain conditions and in certain circumstances;

(vi) each of the A2 LP units, Class B LP units and Class C LP units are accompanied by a Special Voting unit which entitles the holder thereof to receive notice of, to attend and to vote at all meetings of unitholders; and

(vii) on Closing, Newport granted the holders of A2 LP units the right to require Newport at any time to indirectly exchange each A2 LP unit for units of Newport on a one-for-one basis, subject to customary anti-dilution protections, pursuant to the Exchange Agreement.

Each limited partner is entitled to one vote for each unit held at all meetings of limited partners of NPY. In addition, the holders of LP units of each class or series of LP units are entitled to vote separately as a class upon any proposal to add to, remove or change the rights, privileges, restrictions or conditions attaching to such class or series of LP units or otherwise adversely affect such class or series of LP units.

(c) Issuance of units pursuant to the initial public offering of Newport

On July 28, 2005, a prospectus was filed for Newport for the issuance of 21,300,000 trust units. The Closing was completed on August 8, 2005. Subsequent to the Closing, the over-allotment option was exercised, and a further 1,350,000 trust units were issued for a total of 22,650,000 units. Newport has been created to hold an interest in NPY.

The proceeds of the Offering net of the underwriters' fee were $213,476. Newport used $213,412 of the Offering to indirectly capitalize NPY. NPY used the proceeds of the Offering to pay the expenses of the Offering of $10,112, to pay a portion of the performance fee due on Closing to NICI to enable NICI to pay source deductions of $20,202 due on related employee bonuses, to pay GST of $2,928 on the performance fee, and to redeem 12,731,454 A2 LP units and 5,213,824 A3 LP Units for $127,315 and $52,138, respectively. Amounts received by employees were used to subscribe for 2,163,013 A2 LP units which were immediately exchangeable for A1 LP units.

(d) Issuance of new units as a result of the Roll-up Agreements and acquisitions concurrent with the Closing

(i) On Closing, NPY issued units to increase its investments in NPC, S&E and RGC to 80% pursuant to the Roll-up Agreements and as detailed in note 4.

(ii) On Closing, NPY issued units to acquire 80% of ESR, MWI and Capital C and 100% of NP LP pursuant to the acquisition agreements and as detailed in note 4. NPY also issued units to acquire 45% of Brompton as detailed in note 3.

(e) During 2006, NPY issued units to the vendors of Murray, Armstrong and Gusgo as part consideration of the purchase price for NPY's 80% interest in each of these businesses as detailed in note 4.

(f) In April 2006, holders of $500 of convertible debentures exercised their right to convert to units at $9.50 per unit, and NPY issued 52,631 units.

(g) In June 2006, Newport issued 8,155,000 units for proceeds, net of underwriters' fee of $71,274. Newport used these proceeds to indirectly capitalize NPY, and NPY used these funds to pay expenses of the offering of $1,354, to repay amounts drawn on its bank lines, and to add the balance to cash reserves.

12. Distributions and allocations to limited partners

The General Partner may, at its discretion, make distributions to limited partners in proportion to the number of partnership units held by them at the time of the distribution. Distributions of $0.125 per partnership unit were paid each month from April to September 2004. Effective October 2004, the distributions were paid at the rate of $0.1375 per partnership unit. Subsequent to the unit split on August 8, 2005 and the Closing, monthly distributions were paid at $0.07708 per unit. On September 27, 2005, the Partnership announced an increase in its monthly distribution to $0.079167 per unit, effective for distributions payable on and after November 15, 2005. On April 13, 2006, the Partnership announced an increase in its monthly distribution to $0.08333 per unit, effective for distributions payable on and after May 15, 2006.

The total distributions paid and payable during the year ended December 31, 2006 were $68,956 (2005 - $31,096).

Pursuant to the Partnership Agreement, all of the net income and realized capital gains (losses) of the Partnership are allocated to the limited partners.

13. Income (loss) per unit

The following table sets forth the computation of basic and dilutive income (loss) per unit:

	Year ended December 31, 2006	Year ended December 31, 2005
Numerator:		
Income (loss) from continuing operations	$ 20,611	$ (38,141)
Income (loss) from discontinued operations	(63,253)	3,522
Net loss	$ (42,642)	$ (34,619)
Denominator:		
Weighted average number of units outstanding		
Basic and diluted	69,507,915	35,801,224
Income (loss) per unit (basic and diluted):		
Continuing operations	0.30	(1.07)
Discontinued operations	(0.91)	0.10
Net loss	$ (0.61)	$ (0.97)

The computation of fully diluted loss per unit is anti-dilutive and is not shown here.

