Management's Discussion and Analysis

March 26, 2008

Prior to our IPO on August 8, 2005, we made our investments in private businesses through NPY, a limited partnership established on February 27, 2004. The Fund holds a 58% indirect interest in NPY. 2007 is the first year where there has been full comparative information for the Fund and as such, financial results of NPY are no longer included in this MD&A, although certain financial information of NPY has been included where appropriate.

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

Capitalized terms are defined terms, their meaning is explained in the "Definitions" section located at page 63, and references to "we", "us", "our" or similar terms, refer to Newport Partners Income Fund (NPF or the Fund), unless the context otherwise requires.

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Forward-Looking Information

This MD&A contains certain forward-looking information. Certain information included in this MD&A may constitute forward-looking information within the meaning of securities laws. In some cases, forward-looking information can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue" or the negative of these terms or other similar expressions concerning matters that are not historical facts. Forward-looking information may relate to management's future outlook and anticipated events or results and may include statements or information regarding the future plans or prospects of the Fund or the Operating Partnerships and reflects management's expectations and assumptions regarding the growth, results of operations, performance and business prospects and opportunities of the Fund and the Operating Partnerships. Without limitation, information regarding the future operating results and economic performance of the Fund and the Operating Partnerships, and statements about net asset value constitute forward-looking information and the estimate is updated quarterly. Such forward-looking information reflects management's current beliefs and is based on information currently available to management of the Fund and the Operating Partnerships. Forward-looking information involves significant risks and uncertainties. A number of factors could cause actual events or results to differ materially from the events and results discussed in the forward-looking information including risks related to investments, conditions of capital markets, economic conditions, taxation of income trusts, dependence on key personnel, limited customer bases, interest rates, regulatory change, continued availability of credit facilities, availability of future financing, factors relating to the weather and availability of labour. These factors should not be considered exhaustive. In addition, in evaluating this information, investors should specifically consider various factors, including the risks outlined under "Risk Factors", which may cause actual events or results to differ materially from any forward-looking statement. In formulating forward-looking information herein, management has assumed that business and economic conditions affecting the Fund and the Operating Partnerships will continue substantially in the ordinary course, including without limitation with respect to general levels of economic activity, regulations, taxes, interest rates, that there will be no material changes in its credit arrangements. Although the forward-looking information is based on what management of the Fund and the Operating Partnerships consider to be reasonable assumptions based on information currently available to it, there can be no assurance that actual events or results will be consistent with this forward-looking information, and management's assumptions may prove to be incorrect. This forward-looking information is made as of the date of this MD&A, and the Fund does not assume any obligation to update or revise them to reflect new events or circumstances. Undue reliance should not be placed on forward-looking information. The Fund is providing the forward-looking financial information set out in this MD&A for the purpose of providing investors with some context for the "2008 Outlook" presented, as well as Management's estimate of the net asset value of the Fund. Readers are cautioned that this information may not be appropriate for any other purpose.

Non-GAAP Measures

The terms "adjusted EBITDA", "cash yield from the portfolio", "corporate costs to weighted invested capital" , ''distributable cash or adjusted distribution base'', ''EBITDA'', "EV/EBITDA", ''invested capital'', "LTM EBITDA", "net debt/LTM EBITDA", "net tangible assets", "net asset value", "standardized distributable cash", "total annualized return" and "total senior leverage ratio" (collectively the ''Non-GAAP Measures'') are financial measures used in this MD&A that are not standard measures under Canadian generally accepted accounting principles (''GAAP''). NPF's method of calculating Non-GAAP Measures may differ from the methods used by other issuers. Therefore, NPF's Non-GAAP Measures, as presented may not be comparable to similar measures presented by other issuers.

Adjusted EBITDA refers to EBITDA excluding the gain or loss on reduction of ownership interest (dilution gains or losses) and the write-down of goodwill and intangibles. The Fund has used Adjusted EBITDA as the basis for the analysis of its past operating financial performance. Adjusted EBITDA is used by the Fund and management believes it is a useful supplemental measure from which to determine the Fund's ability to generate cash available for debt service, working capital, capital expenditures, income taxes and distributions. Adjusted EBITDA is a measure that management believes facilitates the comparability of the results of historical periods and the analysis of its operating financial performance which may be useful to investors.

Cash yield from the portfolio refers to the Fund's cash on cash return from an Operating Partnership based on free cash flow paid to the Fund as a percentage of weighted invested capital. Management believes that overall yield is a useful supplemental measure for investors to assess the quality of the investments in the Fund's portfolio and management's ability to invest in successful businesses at reasonable prices. Management uses this measure to monitor the performance of its investment strategy.

Corporate costs to weighted invested capital are the total expenses of the corporate segment for the period expressed as a percentage of the weighted invested capital by the Fund in each of the operating partnerships. Management uses this metric to monitor the expenses of the Fund consisting of, among other items, professional fees, compliance costs and management compensation. Investors may find this supplemental information useful to analyze the Fund's expenses relative to other mutual fund trusts.

Distributable cash or **Adjusted distribution base** is not a standard measure under GAAP and is generally used by Canadian income funds as an indicator of financial performance. The Fund's method of calculating distributable cash may differ from similar computations as reported by other similar entities and, accordingly, may not be comparable to distributable cash as reported by such entities. The Fund has provided a reconciliation of cash provided by operations to distributable cash in this MD&A and is calculated as standardized distributable cash adjusted for changes in working capital, growth capital expenditure and priority income amounts. References to distributable cash are to cash available for distribution to Unitholders in accordance with the distribution policies of the Fund. As the Fund intends to make monthly cash distributions and management believes it is therefore a useful financial measure as an indication of the Fund's ability to make such distributions and is used by management and the Trustees for this purpose. Distributable cash is also used by management in the calculation of overall yield which it uses to monitor the performance of the Fund's Operating Partnerships. One of the factors that may be considered relevant by prospective investors is the cash distributions by the Fund relative to distributable cash and the price of the Units. Management believes that distributable cash is a useful supplemental measure that may assist prospective investors in assessing an investment in the Fund.

EBITDA refers to net earnings determined in accordance with GAAP, before depreciation and amortization, net of gain or loss on disposal of capital assets, interest expense and income tax expense. EBITDA is used by management and the Trustees as well as many investors to determine the ability of an issuer to generate cash from operations. Management also uses EBITDA to monitor the performance of the Fund's reportable segments. As the Fund intends to distribute a substantial portion of its available cash on an on-going basis (after deducting certain amounts from EBITDA as described in the MD&A including interest expense, income taxes, capital expenditures and debt service), management believes that in addition to net income or loss and cash provided by operating activities, EBITDA is a useful supplemental measure from which to determine the Fund's ability to generate cash available for debt service, working capital, capital expenditures, income taxes and distributions. The Fund has provided a reconciliation of income to EBITDA in its MD&A.

EV/EBITDA refers to enterprise value divided by EBITDA. Enterprise value is equal to market capitalization less cash plus debt. EV/EBITDA is a widely used valuation metric of the worth of ongoing operations. Management believes that it is a useful measure because it is unaffected by a company's capital structure. Management uses the ratio as a proxy for the approximate consideration to be paid for a potential acquisition.

Invested capital refers to the cost to acquire an equity interest in an Operating Partnership and excludes transaction costs and any working capital provided to such Operating Partnership. Management uses this measure to monitor the performance of its investment strategy and as an input to the calculation of its targeted overall yield for an Operating Partnership. Management believes that invested capital is a useful supplemental measure that provides investors with useful information about the capital that the Fund deploys for each Operating Partnership which can subsequently be used to determine the performance of each Operating Partnership.

LTM EBITDA refers to EBITDA after giving effect to the contribution of all new investments made in the year and still in the portfolio as at the end of the year, as if each investment had been owned by the Fund for the full twelve month period since January 1st. LTM EBITDA is a measure that management believes may be useful to investors as it facilitates the analysis of the Fund's financial performance over a full business cycle.

Net debt/LTM EBITDA refers to total senior debt plus capital lease obligations less the Fund's consolidated cash balance divided by LTM EBITDA plus priority income. Management uses this measure to monitor its future debt capacity. Investors may find this information useful in analyzing the capital structure of the Fund and its future debt capacity.

Net tangible assets is calculated as the total assets of a company minus any intangible assets such as goodwill, brand, customer relationships, intellectual property, employment management contracts, less all liabilities and the par value of convertible debentures.

Net asset value is derived by amalgamating management's best estimate of the fair market value of each of the Operating Partnerships in the Fund and making adjustments for the senior debt, the market value of convertible debentures and the cash and cash equivalents of the Fund. The fair market value of each of the Operating Partnerships is derived using discounted public company comparable EV/EBITDA multiples and applying these multiples to the LTM EBITDA of each Operating Partnership. Management uses net asset value plus distributable cash to determine how profitable their investment in operating partnerships are. Management also uses net asset value as a benchmark to determine at what price to issue equity as the objective would be to issue equity always at prices greater than the net asset value. Investors may find net asset value plus distributions received useful to determine how profitable their investment in the Fund is.

Standardized distributable cash is defined as the GAAP measure of cash from operating activities after adjusting for capacity expenditures, restrictions on distributions arising from compliance with financial covenants restrictive at the time of reporting, and minority interests. This is a measure that the CICA believes is of use to investors as a benchmark to compare investments.

Total annualized return represents the total compound annualized return of the portfolio using time weighted cash yields from the portfolio plus the estimated capital appreciation of the portfolio. Total annualized return is used by management and investors to gauge the overall performance of the Fund's portfolio of private investments.

Total senior leverage ratio refers to total senior debt plus capital lease obligations plus letters of credit outstanding less NPY's cash balance. Management uses this measure to monitor its compliance with the covenants of its credit facility and to determine future debt capacity. Investors may find this information useful in analyzing the capital structure of the Fund and its future debt capacity.

Investors are cautioned that the Non-GAAP Measures are not alternatives to measures under GAAP and should not, on their own, be construed as an indicator of performance or cash flows, a measure of liquidity or as a measure of actual return on the Units. These Non-GAAP Measures should only be used in conjunction with the financial statements included in the MD&A and the Fund's annual audited financial statements available on SEDAR at www.sedar.com or at www.newportpartners.ca.

VISION AND CORE BUSINESS

Investing in private businesses has the potential to deliver superior returns. However, the considerable challenges of finding and financing private investments prevent many investors from participating. These businesses are generally hard to access as standalone investments, have few external shareholders, require large minimum investment amounts and are generally illiquid. It is also time-consuming and costly to conduct proper due diligence.

Newport Partners Income Fund ("NPF" or the "Fund") was set up to provide investors with a simple 'turnkey' way to participate in the profits and growth of successful Canadian private businesses through a professionally managed, well-diversified and publicly-traded, portfolio.

Our investment philosophy is simple: We invest in successful businesses, run by proven entrepreneurs, at reasonable prices. We have two objectives for the investments we make: to generate income for the Fund through the distribution of their profits and to grow in value over the long-term.

The Fund draws on the management expertise of Newport Partners to make its private investments. Newport Partners provides capital, money management and financial advice to successful entrepreneurs through its entities including the Fund, Newport Partners LP (NP LP) and its subsidiaries. Established in 2001 by a group of entrepreneurs and senior financial executives, today Newport Partners has more than 600 clients for whom it manages assets, many of whom are entrepreneurs.

Newport Partners' vision is to become the capital partner and money manager of choice for Canada's successful entrepreneurs.

The Fund has a significant role in realizing this vision. Through its investment activities, the Fund provides entrepreneurs with the trusted source of capital that they need to continue building their successful businesses. For unitholders, the Fund enables individual investors to share in the achievements of these wealth creators.

STRATEGY

To fulfill its role, The Fund's **business strategy** is focused on:

- Generating a steady flow of potential investment opportunities by tapping into Newport Partners' large, national network of contacts and relationships with successful entrepreneurs. This is a proprietary advantage Newport Partners has cultivated through its business focus on successful entrepreneurs.
- Offering a unique value proposition for proven entrepreneurs with successful private businesses such as: access to growth capital; strategic support; operational autonomy; liquidity; and diversity of personal wealth. Newport Partners' reputation as a good and supportive equity partner is also an important advantage in appealing to and earning the right to partner with the best candidates. Together, these factors allow the Fund to attract entrepreneurs who are interested in growing their businesses and enables the Fund to invest at reasonable valuations.

