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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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.

(In thousands of dollars, except per unit amounts)

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

(In thousands of dollars, except per unit amounts)

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.

(In thousands of dollars, except per unit amounts)

(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

(In thousands of dollars, except per unit amounts)

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:

(In thousands of dollars, except per unit amounts)

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:

(In thousands of dollars, except per unit amounts)

	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.

(In thousands of dollars, except per unit amounts)

	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

(In thousands of dollars, except per unit amounts)

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

(In thousands of dollars, except per unit amounts)

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

(In thousands of dollars, except per unit amounts)

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

(In thousands of dollars, except per unit amounts)

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.

(In thousands of dollars, except per unit amounts)

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.

(In thousands of dollars, except per unit amounts)

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:

(In thousands of dollars, except per unit amounts)

	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)

(In thousands of dollars, except per unit amounts)

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.

(In thousands of dollars, except per unit amounts)

Year ended December 31, 2006	Financial Services	Marketing	Industrial Services NPC	Industrial Services Murray	Corporate	Other	Total
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).

(In thousands of dollars, except per unit amounts)

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

KPMG LLP
Chartered Accountants
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North York, ON M2P 2H3

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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 $
			A1	A2	A3	B1	B2	B3	B4	C	
Class of units											
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.

(In thousands of dollars, except per unit amounts)

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

(In thousands of dollars, except per unit amounts)

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.

(In thousands of dollars, except per unit amounts)

(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

(In thousands of dollars, except per unit amounts)

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:

(In thousands of dollars, except per unit amounts)

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:

(In thousands of dollars, except per unit amounts)

	(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.

(In thousands of dollars, except per unit amounts)

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

(In thousands of dollars, except per unit amounts)

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

(In thousands of dollars, except per unit amounts)

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

(In thousands of dollars, except per unit amounts)

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

(In thousands of dollars, except per unit amounts)

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.

(In thousands of dollars, except per unit amounts)

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%).

(In thousands of dollars, except per unit amounts)

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).

(In thousands of dollars, except per unit amounts)

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

(In thousands of dollars, except per unit amounts)

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.

(In thousands of dollars, except per unit amounts)

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).

NEWPORT PRIVATE YIELD LP

Notes to Consolidated Financial Statements
(In thousands of dollars, except per unit amounts)

Years ended December 31, 2006 and 2005

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.