14. Related party transactions

Administration Agreement

On Closing, Newport, the Commercial Trust (through which Newport owns its investment in NPY) and the new General Partner entered into the Administration Agreement. Under the terms of the Administration Agreement, the General Partner provides, for no additional consideration other than reimbursement by Newport and Commercial Trust of out-of-pocket expenses incurred by the General Partner, administrative and support services to Newport.

The Administration Agreement has an initial term of three years, and is renewable for additional one-year terms at the option of the parties thereto. The Administration Agreement may be terminated by any of the parties in the event of the insolvency or receivership of another party, or in the case of default by one of the other parties, in the performance of a material obligation of the Administration Agreement which is not remedied within 30 days after written notice thereof has been delivered. The Administration Agreement may also be terminated upon 30 days written notice by Newport or the Commercial Trust to the General Partner.

An amount of $373 (2005 - $464) due from a related party, International Supply Services Ltd., a 50% equity investment of NPC, is non-interest bearing, unsecured and has no fixed terms of repayment. A provision for doubtful receivables of $80 has been recorded against this balance.

Employee loans were made by NPY to employees of NPY and an executive of EZEE. Balances outstanding are $780 and $221 respectively (2005 – nil and $250). In accordance with the terms and condition of the loans, the loans are interest bearing and non-interest bearing respectively and were used to purchase units in NPIF and NPY respectively.

Included in Other Assets are advances of $10,323 (2005 – $6,173) made to the Operating Partnerships. Advances bear interest at bank prime, are unsecured and have no fixed terms of repayment. Interest income on the advances is $505 (2005 - $134).

Pursuant to the Partnership Agreement, NICI was entitled to a performance fee of 20% of the realized appreciation above 8% of the net assets of NPY. The Offering triggered realized appreciation for the limited partners in excess of 8% and, as a result, the performance fee was earned and payable. On Closing, NICI was paid a performance fee of $44,760, inclusive of GST, which its employees immediately reinvested back into NPY the full net of tax amount of approximately $21,600. On August 8, 2005, the Partnership Agreement was amended to eliminate all management, administrative and performance fees. NPY recorded management and administrative fees of $1,201 in 2005.

15. Financial instruments

(a) Fair values of financial assets and liabilities

Financial instruments consist of certain current assets and liabilities, where their carrying values approximate their fair values due to the relatively short periods to maturity of the instruments. The fair values of long-term financial instruments do not differ significantly from their carrying amount.

These estimates are subjective in nature and involve uncertainties and matters of significant judgement and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimate.

(b) Interest rate risk

NPY's exposure to interest rate fluctuations is with respect to short-term and long-term financing which bears interest at floating rates.

(c) Significant customers and concentration of credit risk

Financial instruments that potentially subject NPY to concentrations of credit risk consist principally of accounts receivable. NPY believes that risks are moderated by the diversity of its end customers and the geographic sales area. NPY also considers concentrations of credit risk in establishing the reserves for bad debts and believes the recorded reserves are adequate.

NPC has two customers which comprise 28% of NPC's sales and two customers which comprise 11% of NPC's accounts receivable (2005 - three customers comprised 36% of accounts receivable and three customers comprised 36% of sales).

Sales to the top three customers represents 69% of Gemma's total sales for the year ended December 31, 2006 and 70% of the accounts receivable balance at December 31, 2006 is due from these customers (2005 – four customers comprised 76% of sales and five customers comprised 81% of accounts receivable).

Sales to the top three customers represents 50% of Murray's total sales for the year ended December 31, 2006 (2005 – none) and 38% of the accounts receivable balance at December 31, 2006 (2005 – none) is due from these customers.

On a consolidated basis, the aforementioned customers of NPC, Gemma and Murray represents 14% of NPY's revenues and 7% of NPY's accounts receivable (2005 – 17% and 7%).