The Fund's **investment strategy** is based on:

- Investing in well established businesses with leading or niche positions in their respective industries, histories of profitability, growth plans and talented management teams that we know and trust. We also have a preference for businesses with low maintenance capital expenditure requirements.
- Investing a significant equity interest (typically 50–80%) and allowing management to retain an interest in the business. This helps to align management's interests with ours.
- Providing capital and strategic advice to support the growth and performance of the businesses. Day-to-day operations are capably handled by the management teams who run the businesses.
- Investing for income. The Fund seeks to invest in businesses that can distribute most of their surplus cash to unitholders and can grow organically without significant capital. With each investment we make, we expect to receive cash flow from our share of the annual profits of the business, equaling 16–20% of our invested capital. We believe this income-oriented approach reduces risk and enhances return.
- Investing for growth. As the underlying businesses grow organically, they increase in value. Some companies in the portfolio are able to accelerate this growth through acquisition – using capital from the Fund, they become consolidators in their industries to become more dominant in their markets and boost the value of our investment in them.
- Managing risk through diversification and prudent use of leverage. The Fund acts as the 'banker' to its holdings not just for growth capital but working capital as well. At December 31, 2007, the Fund had a net debt to LTM EBITDA ratio of 2.4 times. That includes about $93.4 million of working capital provided to the 18 operating partners. We believe this is a reasonable amount of leverage across a diversified portfolio of businesses that helps to enhance investment returns.

The Fund's **financial strategy** is based on:

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

KEY PERFORMANCE DRIVERS

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

Investing Activities:

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

Funding Activities:

- Securing access to capital that allows the Fund to finance operations and make new investments in the portfolio.

Some of the Fund's key financial performance indicators and results against those indicators as of December 31, 2007 are set out below:

KEY PERFORMANCE INDICATORS	2007	2006
Distributable cash per unit from continuing operations	$0.77	$0.84
Distributable cash per unit	$0.70	$0.80
Net debt / LTM EBITDA	2.4x	1.4x
Corporate costs to weighted invested capital	1.1%	1.3%
Cash yield from the portfolio	15.8%	19.9%

CAPABILITY TO DELIVER RESULTS

LIQUIDITY AND CAPITAL RESOURCES

OPERATING CASH FLOW AND WORKING CAPITAL

Cash provided by operations was $42.5 million for the year ended December 31, 2007, compared to cash provided of $53.5 million for the year ended December 31, 2006. The Fund had positive working capital of approximately $60.5 million at December 31, 2007, compared to $123.3 million at December 31, 2006. Standardized distributable cash for the year ended December 31, 2007 was $33.1 million compared to $47.5 million for the year ended December 31, 2006. Distributable cash or adjusted distribution base for the year ended December 31, 2007 was $49.9 million compared to $53.5 million for the year ended December 31, 2006. Distributions paid in the year exceeded distributable cash by $19.0 million. The shortfall was funded by cash reserves and the revolving credit facility. In December 2007 the distribution rate was reduced from $1.00 to $0.65 per unit per annum. The cash retained by the Fund as a result of this reduction in distribution is estimated at approximately $24 million which will be used to reduce debt. We believe that based on our expectations of operating activities for the portfolio we will have sufficient working capital to fund our needs. The diversified nature of our portfolio also assists with cash flows. Historical working capital requirements of some businesses are matched off against other businesses in the portfolio and the overall working capital requirements are affected by additions and dispositions to the portfolio. As a general comment our net working capital needs are greater in the first half of the year. Reduced seasonality of the portfolio improves our ability to manage the working capital and liquidity of the Fund. Our revolving credit facility is available to fund working capital needs as required. Financing will be provided from cash from operations, retained cash from a lower distribution ratio and potentially from portfolio sales and redeployment of proceeds.

FINANCING

The Fund has a $320 million Senior Credit Agreement with an affiliate of Fortress, part of a global alternative investment and asset management firm with approximately $40 billion in AUM. The credit facility consists of $245.0 million of available term debt and a $75.0 million revolving facility. The interest rate on the 5 year term facility is equal to the 3-month LIBOR rate plus 3.50% to 4.95% depending on the total senior leverage ratio. The revolving facility carries interest at the BA rate plus 2.50%. The credit facility contains customary positive and negative covenants. As at December 31, 2007 the Fund's total senior leverage ratio was 2.6 times and it was in compliance with the covenants in the credit facility. In December 2007 the Fund's lenders waived the requirement that the ratio of distributable cash to distributions paid be equal to or less than 100% at December 31, 2007 (the ratio was approximately 109% as calculated by the credit facility). As at December 31, 2007, $47.5 million of the revolving credit facility has been drawn and $210.0 million has been drawn under the term loan.

Based on expected portfolio performance for 2008 the Fund expects to be in compliance with all covenants of the credit facility.

CAPITAL EXPENDITURES

The portfolio incurred total capital expenditures (capital lease payments and maintenance capital expenditures) of $8.1 million for the year compared with $5.2 million in the prior year. Total capital expenditures as a percentage of EBITDA are approximately 9.6%. The industrial services segment accounted for 67.8% of the Fund's total capital expenditures as of December 31, 2007. With the addition of NPC's investment in Golosky, we expect this percentage to increase modestly. Overall we do not expect significant changes to the level of capital expenditures in 2008 relative to 2007 and will be funded provided by operations.

CAPITAL STRUCTURE

The Fund maintains a balanced and flexible capital structure composed of permanent equity and long-term debt or equity-linked debt. We believe this is the most appropriate method of financing our long-term assets. The Fund's capital structure positions it to be able to respond to changes in the capital markets.

An important element of the Fund's current debt management strategy is that there is no debt at the operating partnership level (with the exception of minority owned Brompton). All of the debt is at the Fund level. At December 31, 2007 the debt under the credit facility represented 33% of our capital structure, with 67% being equity and equity-linked debt. The Fund provides working capital advances to the Operating Partnerships as well as funding for tuck-in acquisitions (i.e. strategic acquisition made by Operating Partnerships directly). In addition, the Fund uses the credit facility to make investments in new businesses and to fund shortfalls in distributions as they arise. We believe that this consolidated debt strategy as well as our target of maintaining total senior debt to LTM EBITDA of 2.50, with a 2008 objective of 2.25 times or less reduces the overall risk to unitholders. This is consistent with our prudent use of leverage as compared with many private equity firms.

On September 26, 2007, the Fund completed its first NCIB program. Throughout the year the Fund purchased and cancelled 1,924,572 units at an average price of $6.04. On December 18, 2007, the Fund filed a notice with the TSX to begin a second NCIB program. We received approval to purchase for cancellation, through the facilities of the TSX, up to 2,070,348 units, representing approximately 5% of our then 41,406,957 issued and outstanding publicly traded units and 40,000 units have been repurchased to date under the program. The Fund believes that investing in the NCIB is an important component of augmenting the overall value of the fund.

NON-CAPITAL RESOURCES

INVESTMENT EXPERTISE

Newport Partners has significant investment management expertise. The principals are an experienced group of investment managers with, on average, 22 years financial services experience. The Investment Committee of the Fund, which is responsible for reviewing and approving all investments, consists of seven senior members from Newport Partners. Their backgrounds originate in investment management, accounting and corporate finance. We believe we have the intellectual capital and the capacity within our existing team to carry out our investment activities. Newport Partners' principals are large unitholders of the Fund.

ENTREPRENEUR NETWORK

Generating 'deal flow' of potential new investments is a critical success factor for private equity investment. Newport Partners has trusted relationships and an extensive network of contacts in the Canadian private business sector. Newport Partners' network is derived from the personal contacts of the principals, the management teams of the Operating Partners and a large client base of entrepreneurial families. This network represents a competitive advantage in generating new investment opportunities for the Fund and has enabled the Fund to exceed its 2007 goal of investing $100-$150 million of new capital. The Fund invested $163.4 million in 2007 to add new operating partnerships as well as fund tuck-in investments by existing operating partnerships and complete contingent purchase obligations for investments made in 2006.

INVESTMENT PHILOSOPHY AND CULTURE

Newport Partners has an entrepreneurial culture and the Fund has an investment philosophy that is attractive to entrepreneurs who have built successful private businesses – many of whom would otherwise not be inclined to accept a financial partner into their business. Our investment proposition for the entrepreneur is based on providing working and growth capital; strategic support; operational autonomy; and liquidity and diversity of personal wealth. In many cases, these factors are more important to the entrepreneur than the actual price he/she receives for the business.

The result of this capability is that the Fund generally does not compete with other potential buyers for its investments.

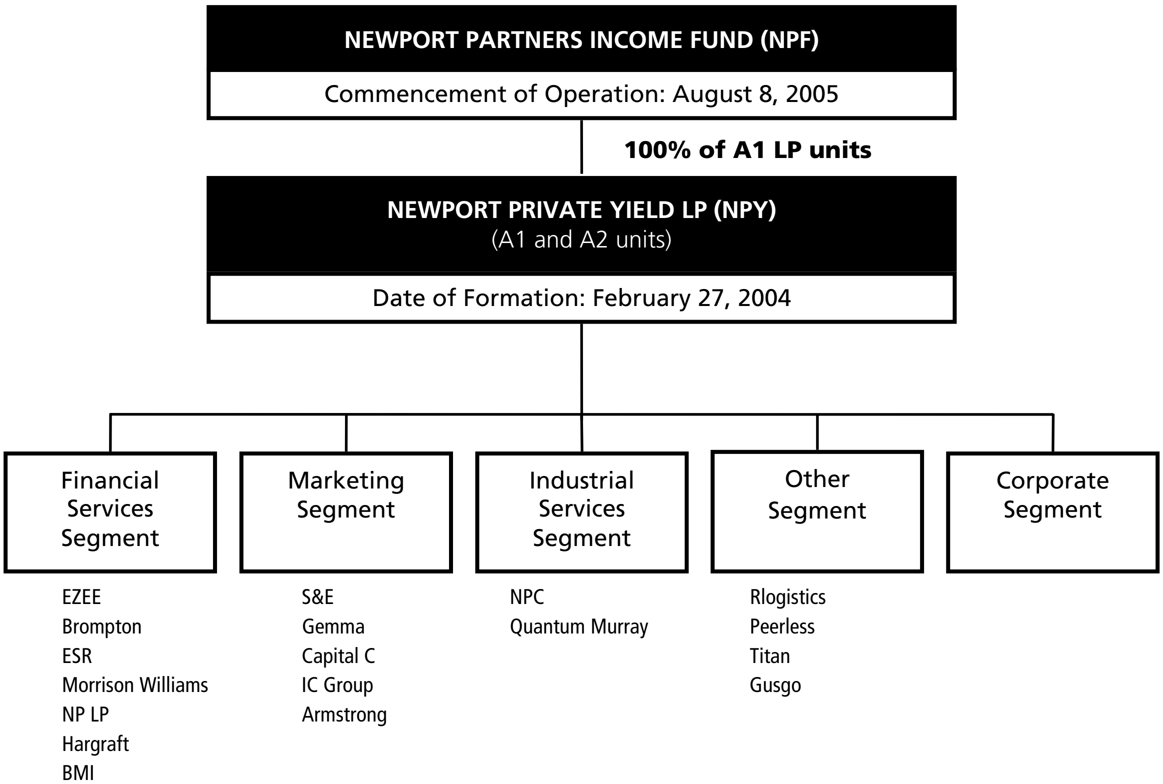
SYSTEMS AND PROCESSES

We believe our current management capacity and back office infrastructure are adequate to support the Fund's investment management, governance and reporting responsibilities and that we have the capacity to monitor our existing portfolio and the scalability to expand as new investments are added and to respond to regulatory and accounting changes.

OTHER FACTORS IMPORTANT TO UNDERSTANDING OUR RESULTS

SIMPLIFIED STRUCTURE – NPF AND NPY

NPF is an unincorporated, open-ended, limited purpose trust, which was created to hold an indirect interest in NPY. NPY is a limited partnership formed to invest in securities of private businesses and distribute the available cash flows to the limited partners. Management at the Operating Partnerships, principals and employees of Newport Partners, Trustees of the Fund, and founding investors of NPY own approximately 57% of the 71,868,931 Units outstanding.



In accordance with CICA guidelines, NPF groups Operating Partnerships that have generally similar business characteristics into business segments.

NPY UNITS OUTSTANDING

	2007	2006
A1	41,366,957	39,283,565
A2	30,501,974	28,539,493
B1	-	1,536,216
B2	-	843,173
B4	-	1,303,456
C	-	2,327,600
Total	71,868,931	73,833,503

Pursuant to the Exchange Agreement between CT and NPY 4,047,964 A2 LP units were exchanged for A1 LP units (i.e. units of the Fund). In addition during the year 1,536,216 B1 LP units, 1,303,456 B4 LP units and 2,237,600 C LP units were re-designated as A2 LP units due to the expiry of subordination periods negotiated at the time of our initial investment and 1,303,456 of these re-designated A2 LP units were then exchanged for A1 units. 1,964,572 A1 LP units were purchased for cancellation during the year under the NCIB program.

DISCONTINUED OPERATIONS

On April 30, 2007 the Fund completed the sale of its investment in RGC (excluding its investment in Rlogistics), a consumer electronics distributor for a gross price of $34 million, of which $4 million was subject to a holdback, the release of which was tied to achieving a target tangible net asset level and the collection of accounts receivable and net realizations of inventory of the business sold. At the time of the transaction, and because of the uncertainty regarding the release of the holdback, the Fund recorded $24 million as its share of proceeds. The conditions to release this holdback were not met, and as part of the final settlement in this transaction, the aggregate net consideration was reduced to $27.9 million, resulting in final proceeds to the Fund of $23.5 million.

RGC's 45% equity interest in Rlogistics, completed in May 2006, has not been sold. The Fund's 36% equity interest in Rlogistics is reported in the Other segment.

The assets and liabilities of RGC, excluding Rlogistics, have been classified as discontinued operations in the consolidated balance sheets as at December 31, 2007 and December 31, 2006, and the results of operations of RGC have been classified as discontinued operations in the consolidated statements of operations and statements of changes in financial position for the years ended December 31, 2007 and 2006.

FUTURE INCOME TAXES

The Government of Canada's enactment of Bill C-52 Budget Implementation Act, 2007 in June 2007 contained provisions that will make public income trusts (formed before October 31, 2006) subject to the payment of a Trust income tax on their earnings commencing in 2011 (or earlier if certain equity capitalization thresholds are exceeded). The impact to the Fund of the enactment of Bill C-52 in the second quarter of 2007 is that the Fund must from that time comply with the CICA's recommendations regarding the accounting for future taxes arising from differences between the tax basis of an asset or liability and its carrying amount on the balance sheet under GAAP. What this means for the Fund is that it must estimate the expected value of its assets and liabilities as of January 1, 2011 and compare this to the estimated tax value for these assets and liabilities and record the difference as non-cash future tax amounts using a tax rate of 29.5% for 2011 and 28% for 2012 and subsequent years (the legislation initially imposed a rate of 31.5%, which was subsequently lowered). In general, there are no material differences in the values for operating assets and liabilities such as accounts receivables, inventory and trade payables for the current Operating Partnerships. There are, however, differences[1], for example between the carrying values of definite life intangibles (e.g. customer contracts) and indefinite life intangibles (e.g. brands) that arise as part of the Fund's accounting for its investments in the underlying Operating Partnerships. As one example, under GAAP, the Fund records intangible assets and these assets have a lesser value for tax purposes. In this case, a future tax liability would be recorded. If the Fund was to divest of one or more of its operating partnerships for an amount that is greater than the tax carrying value this would give rise to a gain because the proceeds would be greater than the tax value of the assets. The tax would be paid out of the proceeds of the divestiture with no impact on the Fund's operating cash and the future tax liability previously recorded would be reduced accordingly.

The Fund's financial results include a net future income tax expense of $33.2 million representing all temporary differences as at December 31, 2007. It is expected that in subsequent periods, adjustments will be made to the future tax liability amount when new investments are made and also to reflect changes in the accounting and tax values of the Fund's assets based on its current portfolio, and also, to reflect any changes in income tax rates. The expense recorded has no impact on cash generated by operating activities or on distributable cash.

The Fund continues to evaluate its alternatives as to the best structure for its unitholders, including consideration of a corporate structure as this may allow us to address the limits placed on our growth by the federal government with the expansion cap included in Bill C-52. We will also consider other options that may emerge based on further information from the federal government on details of the legislation and the transition rules.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

NPF prepares its financial statements in accordance with GAAP. The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities, and the reported amounts of revenues and expenses for the year of the consolidated financial statements. Significant accounting policies and methods used in the preparation of the financial statements are described in note 1 in the 2007 audited annual consolidated financial statements as well as in Accounting Policies – Recently Issued Accounting Standards discussed below. NPF and the Operating Partnerships evaluate their estimates and assumptions on a regular basis, based on historical experience and other relevant factors. Included in the consolidated financial statements are estimates used in determining allowance for doubtful accounts, inventory valuation, the useful lives of property, plant and equipment and intangible assets, revenue recognition and other matters. Actual results could differ materially from those estimates and assumptions.

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

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

GOODWILL AND INTANGIBLE ASSETS

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values. When the Fund enters into a business combination, the 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. During the fourth quarter of 2007 the Fund wrote down goodwill associated with its investment in S&E by $1.6 million. The book value of goodwill was $281.2 million at December 31, 2007.

Intangible assets acquired individually or as part of a group of other assets are recognized and measured at cost. Intangible assets acquired in a transaction, including those acquired in business combinations, are recorded at their fair value. Intangible assets with determinable useful lives, such as ATM location contracts, customer relationships and contracts, and management contracts, are amortized over their useful lives and are tested for impairment when there is an indicator of impairment or annually at a minimum. 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. During the fourth quarter of 2007, the Fund wrote down intangible assets associated with its investment in S&E by $1.4 million. The net book value of intangible assets was $315.4 million at December 31, 2007.

ACCOUNTING POLICIES

The Fund's accounting policies are disclosed in the notes of the 2007 audited annual consolidated financial statements and in the following disclosure of the impact of new accounting standards.

RECENTLY ISSUED ACCOUNTING STANDARDS

In December 2006, the CICA issued three new accounting standards: Section 1535, "Capital Disclosures", Section 3862, "Financial Instruments Disclosure" and Section 3863, "Financial Instruments Presentation".

Section 1535 establishes guidelines for the disclosure of information regarding a business' capital and how it is managed. The standard requires enhanced disclosures with respect to (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; and (iii) whether the entity has complied with any capital requirements, and if it has not complied, the consequences of such non-compliance.

Section 3862 and Section 3863 replace Section 3861, "Financial Instruments – Disclosure and Presentation". Section 3862 requires increased disclosures regarding the risks associated with financial instruments such as credit risk, liquidity risk and market risks and the techniques used to identify, monitor and manage these risks. Section 3863 carries forward standards for presentation of financial instruments and non-financial derivatives and provides additional guidance for the classification of financial instruments, from the perspective of the issuer, between liabilities and equity.

These standards are effective for fiscal years beginning on or after October 1, 2007 and therefore the Fund will implement them in the first quarter of 2008.

The new Section 3031, "Inventories", was issued in June 2007 and will replace existing Section 3030 of the same title. It provides guidance with respect to the determination of cost and requires inventories to be measured at the lower of cost and net realizable value. The cost of inventories include the costs to purchase and other costs incurred in bringing the inventories to their present location. Costs such as storage costs and administrative overheads that do not contribute to bringing the inventories to their present location and condition are specifically excluded from the cost of inventories and expensed in the year incurred. Reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of the inventories is now required. The cost of the inventories should be based on a first-in, first-out or a weighted average cost formula. The new standard also requires additional disclosures including the accounting policies used in measuring inventories, the carrying amount of the inventories, amounts recognized as an expense during the year, write-downs and the amount of any reversal of any write-downs recognized as a reduction in expenses.

The standard is effective for fiscal years beginning on or after January 1, 2008. Any difference in the measurement of opening inventory will be applied to the opening of inventory for the year, with an adjustment to opening retained earnings with no prior periods restated.

The standard is applicable to the Fund for the first quarter of 2008. The Fund is currently assessing the implications of this standard to identify differences between the current accounting and the new guidance in the standard.

STANDARDIZED DISTRIBUTABLE CASH

The CICA issued the Interpretive Release "Standardized Distributable Cash in Income Trusts and Other Flow-Through Entities" in July 2007, and we have incorporated the recommendations in this MD&A. In the new guidance, sustainability concepts are discussed and standardized distributable cash is defined as cash flow from operating activities less adjustments for productive capacity maintenance, long-term unfunded contractual obligations and the effect of any foreseeable financing matters, related to debt covenants, which could impair our ability to pay distributions or maintain productive capacity.

Productive capacity maintenance is the amount of capital funds required in a period for an enterprise to maintain its ability to generate future cash flow from operating activities at a constant level. The Fund is a diversified portfolio of investments in private Canadian businesses with, in general, fairly small capital requirements. On a year to date basis our total maintenance capital expenditures and capital lease payments as a percentage of EBITDA are approximately 9.6%. A discussion of productive capacity maintenance is not particularly relevant for investments in the Financial Services, Marketing and Other Segments as these businesses have relatively small amounts of capital requirements as the businesses are driven primarily by human capital. Our investments in the Industrial Services Segment have the largest capital requirements within the portfolio. As part of the budgeting process the Operating Partnerships are able to anticipate capital needs based on existing back-log and contracts. The capital requirements are funded from cash flows from the businesses and where possible equipment required to maintain productive capacity is leased.

We strive to fund both distributions and maintenance capital programs primarily from cash flow. During our annual budgeting process our capital programs are identified for the coming year and are factored into our estimate of cash flow for the year. Adjustments to the level of distributions and/or capital expenditures to maintain or increase our productive capacity may be required based on forecast levels of cash flow, capacity efficiency and debt levels. These are reviewed on a regular basis by the Fund.

Our calculation of standardized distributable cash has no adjustment for long-term unfunded contractual obligations as we do not believe any exist. Management makes adjustments to standardized distributable cash as defined by the CICA to arrive at distributable cash or adjusted distribution base. We believe that adjustments for changes in working capital, growth capital expenditures and priority income are appropriate in order to properly reflect overall performance. Fluctuations in working capital are expected by the Fund and are funded by the revolving credit facility. The use of the revolving credit facility is not reflected in cash provided by operations and so an adjustment is required. Capital expenditures are made by the Fund to maintain operating activity at constant levels as well as to accommodate expected future growth. Growth capital expenditures are adjusted for as the anticipated revenues have not yet been reflected in cash from operations. Priority income adjustments are cash payments that the Fund is entitled to but are not reflected in cash from operations.

We have no financing restrictions relating to our debt covenants. We regularly monitor our current and forecast debt levels to ensure debt covenants are not exceeded.

The Fund has term debt under its credit facility of which $170 million is due on December 8, 2011. In addition our convertible debt matures in 2010 and 2012. We believe that long-term debt should always form a part of our capital structure assuming an appropriate cost of capital. As our existing debt approaches maturity we will either replace it with new debt, convert into equity or refinance, if appropriate depending on the state of the capital markets at the time.

The following table incorporates the recommendations of the CICA and provides a reconciliation to distributable cash used throughout the MD&A.

2007 PERFORMANCE

The following table provides a reconciliation of the Fund's cash provided by operations to its distributable cash and provides a summary of the Fund's distributable cash per unit for the periods indicated.