16. Convertible debenture

On December 12, 2005, Newport issued $85,000 principal amount of 7.50% subordinated unsecured convertible debentures for net proceeds of $81,298 after issue and related costs. The debentures are convertible into units of Newport at the option of the holder at any time prior to maturity at a conversion price of $9.50 per unit. The debentures mature on December 31, 2010 at which time they are due and payable. After December 31, 2008, the debentures may be redeemed in whole or in part by Newport, at the amount outstanding plus accrued and unpaid interest thereon, except that for redemption on or prior to December 31, 2009 the current market price of the units must not be less than 125% of the conversion price.

Newport, Commercial Trust and NPH, the wholly owned subsidiary of NPY, entered into an agreement pursuant to which NPH agreed to bear the costs that Newport would otherwise incur as a condition of Newport arranging for Commercial Trust to invest $85,000 in the Convertible Class B LP units of NPH.

NPH has only issued two series of units, Class A LP units, which are 100% owned by NPY, and the Class B LP units which are 100% owned by Commercial Trust. In the case of conversion of the convertible debentures of Newport into units of Newport, Commercial Trust will transfer the corresponding number of Class B LP units of NPH to NPY for a corresponding number of NPY Class A1 LP units, and NPY will then exchange its Class B LP units of NPH for a corresponding number of Class A LP units of NPH.

The convertible units are classified as debt, net of the fair value of the conversion feature which has been classified as unitholders' equity. This resulted in $84,331 being classified as debt and $669 being classified as equity. Issue costs are being amortized over the term of the debentures, and the debt portion will accrete up to the principal balance at maturity. The accretion expense of $131 (2005 - $8) and amortization of issue costs of $728 (2005 - $35) are included in amortization of deferred financing charges in the consolidated statement of operations. Interest expense during the period was $6,323 (2005 - $331).

Issued December 12, 2005	$ 85,000
Portion allocated to equity	(669)
Accretion	8
Balance December 31, 2005	$ 84,339
Amount converted to units	(500)
Accretion	131
Balance December 31, 2006	$ 83,970

In April 2006, holders of $500 of convertible debentures exercised their right to convert to units (note 11).

17. Interests in jointly controlled entities

At December 31, 2006, NPY holds a 90% interest in Peerless, an 88% interest in Titan, 80% interests in S&E, NPC, Gemma, ESR, Morrison Williams, Gusgo, Armstrong, IC Group and Murray, a 75% interest in Hargraft and a 67% interest in Capital C (2005 - an 80% interest in S&E, NPC, Gemma, Capital C, ESR, and Morrison Williams and a 50% interest in Kenna). The consolidated financial statements include NPY's proportionate share of the revenue, expenses, assets and liabilities of these jointly controlled entities as follows:

	December 31, 2006	December 31, 2005
Current assets	$ 146,454	$ 69,694
Other assets	711	464
Property, plant and equipment	20,761	13,807
Long-term investments	425	359
Goodwill and intangibles	88,052	31,846
	$ 256,403	$ 116,170
Current liabilities	$ 140,779	$ 71,900
Long-term obligations	4,404	3,097
	$ 145,183	$ 74,997

	December 31, 2006	December 31, 2005
Revenue	$ 332,513	$ 118,241
Expenses	287,552	104,924
Net income	$ 44,961	$ 13,317
Cash provided by (used in):		
Operating activities	$ 48,111	$ 10,658
Financing activities	(14,242)	(15,391)
Investing activities	(34,266)	911

18. Changes in non-cash working capital

Changes in non-cash working capital balances related to operations are as follows:

	December 31, 2006	December 31, 2005
Accounts receivable	$ (1,812)	$ (21,658)
Inventories	(1,101)	(239)
Prepaid expenses	(35)	(142)
Other current assets	(7,203)	(5,113)
Accounts payable and accrued liabilities	(1,244)	73
Deferred revenue	188	2,737
	$ (11,207)	$ (24,342)

19. Trust bank accounts

NPY's investments which have insurance operations maintain trust bank accounts for premiums collected but not yet remitted to insurance companies of $7,227 at December 31, 2006 (2005 - $4,433). The funds are included in cash.

20. Commitments and contingencies

(a) NPY is committed to payments under operating leases for equipment and office premises through 2019 in the total amount of approximately $27,133. The minimum annual payments, exclusive of operating costs under these lease arrangements, are as follows:

2007	$ 6,278
2008	5,535
2009	3,820
2010	2,640
2011	1,646
Thereafter	7,214

(b) The various Acquisition Agreements provide that elections may be made under the Income Tax Act (Canada) to transfer the assets of the predecessor businesses to the various respective limited partnerships on a tax deferred basis. Accordingly, the tax cost to the Operating Partnership of the assets transferred where such elections are made may be less than the fair market value of such assets and, as such, some of the investee partnerships may realize a taxable gain on a future disposition of the assets.