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

	YEAR ENDED DECEMBER 31		AUGUST 8 TO DECEMBER 31, 2005
	2007	2006	
NPY (representing non-controlling interest) Units outstanding	30,644	33,436	39,003
NPF Units outstanding	40,379	33,744	25,766
Total weighted average Units outstanding[1]	71,023	67,180	64,769
Total distributions paid and payable	$ 68,903	$ 66,657	$ 24,195
Distributions per unit	$ 0.97	$ 0.99	$ 0.37
Cash provided by (used in) operations	$ 42,508	$ 53,553	(6,217)
Deduct: capital expenditures	(6,023)	(3,035)	(1,380)
Deduct: capital lease payments	(3,427)	(3,009)	(517)
Standardized distributable cash	$ 33,058	47,509	(8,114)
Standardized distributable cash per unit	$ 0.47	$ 0.71	$ (0.12)
Total distributions paid and payable	68,903	66,657	24,195
Cash used to repurchase units	11,798	-	-
Aggregate cash distributions for the year	$ 80,701	$ 66,657	$ 24,195
Standardized distributable cash payout ratio[2]	2.44x	1.40x	(2.98x)
Standardized distributable cash	$ 33,058	$ 47,509	$ (8,114)
Changes in working capital – continuing operations	24,057	11,049	21,829
Cash (provided by) used in discontinued operations	(8,114)	(2,988)	314
Add: growth capital expenditures	2,110	827	476
Add (deduct): priority income per partnership agreement[3]	3,698	38	1,193
Distributable cash from continuing operations	54,809	56,435	15,698
Distributable cash from (used by) discontinued operations	(4,864)	(2,934)	8,043
Distributable cash (or Adjusted Distribution Base)	$ 49,945	$ 53,501	$ 23,741
Distributable cash from continuing operations per unit	$ 0.77	$ 0.84	$ 0.24
Distributable cash used by discontinued operations per unit	$ (0.07)	$ (0.04)	$ 0.13
Distributable cash (or Adjusted Distribution Base) per unit	$ 0.70	$ 0.80	$ 0.37
Distributable cash (or Adjusted Distribution Base) payout ratio[2]	1.62x	1.25x	1.02x
Net (loss) income for the year before non-controlling interest	$ (44,589)	$ (42,642)	$ 9,957
Shortfall of distributions paid to standardized distributable cash	35,845	19,148	32,309
Shortfall of distributions paid to distributable cash (or Adjusted Distribution Base)	18,958	13,156	454
Shortfall of distributions paid to net income (loss) before non-controlling interest[4]	$ 113,492	$ 109,299	$ 14,238

1 Represents weighted average number of units outstanding during the year adjusted for C LP units which were subordinated and therefore received no distributions. The subordination period for these units expired on October 1, 2007. On October 1, 2007 the units were redesignated as A2 and included in the weighted average calculation.

2 Cumulative aggregate cash distributions since inception are $171,553. Cumulative standardized distributable cash and adjusted distribution base from inception are $72,453 and $127,187 respectively, providing cumulative payout ratios of 2.37x and 1.36x respectively.

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

4 Net income is after deducting amortization and future income taxes.

BALANCE SHEET ($000s)

	AS AT DECEMBER 31, 2007	AS AT DECEMBER 31, 2006	AS AT DECEMBER 31, 2005
Total assets	$ 949,236	$ 894,349	$ 715,104
Revolving credit facility	47,527	5,000	-
Long-term debt[5]	204,862	170,000	-
Convertible debt[5]	149,530	83,970	84,339
Unitholders' equity - NPF & NPY	366,830	478,235	497,830

5 Subsequent to December 31, 2006 changes to accounting rules require that deferred financing charges are netted against long -term debt and convertible debt. As at December 31, 2007 the gross long-term debt outstanding was $210,000 and the convertible debt was $155,588.

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

Year ended December 31, 2007

	FINANCIAL SERVICES	MARKETING	INDUSTRIAL SERVICES	OTHER	CORPORATE[1]	TOTAL
Revenue	$ 87,915	$ 86,816	$ 296,943	$ 93,015	-	$564,689
Gross profit	42,581	46,658	62,695	24,273	-	176,207
Income (loss) from continuing operations before non-controlling interest[2]	(2,174)	(3,078)	7,099	(5,022)	(36,457)	(39,632)
EBITDA	34,739	11,583	28,891	12,143	(12,967)	74,389
Loss on dilution of ownership interest	-	-	-	-	6,958	6,958
Write-down of goodwill and intangibles	-	2,987	-	-	-	2,987
Adjusted EBITDA[3]	34,739	14,570	28,891	12,143	(6,009)	84,334
Interest (income) expense [2]	(176)	309	2,330	2,427	25,974	30,864
Non-cash interest expense	-	-	-	-	(2,797)	(2,797)
Income tax expense-current	6	-	-	-	4	10
Maintenance capital expenditures and reserves	954	872	2,312	505	-	4,643
Capital lease payments	2	186	3,162	77	-	3,427
Compensation expense funded by operating partner[4]	2,030	894	-	-	-	2,924
Priority income per partnership agreement[5]	213	612	2,387	486	-	3,698
Distributable cash from continuing operations	36,196	14,709	23,474	9,620	(29,190)	54,809
Cash used by discontinued operations						(4,864)
Distributable cash						$ 49,945
Distributable cash per unit from continuing operations						**$ 0.77**
Cash used per unit by discontinued operations						$ (0.07)
Distributable cash per unit						$ 0.70

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

Year ended December 31, 2006

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

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

2 NPF advanced approximately $60,000 to NPC to allow it to complete its investment in Golosky on July 31, 2007. This long term facility can be converted into equity, if certain future performance criteria are met, and in anticipation of the triggering targets being met, and also in order to remove the financing component from the operating results of NPC, interest expense of NPC, and the Industrial Services segment in this Summary Financial table has been reduced by $2,537 and such amount has been added to the interest expense of the Corporate segment.

3 Adjusted EBITDA excludes the non-cash gain or loss on changes to ownership interest and the write-down of goodwill and intangibles.

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

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

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

August 8 to December 31, 2005

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

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

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

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

INVESTMENT & FUNDING ACTIVITIES

This table provides a summary of new investments made by the Fund during the year ended December 31, 2007. Additional information about these investments is provided in the Segment Operating Results section of this report.

NEW OPERATING PARTNERSHIPS ($000s)

SEGMENT	DATE	INVESTMENT	CAPITAL INVESTED
Financial Services	17-Apr-07	77.5% interest in BMI, a leading full-service insurance broker specializing in the transportation and logistics industries in Ontario.	$ 18,200
Total			$ 18,200

STRATEGIC INVESTMENTS BY OPERATING PARTNERSHIPS ($000s)

SEGMENT	DATE	INVESTMENT	CAPITAL INVESTED
Financial Services	12-Jan-07	**EZEE** acquired the Canadian ATM assets of **TRM.** This added approximately 1,500 operating ATM locations to EZEE's portfolio resulting in a total of approximately 3,800 locations across Canada upon closing.	$ 13,400
	30-Apr-07	**EZEE** acquired the ATM assets of **Les Systemes Electroniques Technoda Inc.**	1,600
	20-Dec-07	**EZEE** acquired the ATM assets of **STR**.	750
Industrial Services	3-Jan-07	**Murray** purchased the assets of **Quantum**, a nationally recognized leader in the clean-up and rehabilitation of commercial and industrial sites and facilities providing a wide range of services including site remediation, hazardous materials abatement, and treatment and disposal of waste materials.	28,500
	13-Mar-07	**NPC** acquired an 80% interest in **Skystone**, a provider of facilities design and engineering services to the oil and gas sector.	7,700
	9-May-07	**NPC** acquired an 80% interest in **Nor-Tech Systems Ltd.**, an electrical and instrumentation contracting company with a focus on the oil and gas industry.	4,700
	30-May-07	**Quantum Murray** acquired 100% of the assets of **Thomson**, which provides a full spectrum of integrated metal and recycling services from demolition to collection, processing, management, transportation and sales.	18,300
	31-Jul-07	**The Fund** provided an equity loan to **NPC** and **NPC** acquired an 80% interest in **Golosky**, a provider of products and services to a broad range of customers in the oil and gas, pulp & paper and construction industries in northern Alberta.	60,000
	31-Aug-07	**NPC** indirectly acquired an 80% interest in the assets of **Cladtech**, a producer of wear resistant surfaces for the oil sands sector.	2,599
	15-Oct-07	**NPC** acquired a 77.5% interest in **Accel Testing Inc.**, a production testing company servicing primarily South Central Alberta and recently, Northeastern BC.	1,939
	31-Oct-07	**Quantum Murray** acquired the assets of **Echelon**, a provider of emergency response and training services to clients in Ontario.	600
Total			$ 140,088

Our purchase and sale agreement with the entity that sold IC Group to the Fund contains an earn-out provision if certain performance targets are met. The company has met these for the first year of the three year provision. As a result, on July 3, 2007 and October 2, 2007, the Fund paid a total of $3,334 to the vendor during the year.

On May 30, 2007 the Fund completed its obligations entered into at the time of its initial investment in Hargraft by acquiring an additional 5% interest for approximately $1,800.

SUMMARY RESULTS – ($000s)

	YEAR ENDED DECEMBER 31		AUGUST 8 TO DECEMBER 31, 2005
	2007	2006	
Revenues	$ 564,689	$ 366,102	$ 88,858
Cost of revenues	(388,482)	(243,139)	58,336
Gross profit	176,207	122,963	30,522
Selling, general and administrative expenses	(98,797)	(59,864)	(16,381)
Amortization expense [1]	(38,672)	(30,458)	(7,975)
Depreciation expense	(8,857)	(6,475)	(1,446)
Income from equity investments	3,418	3,341	1,136
Other income	1,119	1,693	146
Interest expense [1]	(30,864)	(10,493)	(1,001)
Income tax expense-current	(10)	(96)	-
Income tax expense-future	(33,231)	-	-
Loss on dilution of ownership interest	(6,958)	-	-
Write down of goodwill and intangibles	(2,987)	-	-
Income (loss) from continuing operations	(39,632)	20,611	5,001
Income (loss) from continuing operations	(39,632)	20,611	5,001
Add:			
Amortization	38,672	30,458	7,975
Depreciation	8,857	6,475	1,446
Amortization of Brompton intangible assets and future income tax recovery	2,387	2,036	705
Interest expense	30,864	10,493	1,001
Income tax expense-current	10	96	-
Income tax expense-future	33,231	-	-
EBITDA	$ 74,389	$ 70,169	$ 16,128
Loss on dilution of ownership interest	6,958	-	-
Write down of goodwill and intangibles	2,987	-	-
Adjusted EBITDA	84,334	70,169	16,128
Weighted invested capital	$ 532,455	$ 347,285	$ 255,491

1 In 2007, amortization of deferred financing charges is included in interest expense. 2007 interest was $28,067 and non-cash interest was $2,797.

2007 RESULTS COMMENTARY

The Fund's businesses are reported in its four operating segments: Financial Services, Marketing, Industrial Services and Other. Revenues for the year ended December 31, 2007 were $564,689 compared to $366,102 in 2006, an increase of 54%. This increase primarily reflects our expanded portfolio and the investments made by our existing operating partnerships.

Gross profit for the year ended December 31, 2007 was $176,207 compared to $122,963 in 2006, an increase of 43%.

These four operating segments produced $90,343 of adjusted EBITDA for the Fund compared to $74,682 in 2006.

Five of the largest contributors to this EBITDA amount in the portfolio were Quantum Murray, NPC, ESR, Morrison Williams and Gemma.

Quantum Murray completed a busy year with two major investments in Quantum and in Thomson. Its revenues for the year were more than double its 2006 revenues, and apart from a slower Ontario market for remediation services, had a strong EBITDA contribution from each of its decommissioning, hazardous materials and remediation services. Volumes and prices for scrap metals were a slight drag on performance.

NPC's financial results, although lower than the previous year, were excellent given the challenging market conditions in the Alberta oil and gas industry and the reduced construction activity in its gas related operations. NPC has benefited from strong results from its core maintenance operations and its investment in Golosky has provided NPC with diversification and oil sands exposure.

ESR performed as expected. Insurance premium results were modestly below the prior year reflecting heightened competition in standard markets and the entrance of new foreign insurers offering lower prices to gain Canadian market share. The contribution from contingent profit commissions was in line with expectations and helped to offset this weakness.

Morrison Williams' financial results were above expectations and reflected its strong investment performance. However, a highly volatile market in the final quarter of the year had a negative impact on the gains achieved in the first three quarters of 2007.

Gemma produced its strongest annual results and has posted seven consecutive quarters of growth. The company's new inbound and business-to-business calling programs have allowed Gemma to achieve peak utilization and record results.

The Fund's results were negatively affected by lower than expected performance from Titan, Peerless, Hargraft and the marketing segment, apart from Gemma.

The pronounced slowdown in Alberta's exploration and drilling sector was the cause of the significant deterioration in Titan's financial results, as the company distributes products and services to the oil and gas and transportation industries.

Peerless is the dominant supplier of military gear for the federal government and the size and timing of government contracts can be difficult to predict. Delays in the release of government contracts dampened results.

Hargraft's and BMI's results were hurt by softer insurance markets and continuing intense competition.

IC group had a solid year but the strong Canadian dollar was a drag on its performance and those of Armstrong. Both derive a significant portion of their revenues in U.S. dollars. Capital C has succeeded in selling its new integrated service offering to large, blue-chip clients, thereby expanding the scope of work, revenue potential and resiliency of its accounts. However, the very nature of this business strategy demands more time spent on strategic and insight work prior to project implementation and billing. This results in longer lead times for new and larger assignments. As a result, financial results earlier in the year were reduced.

In spite of these challenges in the portfolio, these investments still produced a distributable cash yield of 15.8% on our weighted invested capital of $532,455 for the year. See 2007 Performance Summary for details of Fund EBITDA and distributable cash performance by individual investment holding.

The Fund's Corporate segment includes administrative costs to operate the Fund, and the interest costs on borrowings to fund investments and working capital of the portfolio's businesses. Corporate office costs were $6,009 for the year ended December 31, 2007 compared with $4,513 in 2006. These costs reduced total adjusted EBITDA to $84,334 for the year ended December 31, 2007 compared with $70,169 in 2006.

The main items which reduce EBITDA to arrive at distributable cash are interest expense and maintenance capital expenditures. Interest costs were substantially increased over 2006 as we expanded and diversified the Fund's capital structure to support our investment program and provide working capital to a larger portfolio of companies. During the year, cash interest costs were $28,067, compared with $10,493 in 2006. Interest expense on a per unit basis was $0.43 in 2007 compared with $0.16 in 2006. Interest costs are affected by the timing of investments and include both cash and non-cash amounts. During 2007, we also issued $79,966 of convertible debentures bearing interest of 7%. During 2007, the operating segments had capital expenditures and capital lease payments of $8,070, as compared to $5,217 in 2006. The majority of these expenditures are incurred in the Industrial Services segments.

Distributable cash from continuing operations for the year ended December 31, 2007 was $54,809 resulting in $0.77 of distributable cash per unit, compared with $56,435 and $0.84 per unit in 2006.

Non-cash items that impacted the results were depreciation and amortization, and future income taxes. Depreciation and amortization was $47,529 for the year ended December 31, 2007, against $36,933 for 2006. The largest component of this expense is the amortization of intangible assets, which are recorded as investments are made.

Net loss for the year ended December 31, 2007 from continuing operations was ($39,632) compared to income of $20,611 in 2006. The enactment in June 2007 of Bill C-52 resulted in a GAAP requirement to record a future income tax expense of $33,231 which accounted for the majority of the loss. NPF is now required to record future income tax related to temporary differences at the Fund level, which represents the differences between the accounting and tax basis of the Fund's net assets. This is a non-cash expense that has no current impact on the Fund's cash from operating activities. Included in the loss for 2007 are dilution losses of $6,958 relating to the re-organization of Quantum Murray and the impact of our NCIB repurchases during the year. In addition, the Fund recorded a write down of $2,987 on its investment in S&E. The Fund has concluded that based on S&E's current performance and the immediate outlook for this investment a write down of its carrying value is appropriate.

2007 PERFORMANCE SUMMARY - BY OPERATING PARTNERSHIP

OPERATING PARTNERSHIP	EBITDA ($000s)	DISTRIBUTABLE CASH ($000s)	LTM YIELD (%)	COMMENTARY
Financial Services				
EZEE	5,584	5,121	11.6	During 2007, EZEE was successful in strengthening its market and competitive position through the acquisition of ATM portfolios from TRM, Technoda and STR. With these acquisitions, EZEE has gained greater scale and efficiency which has improved its margins and profitability. To a certain extent, integration costs in 2007 relating to these acquisitions have negated the operational gains made through increased scale and efficiency, but with these costs largely complete, 2008 will see the full benefit from these investments.
Brompton	4,190	3,641	13.4	During 2007, Brompton launched four new funds which increased net AUM by approximately $230 million and the total number of funds managed by Brompton to 24. This increase was more than offset in 2007 by: (i) redemptions of the Funds and repurchases of shares or units by the Funds pursuant to issuer bids; and (ii) a decline in the value of assets held by the Funds resulting from market price depreciation. Net assets at the end of 2007 declined approximately $645 million from the level a year earlier. Management believes that current levels of market volatility is a short-term phenomenon, but while it lasts, launching new closed-end investment funds will be challenging although Brompton will continue to search for and structure new investment products which can be brought to market when conditions improve. Management is also assessing its product offerings, specifically those affected by the changes in tax legislation relating to income trusts.
ESR	8,045	10,167	18.2	ESR's results were in line with expectations as the business continued to perform strongly despite a difficult market environment. As anticipated, commission revenues from insurance premiums written were modestly below last year. This decline reflects heightened competition in standard markets and the entrance of new foreign insurers offering lower prices to gain Canadian market share. While commission revenue has declined, the strong historical underwriting results means that contingent profit commission revenues remain a significant component of the annual results. Conditions in the commercial insurance market in 2008 are expected to remain challenging. While demand for commercial insurance remains strong, insurers have excess capacity, resulting in downward pressure on insurance premiums and, consequently, commission revenues. ESR will continue to utilize a disciplined approach to underwriting, ensuring that its quality relationships with its clients will continue and this will benefit ESR once market conditions improve.
Morrison Williams	8,420	8,420	20.0	Morrison Williams financial results were above expectations and reflected its strong investment performance. However, a highly volatile market in the final quarter of the year had a negative impact on the gains achieved in the first three quarters of 2007. AUM at December 31, 2007 was $4.34 billion, down 6.3% from a year ago. With continuing volatile markets, there remains the risk of increasing redemptions of mutual funds. Until the markets stabilize it will be a challenge for Morrison Williams to match its recent performance and investment returns.
NP LP	4,686	4,594	22.2	NP LP's revenues and EBITDA were slightly below our expectations for the year. The decrease of 3% in AUM was primarily as a result of the market downturn, and resulted in lower fees from managed assets. Corporate advisory and insurance fees were in line with our expectations, though significantly lower than the prior year which included an unusually large corporate advisory fee. During 2007, NP LP strengthened its sales and marketing capabilities with the hiring of two experienced client relationship managers, and a renewed focus on sales and marketing activities. While this year's results reflect some costs associated with these initiatives, we expect that they will lead to positive results in 2008.
Hargraft	1,775	1,849	10.8	Challenging conditions at Hargraft have resulted in lower than expected revenues and EBITDA for the year. The insurance industry remains in a soft market where premiums are declining as underwriters compete vigorously for market share. This directly impacts Hargraft's commission revenues. In particular, premium revenues from Hargraft's core transportation segment were reduced due to intense competition and industry consolidation. The impact on the financial results of a soft market is compounded as often sales and marketing costs increase in order to remain competitive. On a positive note, both the personal insurance and group benefits business experienced increased revenues in the latter part of the year, and indications for those businesses are strong for 2008.
BMI	2,039	2,404	18.7	Revenues for the nine months since investment have largely been in line with expectations, and consequently, reflect lower premiums and commission rates negotiated on renewal and new business as a result of the current extremely competitive marketplace. Given these conditions, BMI's client retention remains excellent. During the period, BMI management has been able to lower its overhead costs with permanent benefits from cost control exercises. BMI feels that it is well positioned to take advantage of improved market conditions when they return.
	34,739	**36,196**		
Marketing				
S&E	296[1]	434	7.6	It has been a year of transition for S&E. It has experienced a decline in revenues and EBITDA over the prior year, directly attributable to the cancellation of a major client contract late in 2006. Management has been making progress on rebuilding the company with a focused strategy that includes the introduction of fee-based consulting services for targeted industry sectors that have a propensity for sports and entertainment marketing. It is expected that this strategy change will provide a higher margin revenue stream which is more relationship based than product based.
Gemma	5,272	5,845	20.9	Gemma had an excellent year, producing its best revenue returns through a combination of strong customer retention, and additional services to key clients. Strategic growth of inbound and business-to-business revenue streams resulted in record levels of facilities utilization. In addition, staff retention and other operational efficiencies have been well managed, contributing to strong gross margins. Gemma's outlook for 2008 remains positive as it continues to build on a very solid foundation.

OPERATING PARTNERSHIP	EBITDA ($000s)	DISTRIBUTABLE CASH ($000s)	LTM YIELD (%)	COMMENTARY
Capital C	5,136	4,389	18.5	In a challenging market environment, Capital C has performed well. Although full year revenues were slightly down and EBITDA was below expectations, the final quarter results were strong by all measurements. In the second and third quarters in particular, the long lead-time nature of Capital C's integrated services offering meant that the company carried unused capacity. New business development requires a protracted strategic phase with the client before moving into the execution phase. However, this investment has resulted in the company successfully progressing several of its large, blue-chip clients, through its integrated service offerings process thereby expanding the scope of work, revenue potential and resiliency of its accounts. During 2007, Capital C received a "GOLD" Award for Best Retail Account Specific or Channel Marketing activity in the world from the Marketing Agencies Association Worldwide Globe Awards.
IC Group	2,093	1,923	19.9	IC Group's performance in the first half of the year was strong, but its growth slowed in the latter half. There were three main contributors to this: first, IC Group experienced softness in its insurance division; second, the strong Canadian dollar impacted sales to U.S. customers; and third, there were significant development costs on a pilot project for a major global client in its interactive promotions division. The latter is being viewed as an investment in the future as the company plans to re-deploy this asset throughout its global client base at higher margins and with greater efficiency. For 2008, sales activity is already growing as are opportunities, but there is now a longer sales cycle before obtaining client commitments.
Armstrong	1,773	2,118	10.6	Armstrong's revenues and EBITDA were significantly below our expectations. This was due to four factors primarily: foreign exchange losses on U.S. business and reduced revenues from its U.S. customers as Armstrong's pricing became less competitive due to the strong Canadian dollar; reduced spending by a major client due to a corporate restructuring; lost revenues from Canadian online gaming customers due to a changed regulatory environment in the United States; and generally lower expenditures by packaged goods and beverage clients and prospects. Management reacted to these revenue reductions by invoking cost cutting measures including a 5% workforce reduction. Despite these challenges, Armstrong's core capabilities remain strong and it continues to earn very high levels of client satisfaction. Armstrong was recognized for its excellent work with the award of four "GOLDS" at the 2007 PROMO Awards. While the outlook for 2008 is cautious, Armstrong is focused on new business development and is experiencing greater than expected new business wins which should produce revenue contribution later in the year.
	14,570[1]	**14,709**		
Industrial Services				
NPC	15,939	10,329	14.4	NPC's oil and gas services business has historically comprised a combination of maintenance services and construction services. As anticipated, an industry-wide pullback in spending on new capital projects caused by weak gas prices has negatively impacted NPC's gas-levered construction operations in 2007. Despite this, NPC's core maintenance operations have remained strong and have experienced some organic growth over last year. This was an impressive achievement given the general reduced activity in the Alberta oil and gas industry currently. NPC also expanded its geographic base and service offerings through investments in Skystone, Nortech and Golosky during the year. The latter investment was a significant transaction for NPC, adding important access to the oil sands industry to its operations, and reducing reliance on traditional oil and gas business. The results of Golosky have been solid since the investment. NPC's management is looking for conservative growth in its overall financial results for 2008, as it levers its broadened geographic base. The current view is that the industry cyclicality affecting its construction operations will not be reversed in the short term.
Quantum Murray	12,952	13,145	18.8	2007 was an expansion year for the Quantum Murray group. The acquisition of Quantum was completed in January 2007 and the acquisition of Thomson was completed in May 2007, creating a national full service demolition, remediation and scrap metal company. Although the remediation businesses experienced a slower first half of 2007, activity rebounded significantly in the second half with several large project wins including the Lakeview Generating Station, the Bay-Adelaide Centre and the Burnaby pipeline spill. This progress was somewhat offset by softer results from Thomson, as a result of lower than expected scrap metal volumes and prices in the second half of 2007, as well as lower margins from the remediation business where full utilization, especially in Ontario, was a challenge. Quantum Murray will benefit from a full 12 months contribution from Thomson in 2008, and demolition and remediation revenues are conservatively estimated to show modest growth over 2007. The Fund has a priority cash flow of $14.6 million from Quantum Murray for 2008.
	28,891	**23,474**		
Other				
Rlogistics	1,307	1,126	11.3	Rlogistics performed well in 2007 considering the challenging retail conditions over the past year. During the fourth quarter it completed the installation of a new accounting and distribution system which should strengthen controls and provide management with better statistical information on which to base decisions. Rlogistics will continue to diversify its product mix in 2008 and strengthen certain existing product categories. New store openings will likely be limited in 2008 as the focus will be on increasing returns from its existing stores.
Peerless	5,368	4,301	11.9	The majority of Peerless' revenues are derived from the supply of military clothing to the federal government. As a result, Peerless' revenues are very dependent on the timing of the awarding of these contracts, and also on the exercise of purchase options built into the contracts. Larger, refresh programs typically occur in three to four year cycles. In 2007, Peerless' revenues were below expectations, partly because of delayed decisions on contracts, and partly because of longer approval processes associated with larger contracts. Despite this, Peerless was able to maintain its historical gross margin rates. Given the uncertainty surrounding the timing of these contracts, it is difficult to provide a specific outlook for 2008, but there is indication that Peerless should benefit during the next two years from the standard industry cycle.