(c) NPY and its Operating Partnerships are subject to claims and litigation proceedings arising in the normal course of operations. These contingencies are provided for when they are likely to occur and can be reasonably estimated. Management believes that the ultimate resolution of these matters will not have a material effect on NPY's consolidated financial statements.

(d) The acquisitions involved various corporate structuring steps to complete the transactions in a tax-effective manner. These transactions involved interpretations of the Income Tax Act (Canada) which could if interpreted differently, result in additional tax liabilities.

(e) Guarantees

(i) NPC has guaranteed the bank facility of a 90% owned subsidiary, which has an overall credit limit of $180.

(ii) NPC has guaranteed the outstanding operating line and corporate credit cards of a 45% owned joint venture to a maximum of $400.

(f) EZEE has been named as a defendant in a defamation claim and two counterclaim actions. Management is of the opinion that there is a strong defense against the defamation claim. Due to the present undeterminable outcome of the actions, management has not made a provision for any potential losses.

EZEE had previously indicated that its customer contracts in Quebec may be subject to Article 2125 of the Civil Code of Quebec which provides Quebec businesses with the right to unilaterally cancel a service contract at any time upon notice. If customers had this right, future prospects and results of operations could have been adversely affected. During 2005 EZEE initiated legal action in the Province of Quebec against two of its clients, who had terminated long-term contracts before expiry of the term, for breach of contract. In December 2005, the Quebec Superior Court ruled in favour of EZEE in both these actions. EZEE's contracts were determined to be enforceable in accordance with their terms and not subject to any unilateral cancellation right by these customers prior to the expiry of their terms.

21. Segmented information

NPY has six reportable operating segments, each of which has separate operational management and management reporting information. All of NPY's operations, assets and employees are located in Canada. The financial services segment incorporates investment management, institutional money management, wealth management, specialty insurance underwriting, and the servicing of ATMs. The marketing segment represents the investment in non-traditional marketing operations that acquires rights in media, publications and television, an investment in an integrated direct marketing company with its primary focus on inbound and outbound teleservices, an investment in a fully integrated marketing services agency and investments in two promotional solutions marketing firms. The industrial services segment represents the investments in fully integrated providers of mid-stream production services to the energy industry and in a provider of demolition contract service. The other segment incorporates a manufacturer of protective outerwear, a distributor and manufacturer of heavy equipment, a container transportation business and a reverse logistics provider. The corporate segment represents head office administrative and financing costs incurred by the Partnership. The accounting polices of the segments are the same as those described in the summary of significant accounting polices in note 1. NPY utilizes earning before interest, taxes, depreciation and amortization ("EBITDA") as a performance measure for its operating partners and segment results, and accordingly a reconciliation from net income to EBITDA is included herein.

Year ended December 31, 2006	Financial Services	Marketing	Industrial Services		Corporate	Other	Total
			NPC	Murray			
Revenue	$ 69,379	$ 69,323	$ 139,069	$ 47,752	$ -	$ 40,579	$ 366,102
Cost of revenue	30,778	35,531	114,351	32,661	-	29,818	243,139
	38,601	33,792	24,718	15,091	-	10,761	122,963
Expenses							
Selling, general and administrative	9,793	20,618	11,237	8,718	4,513	4,985	59,864
Amortization of deferred financing charges	-	-	-	-	3,506	-	3,506
Amortization of intangible assets	13,749	5,712	2,194	2,727	-	2,570	26,952
Depreciation	647	1,582	3,222	835	-	189	6,475
	24,189	27,912	16,653	12,280	8,019	7,744	96,797
Income (loss) before the undernoted	14,412	5,880	8,065	2,811	(8,019)	3,017	26,166
Income(loss) from equity investment	2,378	-	(7)	-	-	970	3,341
Other income	1,693	-	-	-	-	-	1,693
Interest expense	(271)	238	1,624	57	7,911	934	10,493
Income tax	96	-	-	-	-	-	96
Income (loss) from continuing operations	$ 18,658	$ 5,642	$ 6,434	$ 2,754	$ (15,930)	$ 3,053	$ 20,611
Interest (income) expenses	(271)	238	1,624	57	7,911	934	10,493
Depreciation and amortization	14,396	7,294	5,416	3,562	3,506	2,759	36,933
Amortization of Brompton intangible asset(i)	2,036	-	-	-	-	-	2,036
Income tax	96	-	-	-	-	-	96
EBITDA	$ 34,915	$ 13,174	$ 13,474	$ 6,373	$ (4,513)	$ 6,746	$ 70,169
Goodwill acquired	4,792	6,739	39	4,495	-	13,818	29,883
Expenditures for property, plant and equipment (ii)	815	645	591	231	588	165	3,035
Total assets (ii)	295,100	110,033	71,401	42,804	195,436	115,437	830,211
Total goodwill	136,037	25,247	10,501	4,495	-	11,818	188,098

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

ii) Discontinued operations previously part of the distribution segment are included in the corporate segment (note 5).

Year ended December 31, 2005	Financial Services	Marketing	Industrial Services	Corporate	Total
			NPC		
Revenue	$ 33,677	$ 33,001	$ 74,495	$ -	$ 141,173
Cost of revenue	16,886	19,786	62,549	-	99,221
	16,791	13,215	11,946	-	41,952
Expenses					
Selling, general and administrative	6,727	7,553	5,555	1,860	21,695
Performance fee	44,760	-	-	-	44,760
Amortization of deferred financing charges	-	-	-	123	123
Amortization of intangible assets	6,600	2,899	1,198	-	10,697
Depreciation	313	707	1,545	-	2,565
	58,400	11,159	8,298	1,983	79,840
Income (loss) before the undernoted	(41,609)	2,056	3,648	(1,983)	(37,888)
Income from equity investment	1,136	-	-	-	1,136
Other income	146	-	-	-	146
Interest expense	54	40	1,056	385	1,535
Income (loss) from continuing operations	$ (40,381)	$ 2,016	$ 2,592	$ (2,368)	$ (38,141)
Interest expense	54	40	1,056	385	1,535
Depreciation and amortization	6,913	3,606	2,743	123	13,385
Amortization of Brompton intangible asset (i)	708	-	-	-	708
EBIDTA	$ (32,706)	$ 5,662	$ 6,391	$ (1,860)	$ (22,513)
Goodwill acquired (ii)	129,206	18,623	7,707	43,082	198,618
Expenditures for property, plant and equipment (ii)	687	861	1,890	132	3,570
Total assets (ii)	353,413	79,695	74,559	155,782	663,449
Total goodwill (ii)	134,316	19,120	9,556	-	162,992

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

ii) Discontinued operations previously part of the distribution segment are included in the corporate segment (note 5).

22. Comparative figures

The comparative financial statements have been reclassified from statements previously presented to conform to the December 31, 2006 consolidated financial statements.

23. Subsequent events

On January 12, 2007, NPY invested approximately $13,300 cash into EZEE to allow it to acquire the Canadian ATM business of TRM Corp.

On January 3, 2007, Murray invested $50,000 for the assets of privately-owned Quantum Environmental Group Inc. ("Quantum"). Based in Vancouver, Quantum is a nationally recognized leader in the clean-up and rehabilitation of commercial and industrial sites and facilities.

Under the terms of the transaction, Quantum received $28,500 million in cash and $21,500 million in units of Murray. Upon closing, NPY has a 62% interest in the merged company which has changed its name to Quantum Murray. The remaining 38% interest will be controlled by the management of Quantum Murray. To facilitate this transaction, NPY invested an additional $28,500 million in Murray.

On March 13, 2007, NPY invested an additional $7,700 in NPC to allow NPC to acquire an 80% interest in Skystone LP ("Skystone"). NPY's ownership interest in NPC did not change. Skystone provides engineering, technical and management services to the oil and gas industry.

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Units Outstanding

NPF.UN	39,283,565
NPY	34,549,938
Total	73,833,503

Convertible Debentures
84,500,000

Annual General Meeting
May 8, 2007 4:30 p.m. ET
The Design Exchange
234 Bay Street
Toronto-Dominion Centre
Toronto, Ontario

More information can be found at Newport's website:

www.newportpartners.ca

and at

www.sedar.com

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