OPERATING PARTNERSHIP	EBITDA ($000s)	DISTRIBUTABLE CASH ($000s)	LTM YIELD (%)	COMMENTARY
Titan	3,616	1,854	7.4	Titan's revenues and EBITDA were significantly below expectations, and also below the prior year. There were three primary reasons for this: the slowdown in the exploration and drilling sector in Alberta hampered Titan's operations throughout 2007 and, in particular, resulted in reduced sales of its products to the oil and gas and transportation industries; the sale of weather related products, such as tire chains, were also impacted by a mild winter; and the introduction of competitive import products. In order to improve operating results, Titan management implemented an expense reduction plan, postponed capital expenditures, and is also actively managing its inventory levels. Titan management does not foresee an improvement until market conditions in the drilling sector rebound. The Alberta government's new royalty framework has increased the level of uncertainty on the timing of this.
Gusgo	1,852	2,339	18.7	Gusgo's financial performance during the year was negatively impacted for two primary reasons: Traffic flows were disrupted and slowed in the first half of the year through labour strikes at both the Vancouver port and at CN Rail; and the strong Canadian dollar both reduced customer revenues and caused a loss in revenues from U.S. customers as they sought more competitive local pricing. These factors significantly impacted Gusgo's revenues for the year. However, Gusgo was able to maintain its gross profit margins despite an increase in fuel costs and management's ability to maintain tight cost control also contributed to the improved performance. For 2008, Gusgo management is focused on expanding its opportunities in Canada to replace lost revenues from U.S. customers and has recently been successful in securing the business of a major steamship line, and is looking at providing additional services to its existing customer base.
	12,143	**9,620**		

1 Excludes a write-down of goodwill and intangibles. Refer to the Goodwill and Intangible section for further details.

SUPPLEMENTARY INFORMATION

NPF'S SHARE OF PRO-FORMA LTM EBITDA BY OPERATING PARTNERSHIP (CONTINUING OPERATIONS)

The following table provides a pro-forma analysis of NPF's EBITDA by Operating Partnership, after giving effect to the contribution of all the investments made in 2007 and in the portfolio as at December 31, 2007 as if each investment had been owned by NPF for the full twelve month period since January 1, 2007. The 2006 comparatives include only investments in the portfolio as at December 31, 2006.

OPERATING PARTNERSHIP	DECEMBER 31, 2007[1]	DECEMBER 31, 2006[1]
Financial Services		
Ezee	$ 6,091	$ 2,538
Brompton	4,203	4,122
ESR	10,075	11,023
Morrison Williams	8,420	8,588
NP LP	4,686	7,160
Hargraft	1,775	2,557
BMI[2]	3,410	-
Marketing		
S&E[2]	296	831
Capital C	5,136	5,303
Gemma	6,166	5,051
IC Group	2,093	1,772
Armstrong[2]	1,773	3,792
Industrial Services		
NPC	26,083	13,686
Quantum Murray[2]	15,896	7,977
Other		
Rlogistics	1,307	1,327
Peerless	5,368	9,978
Titan	3,616	5,730
Gusgo[2]	1,852	2,493
Total Operating Partnerships	**$ 108,246**	**$ 93,928**
Corporate	(6,009)	(4,513)
Total Continuing Operations	**$ 102,237**	**$ 89,415**

1 Includes EBITDA normalized to remove owner earnings and other adjustments.
2 Refer to priority income chart below. LTM figures do not reflect NPF's priority income.

NPF'S PRIORITY INCOME BY OPERATING PARTNERSHIP

OPERATING PARTNERSHIP	PER ANNUM	EXPIRY
BMI	$ 3,400	Q2 2009
Armstrong	4,000	Q4 2008
Quantum Murray	14,600	Q1 2009
Gusgo	2,400	Q4 2010

The priority income arrangement with Gemma expired on March 31, 2007. ESR, Morrison Williams, Brompton, NP LP, Capital C and NPC's priority income arrangements expired on September 30, 2007. The Fund has not relied on these amounts over the past two years and it is not anticipated to have any material impact on reported distributable cash going forward.

NET ASSET VALUE

The NAV per unit is estimated at $6.13. This represents management's best estimate based on currently available information and is updated quarterly. The NAV is derived by accumulating the estimated fair market value of each of the Operating Partnership and adjusting for the Fund's senior debt, the market value of convertible debentures and the consolidated cash of the Fund. Management uses discounted multiples based on public company EV/EBITDA comparables and applies these to the LTM EBITDA of the Operating Partnerships to arrive at the estimate of fair market value. Estimates of the fair market value are by their nature subjective as assumptions must be made based on data from comparable businesses.

SEGMENT OPERATING RESULTS

FINANCIAL SERVICES

The Financial Services segment includes our proportionate share of EZEE, ESR, NP LP, Morrison Williams, Brompton, Hargraft and BMI. Full year results are reflected for all Operating Partnerships in both years in this segment except Hargraft (acquired in April 2006) and BMI (acquired in April 2007).

Ezee	-	Operator of non-financial institution ATMs across Canada
Brompton	-	Asset manager of public and private investment funds
ESR	-	Independent insurance underwriters and specialty managing general agents
Morrison Williams	-	Institutional money manager
NP LP	-	Provider of capital, money management and financial advice for successful entrepreneurs
Hargraft	-	Insurance broker specializing in liability products for commercial and high net worth clients
BMI	-	Full-service insurance broker specializing in the transportation and logistics industries

SUMMARY FINANCIAL TABLE ($000s)

	YEAR ENDED DECEMBER 31	
	2007	2006
Revenues	$ 87,915	$ 69,379
Cost of revenues	(45,334)	(30,778)
Gross profit	42,581	38,601
Selling, general and administrative expenses	(13,459)	(9,793)
Amortization expense	(14,684)	(13,749)
Depreciation expense	(892)	(647)
Income from equity investments	2,111	2,378
Other income	1,119	1,693
Interest income	176	271
Income tax expense-current	(6)	(96)
Income tax expense-future	(19,120)	-
Income (loss) for the year	(2,174)	18,658
Income (loss) for the year	(2,174)	18,658
Add:		
Amortization	14,684	13,749
Depreciation	892	647
Amortization of Brompton intangible assets and future income tax recovery	2,387	2,036
Interest income	(176)	(271)
Income tax expense-current	6	96
Income tax expense-future	19,120	-
EBITDA	$ 34,739	$ 34,915

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

	December 31, 2007	December 31, 2006
NP LP	$ 1,107	$ 1,147
Morrison Williams	4,344	4,638
Brompton	2,261	2,915
Total	$ 7,712	$ 8,700

(I) REVENUES

Revenue from the Financial Services segment was $87,915, which represents a 27% increase over the $69,379 reported in 2006.

The increase in revenues over 2006 largely reflects the inclusion of BMI from April 2007, as well as the impact of EZEE's growth in its ATM portfolio through its investments in TRM, Technoda and STR. Continuing soft insurance markets limited growth opportunities in our three insurance investments, and uncertain volatile financial markets negatively impacted revenues at both Morrison Williams and NP LP.

Each of our insurance investments has experienced reduced commissions compared to the previous year, as heightened competition in standard markets and the entrance of new foreign insurers offering lower prices to gain Canadian market share have resulted in significant downward price pressure. In addition, commission revenues from Hargraft's core transportation segment were lower due to competition and industry consolidation. Given the challenging insurance market conditions, the commission revenues earned at all three insurance investments are encouraging, and client retention has been strong. Contingent profit commissions at ESR were slightly below a year ago. These profit commissions are dependent on loss claims experienced at the insurers. High levels of profit commissions reflects the quality of underwriting performed by ESR. Profit commissions at Hargraft and BMI are not material.

Investment management fees at Morrison Williams were solid in the first three quarters of the year as stronger, although fluctuating, markets provided better than expected performance returns. This offset some redemption activity in mutual funds and the underperformance of the S&P/TSX Income Trust Index in which Morrison Williams is heavily weighted. The volatility of the last quarter of the year impacted most asset managers, and Morrison Williams ended the year with lower assets under management than a year ago.

NP LP's revenues were slightly below our expectations. Fees from managed assets were lower due to a 3% decrease in AUM, reflecting the market downturn. Higher performance fees earned on several funds almost offset the lower management fees. Corporate advisory and insurance were in line with our expectations, though significantly lower than the prior year period as last year included an unusually large corporate advisory fee.

During 2007, EZEE was successful in strengthening its market and competitive position through the acquisition of quality ATM portfolios from TRM, Technoda and STR. As a result, EZEE's revenues are almost double a year ago.

(II) GROSS PROFIT

Gross profit was $42,581, which translated into a 48% gross profit margin. For the year ended December 31, 2006, the financial services segment produced gross profit of $38,601, which translated into a 56% gross profit margin. The margin decline from 2006 reflects slightly lower contingent profit commissions from insurance operations in the current year and in 2006 the results included a significant corporate advisory fee from a corporate wealth management project managed by NP LP.

(III) SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses were $13,459 for the year ended December 31, 2007 compared with $9,793 for the year ended December 31, 2006. The increase primarily reflects the addition of BMI during 2007, as well as the integration costs incurred at EZEE. Selling, general and administrative expenses as a percentage of revenues were 15%, compared to 14% in 2006.

(IV) DEPRECIATION AND AMORTIZATION

Depreciation and amortization was $15,576 for the year ended December 31, 2007, against $14,396 for the year ended December 31, 2006. The largest component of this expense is the amortization of intangible assets which are recorded as investments in Operating Partnerships are made.

(V) EBITDA

EBITDA was $34,739 for the year ended December 31, 2007. For the year ended December 31, 2006, EBITDA was $34,915 and included a $2,300 corporate advisory fee earned at NP LP.

EBITDA includes the income from our equity investment in Brompton of $4,189 and reflects the acquisition of the BARCLAYS*funds* in late 2006. Significant annual redemptions which occur in November and December of each year, coupled with market depreciation resulted in a difficult final quarter.

(VI) INCOME TAX

As discussed in the section on Future Income Taxes, the enactment in June 2007 of Bill C-52 resulted in a requirement to record a future tax expense in June 2007 related to temporary differences, which will reverse after 2010, between the accounting and tax basis of the Fund's net assets. The tax expense relating to the assets of the Financial Services segment was $19,120.

(VII) INCOME

As a result of the tax expense recorded in 2007, the loss for the year was ($2,174) compared to income of $18,658 in 2006.

(VIII) SEASONALITY

We have continued to refine our methodology for estimating the amount of contingent profit commission at ESR, Hargraft and BMI. The impact of this refinement is to lessen the impact of seasonality on the business going forward with contingent profit commissions reported gradually throughout the year.

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

(IX) OUTLOOK

Conditions in the commercial insurance market remain challenging as increased competition continues to put downward pressure on premium pricing in all three of the insurance businesses in the Fund. Until recently, their respective management teams saw no indication of an external event that is likely to restore pricing discipline soon. However, several major insurers have recorded significant investment losses associated with sub-prime assets. It is possible that this event could trigger greater focus on improving underwriting profits through higher premium pricing. Each of these investments is well positioned to benefit from higher premium pricing. Client retention has been excellent throughout a difficult industry period, and the businesses have been strengthened with the recent hiring of several key sales people.

Based on a challenging market environment, Morrison Williams believes it will be difficult to see significant improvement in AUM. However, Morrison Williams believes if markets head upward in a meaningful way, it will be beneficial to overall AUM and will strengthen investment management fees.

NP LP has strengthened its sales and marketing capabilities with the hiring of three experienced client relationship managers and a renewed focus on sales and marketing activity that should produce improved results in 2008. Corporate finance advisory engagements are continuing but the timing and magnitude of fees are not possible to estimate.

Brompton believes that, during this period of market uncertainty, launching new closed-end investment funds will be challenging. However, Brompton is continuing to look for ways to expand its product suite, and to pursue selective acquisition opportunities and related strategic initiatives to grow net assets under management.

With the acquisitions it has made over the past two years, EZEE has gained greater scale and efficiency, thus strengthening its competitive position in the low growth ATM industry and improving overall profitability. EZEE believes that it will see the full contribution of these investments in 2008.

MARKETING

The Marketing segment includes our proportionate share of the results of S&E, Gemma, Capital C, IC Group and Armstrong. Full year results are reflected for all Operating Partnerships in this segment in both years except IC Group (acquired in July 2006) and Armstrong (acquired in October 2006).

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

SUMMARY MARKETING SERVICES TABLE ($000s)

	YEAR ENDED DECEMBER 31	
	2007	**2006**
Revenues	$ 86,816	$ 69,323
Cost of revenues	(40,158)	(35,531)
Gross profit	46,658	33,792
Selling, general and administrative expenses	(32,088)	(20,618)
Amortization expense	(6,586)	(5,712)
Depreciation expense	(1,542)	(1,582)
Interest expense	(309)	(238)
Income tax expense-future	(6,224)	-
Write down of goodwill and intangibles	(2,987)	-
Income (loss) for the year	(3,078)	5,642
Income (loss) for the year	(3,078)	5,642
Add:		
Amortization	6,586	5,712
Depreciation	1,542	1,582
Interest expense	309	238
Income tax expense-future	6,224	-
EBITDA	$ 11,583	$ 13,174
Write-down of goodwill and intangibles	2,987	-
Adjusted EBITDA	$ 14,570	$ 13,174

(I) REVENUES

Revenues for the Marketing segment were $86,816 a 25% increase over 2006 revenues of $69,323. These results primarily reflect a full year contribution of IC Group and Armstrong along with strong organic growth from Gemma.

Gemma had an excellent year, producing its best revenue returns through a combination of strong customer retention and additional services to key clients, including strategic growth of inbound and business-to-business revenue streams. Such engagements are important as they operate during daytime hours, when traditionally workstations have been less productive, and allowed Gemma to achieve peak utilization. Gemma's management was also pleased it maintained revenues as it experienced its best year in successfully managing the annual turnover of student workers returning to school in September.

In a business transition year, Capital C has performed well. Although full year revenues were slightly down from a year ago, final quarter results were strong in all measurements. Capital C has succeeded in selling its new integrated service offering to large, blue-chip clients, thereby expanding the scope of work. With this offering, new business development requires a protracted strategic phase with the client before moving into the execution phase. In the second and third quarters in particular, the long lead-time nature of these services meant that the company carried unused capacity.

S&E experienced a decline in revenues over the prior year, directly attributable to the cancellation of a major client contract late in 2006. In a transition year, management has been making progress on rebuilding the company with a focused strategy that includes the introduction of fee-based consulting services for targeted industry sectors that have a propensity for sports and entertainment marketing.

IC Group's revenue performance in the first half of the year was strong, but its growth slowed in the latter half. IC Group's U.S. business suffered from a stronger Canadian dollar. IC Group incurred significant development costs on a pilot project for a major global client in its interactive promotions division. This impacted billable hours, and in addition, its insurance division also experienced softness in the market, in line with conditions experienced in our insurance businesses in the financial services segment.

Armstrong's revenues and EBITDA were significantly below our expectations. This was due to four factors primarily: foreign exchange losses on U.S. business and reduced revenues from its U.S. customers as Armstrong's pricing became less competitive due to the strong Canadian dollar; reduced spending by a major client due to a corporate restructuring; lost revenues from Canadian online gaming customers due to a changed regulatory environment in the United States; and generally lower expenditures by packaged goods and beverage clients and prospects. Despite these challenges, Armstrong's core capabilities remain strong and it continues to earn very high levels of client satisfaction and awards for its work.

(II) GROSS PROFIT

Gross profit for the Marketing segment was $46,658 and gross profit margin was 54%. For the comparative year ended December 31, 2006, gross profit was $33,792 and gross profit margin was 49%. Gross profit margins at Gemma were materially above management's expectations as it benefited from record levels of facilities utilization and profit improvement initiatives engineered in 2006. Gross profit margins at Capital C were also improved reflecting the value to clients of the new strategic integrated service offerings. However, gross profit margins at both Armstrong and IC Group were impacted by lower revenues as a result of the strong Canadian dollar that hurt margins on U.S. dollar denominated business.

(III) SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the year ended December 31, 2007 were $32,088 compared to $20,618 in 2006. These expenses as a percentage of revenues were 37% compared to 30% in 2006. Capital C's expenses were higher than the prior year period due to the higher employment costs associated with the company's integration strategy and higher occupancy costs of a new premises. S&E incurred a higher level of employment costs as it rebuilt the business to focus on consulting fee services.

(IV) DEPRECIATION AND AMORTIZATION

Depreciation and amortization was $8,128 for the year ended December 31, 2007, compared with $7,294 in 2006. The largest component of this expense is the amortization of intangible assets, which are recorded as investments in Operating Partnerships are made. Typically, the level of capital expenditures in this services segment is low.

(V) EBITDA

Adjusted EBITDA from the Marketing segment was $14,570 compared with $13,174 of EBITDA produced in 2006.

(VI) INCOME TAX

As discussed in the section on Future Income Taxes, the enactment in June 2007 of Bill C-52 resulted in a requirement to record a future tax expense in June 2007 related to temporary differences, which will reverse after 2010, between the accounting and tax basis of the Fund's net assets. The tax expense relating to the assets of the Marketing segment was $6,224.

(VII) INCOME

As a result of the tax expense recorded in 2007, the loss for the year was ($3,078) compared to income of $5,642 in 2006.

(VIII) SEASONALITY

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

(IX) OUTLOOK

Gemma's outlook is positive, and it is well-positioned for continued strong performance with new programs launched in the fourth quarter and a full pipeline of sales opportunities. Gemma's most significant challenge continues to be hiring new agents in a tight employment market to support its growth.

Capital C's management feels positive about 2008. It expects a modest improvement in billable activity and higher capacity utilization. From a competitive standpoint, Capital C is better-positioned and more resilient to margin compression as a result of its transition to an integrated marketing company.

S&E's strategy of providing consulting services to targeted industry sectors that have a propensity for sports and entertainment marketing is beginning to show results. Given the longer sales cycle of this business strategy, our outlook remains that the company will underperform in the short-term. The longer-term outlook is for improved performance as the benefits of its transition and business development activities bear fruit.

IC Group expects improved results in 2008. It is accessing a larger number of business opportunities, although there is now a longer sales cycle before obtaining client commitments. Increased focus on its insurance division is also expected to provide greater contribution from this area. A continuing challenge for IC Group will be to hire qualified technology people to support its growth.

Armstrong is cautiously optimistic about improved results in 2008. Its management is working hard to diversify and expand its client base but with the long sales cycle of its business, this will take time. However, early signs are positive as Armstrong has been successful in securing several recent new client wins.

INDUSTRIAL SERVICES

The Industrial Services segment includes our proportionate share of the results of NPC and Quantum Murray. The financial results of NPC for 2007 include our proportionate share of the results of NPC which completed a number of transactions throughout the year. In particular, NPC acquired an 80% interest in Golosky. Therefore, NPC's results for 2007 are not comparable to those for 2006. The financial results of Quantum Murray for 2007 include our proportionate share of the results of Quantum Murray. The comparable 2006 financial results are for Murray which completed a significant transaction in early 2007, acquiring the assets of Quantum (which led to the formation of Quantum Murray). In May of 2007, Quantum Murray acquired the assets of Thomson. Therefore, Quantum Murray's results for 2007 are not comparable to Murray's results for 2006.

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

SUMMARY INDUSTRIAL SERVICES TABLE ($000s)

	YEAR ENDED DECEMBER 31	
	2007	2006
Revenues	$ 296,943	$ 186,821
Cost of revenues	(234,248)	(147,012)
Gross profit	62,695	39,809
Selling, general and administrative expenses	(33,804)	(19,955)
Amortization expense	(10,532)	(4,921)
Depreciation expense	(5,719)	(4,057)
Income from equity investment	-	(7)
Interest expense	(4,867)	(1,681)
Income tax expense-future	(674)	-
Income for the year	7,099	9,188
Income for the year	7,099	9,188
Add:		
Amortization	10,532	4,921
Depreciation	5,719	4,057
Interest expense	4,867	1,681
Income tax expense-future	674	-
EBITDA	$ 28,891	$ 19,847

	YEARS ENDED DECEMBER 31			
	2007		2006	
	NPC	Quantum Murray	NPC	Murray
Revenues	$ 186,695	$ 110,248	$ 139,069	$ 47,752
Cost of revenues	(156,720)	(77,528)	(114,351)	(32,661)
Gross profit	29,975	32,720	24,718	15,091
Selling, general and administrative expenses	(14,036)	(19,768)	(11,237)	(8,718)
Amortization expense	(4,102)	(6,430)	(2,194)	(2,727)
Depreciation expense	(3,998)	(1,721)	(3,222)	(835)
Income from equity investments	-	-	(7)	-
Interest expense	(4,692)	(175)	(1,624)	(57)
Income tax (expense) recovery-future	(320)	994	-	-
Income for the year	3,467	3,632	6,434	2,754
Income for the year	3,467	3,362	6,434	2,754
Add:				
Amortization	4,102	6,430	2,194	2,727
Depreciation	3,998	1,721	3,222	835
Interest expense	4,692	175	1,624	57
Income tax expense (recovery)-future	320	(994)	-	-
EBITDA	$ 15,939	$ 12,952	$ 13,474	$ 6,373

(I) REVENUES

Revenues from the Industrial Services segment were $296,943 compared with $186,821 in 2006. This reflects a 59% increase over the previous year. Revenue growth relates to investments made in this segment during 2007.

NPC delivered record revenues in 2007. The revenue increase over 2006 reflects the inclusion of results from new investments Skystone, Nortech, and in particular, Golosky. NPC's results excluding these investments were lower by 5% compared to 2006. The reduction in revenues relates specifically to NPC's gas-levered construction operations in the first two quarters, which were affected by an industry-wide pullback in spending on new capital projects caused by weak gas prices. A strong performance in NPC's maintenance operations offset part of this reduction, and revenues for maintenance and construction in the second half of the year exceeded those of 2006. Revenues from Golosky's oil sands operations were above expectations, and as expected for the other investments.

Quantum Murray also delivered record revenues in 2007. The revenue increase over 2006 reflects the inclusion of the results of investments by Murray in Quantum and Thomson, as well as inclusion of a full year of revenues for Murray in 2007.

Although the remediation businesses experienced a slower first half of 2007, activity rebounded significantly in the second half with several large project wins. Progress in the latter half of the year was somewhat offset by both softer results from Thomson, which experienced lower than expected scrap metal volumes and prices, as well as lower remediation business revenues in Ontario.

(II) GROSS PROFIT

Gross profit was $62,695 for the year ended December 31, 2007 compared with $39,809 in 2006. Gross profit margins were 21% compared to 21% in 2006. Reduced margins at NPC because of fewer, but higher margin, construction activities in the first half of the year, were offset by an increased gross profit contribution from Quantum Murray.

(III) SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses were $33,804 for the year ended December 31, 2007, compared to $19,955 in 2006. These expenses as a percentage of revenues were 11%, compared to 11% in 2006.

(IV) DEPRECIATION AND AMORTIZATION

Depreciation and amortization was $16,251 for the year ended December 31, 2007 compared with $8,978 for 2006. The largest component of this expense is the amortization of intangible assets, which are recorded as investments in Operating Partnerships are made. Capital expenditures were $2,814 in 2007 compared to $1,034 in 2006, and reflect the additional investments made in this segment during 2007.

(V) EBITDA

The Industrial Services segment produced $28,891 of EBITDA – compared with $19,847 of EBITDA earned in 2006.

(VI) INCOME TAX

As discussed in the section on Future Income Taxes, the enactment in June 2007 of Bill C-52 resulted in a requirement to record a future tax expense in June 2007 related to temporary differences, which will reverse after 2010, between the accounting and tax basis of the Fund's net assets. The tax expense relating to the assets of the Industrial Services segment was $674.

(VII) INCOME

Income for the year was $7,099 compared to $9,188 in 2006.

(VIII) SEASONALITY

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

The addition of Quantum has added seasonality to the operating and financial profile of Quantum Murray as remediation activity is reduced in the winter months. In addition, due to the timing of large contracts, quarterly results can fluctuate.

(IX) OUTLOOK

NPC has a diversified operational base that provides recurring revenues from ongoing base maintenance work performed at lower margins combined with annual facility turnarounds and higher-margin construction facility projects. With its investment in Golosky, it has also gained access to the oil sands development in northern Alberta. This diversification has reduced its exposure to the industry cyclicality affecting its gas-levered construction operations which has helped the company weather reduced drilling activity and turbulent market conditions. NPC's outlook is that there will be conservative organic growth in 2008 in its maintenance and oil sands operations where some gross margin compression is anticipated. Subsequent to year-end, the federal government announced plans to mandate carbon capture and storage at all new coal-fired power plants and oil sands facilities beginning in 2012. NPC's management views this development as generally positive for its business as compliance will require increased infrastructure spending. A balancing factor is that it may slow down the development of some oil sands projects.

Quantum Murray will benefit from a full 12 months contribution from Thomson in 2008, and demolition and remediation revenues are conservatively estimated to show modest growth over 2007. It currently has a solid pipeline of opportunities, although the first part of the year will be impacted by seasonally slower remediation operations. The balance of the year should be stronger and it is also anticipated that higher metals' volumes and pricing will be seen in the second half of the year.

OTHER

The Other segment includes our proportionate share of the results of Rlogistics, Peerless, Titan and Gusgo for 2007. The comparable 2006 results include the results of Rlogistics from May 1, 2006, Peerless from June 19, 2006, Titan from September 1, 2006 and Gusgo from October 1, 2006. The results, therefore, are not comparable.

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

SUMMARY OTHER TABLE ($000s)

	YEAR ENDED DECEMBER 31	
	2007	2006
Revenues	$ 93,015	$ 40,579
Cost of revenues	(68,742)	(29,818)
Gross profit	24,273	10,761
Selling, general and administrative expenses	(13,437)	(4,985)
Amortization expense	(6,870)	(2,570)
Depreciation expense	(704)	(189)
Income from equity investments	1,307	970
Interest expense	(2,427)	(934)
Income tax expense-future	(7,164)	-
Income (loss) for the year	(5,022)	3,053
Income (loss) for the year	(5,022)	3,053
Add:		
Amortization	6,870	2,570
Depreciation	704	189
Interest expense	2,427	934
Income tax expense-future	7,164	-
EBITDA	$ 12,143	$ 6,746

(I) REVENUES

Revenues from this segment were $93,015 for the year ended December 31, 2007 compared with $40,579 in 2006. This represents an increase of 129% and reflects the inclusion, in 2007 for a full year, of all the investments made in 2006.

Peerless' revenues were lower than management's expectations and lower than in 2006. The company is the dominant supplier of military gear for the federal government. During 2007, Peerless experienced delayed decisions on contracts. Recent contract opportunities are larger than those offered in past few years, and typically these require ministerial approval resulting in a longer process prior to release which delays revenues for Peerless.

Titan's revenues were significantly below expectations, and also below full year revenues for 2006. The slowdown in the exploration and drilling sector in Alberta hampered Titan's operations throughout 2007 and, in particular, resulted in reduced sales of its products to the oil and gas and transportation industries. In addition sales of weather related products, such as tire chains, were also impacted by a mild winter.

Gusgo's revenues during the year were negatively impacted by two primary factors: traffic flows were disrupted and slowed in the first half of the year through labour strikes at both the Vancouver port and at CN Rail; and the strong Canadian dollar both reduced customer revenues and caused a loss in revenues from U.S. customers as they sought more competitive local pricing.

(II) GROSS PROFIT

Gross profit was $24,273 for the year ended December 31, 2007 compared with $10,761 in 2006. Gross profit margins were 26%, compared to 27% a year ago. Despite the reduced revenues in each of the businesses, gross profit margins were for the most part maintained.

(III) SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses were $13,437 for the year ended December 31, 2007 compared with $4,985 in 2006. These expenses as a percentage of revenues were 14%, compared to 12% in 2006. Cost control initiatives were introduced at both Titan and Gusgo during 2007.

(IV) DEPRECIATION AND AMORTIZATION

Depreciation and amortization was $7,574 for the year ended December 31, 2007, compared to $2,759 in 2006. The largest component of this expense is the amortization of intangible assets, which are recorded as investments in Operating Partnerships are made.

(V) EBITDA

EBITDA for this segment was $12,143 compared with $6,746 in 2006. EBITDA includes the income from our equity investment in Rlogistics.

(VI) INCOME TAX

As discussed in the section on Future Income Taxes, the enactment in June 2007 of Bill C-52 resulted in a requirement to record a future tax expense in June 2007 related to temporary differences, which will reverse after 2010, between the accounting and tax basis of the Fund's net assets. The tax expense relating to the assets of the Other segment was $7,164.

(VII) INCOME

As a result of the tax expense recorded in 2007, the loss for the year was ($5,022) compared to income of $3,053 in 2006.

(VIII) SEASONALITY

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

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

Seasonality is not typically a material factor for Gusgo.

(IX) OUTLOOK

The size and timing of Peerless' revenues are dependent upon the awarding of contracts by the Federal government. Given the uncertainty surrounding the timing of these contracts, it is difficult to provide a specific outlook for 2008, but there is indication that Peerless should benefit during the next two years from the standard industry cycle, which includes years when significant refresh contracts are awarded.

Titan management does not foresee a material improvement in its financial results until the drilling sector rebounds. Titan has postponed capital expenditures, and will continue to monitor expenses. The Government of Alberta's new royalty framework to increase royalty revenues from its energy sector was announced on October 25, 2007. This has added uncertainty to Titan management's ability to predict an improvement in market conditions.

Gusgo management is focused on expanding its opportunities in Canada to replace lost revenues from U.S. customers.

Rlogistics outlook for 2008 is positive as the company hopes to lever its operations through newly installed accounting and distribution systems.

CORPORATE

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

SUMMARY CORPORATE TABLE ($000S)

	YEAR ENDED DECEMBER 31	
	2007	2006
Selling, general and administrative expenses	$ (6,009)	$ (4,513)
Amortization expense1	-	(3,506)
Interest expense	(23,437)	(7,911)
Income tax expense-current	(4)	-
Income tax expense-future	(49)	-
Loss on dilution of ownership interest	(6,958)	-
Loss for the year	(36,457)	(15,930)
Loss for the year	(36,457)	(15,930)
Add:		
Amortization	-	3,506
Interest expense	23,437	7,911
Income tax expense – current	4	-
Income tax expense-future	49	-
EBITDA	$ (12,967)	$ (4,513)
Loss on dilution of ownership interest	6,958	-
Adjusted EBITDA	(6,009)	(4,513)

1 In 2007, amortization of deferred financing charges was reclassified to interest expense.

(I) SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses were $6,009 for the year ended December 31, 2007. This compares to $4,513 for 2006. Expenses for 2007 were in line with expectations, and the increase over 2006 reflects the growth of the business and increase in resources in the financial and legal departments, as well as additional accounting and regulatory compliance costs.

(II) INTEREST EXPENSE

Interest expense of $23,437 relates to the credit facility and the convertible debentures. This compares to $7,911 in 2006. The increase in interest expense over 2006 reflects increased borrowings on the credit facility, and a new issue of convertible debentures in July, 2007. The additional borrowings have funded the Fund's investment program through 2007, as well as providing working capital financing to a larger investment portfolio. The credit facility consists of three components: a $75,000 revolving credit facility with a five year maturity; a $170,000 five-year term loan; and a $75,000 DDTL that the Fund may access during the next two years. The interest rate on the revolving credit facility is BA plus 2.50% and the term loan and DDTL are priced off LIBOR, and depending on leverage levels, the additional margin is between 3.50% and 4.95%. The interest rates on the convertible debentures are 7.5% and 7%.

(III) INCOME TAX

As discussed in the section on Future Income Taxes, the enactment in June 2007 of Bill C-52 resulted in a requirement to record a future tax expense in June 2007 related to temporary differences, which will reverse after 2010, between the accounting and tax basis of the Fund's net assets. The tax expense relating to the assets of the Corporate segment was $49.

(IV) LOSS

The loss for the year was ($36,457) compared to ($15,930) in 2006. Included in the loss for the 2007 are dilution losses relating to the re-organization of Quantum Murray and the impact of our NCIB repurchases during the year.

(V) OUTLOOK

Selling, general and administrative expenses in 2008 are not expected to be materially different from the 2007 levels. The Fund is targeting a reduction in 2008 in its borrowing levels to less than 2.25x EBITDA, and this, coupled with reducing interest rates, should result in lower levels of interest expense in 2008 on our credit facility.

DISCONTINUED OPERATIONS

CONDENSED INCOME STATEMENT INFORMATION ($000s)

	YEAR ENDED DECEMBER 31	
	2007	2006
Revenues	$ 42,994	$ 225,933
Net loss	(5,227)	(63,253)

Management of the Fund, and the principals of SW International Inc., the owners of 20% of the units of RGC, signed on March 27, 2007, a definitive agreement whereby the Fund would sell the assets of RGC for an aggregate net consideration of $34,000. The transaction closed on April 30, 2007. Included in the aggregate net consideration was a holdback in the amount of $4,000, the release of which was tied to achieving a target tangible net asset level and the collection of accounts receivable and net realizations of inventory of the business sold. At the time of the transaction, and because of the uncertainty regarding the release of the holdback, the Fund recorded $24,000 as its share of proceeds. The conditions to release this holdback were not met, and as part of the final settlement in this transaction, the aggregate net consideration was reduced to $27,870, resulting in final proceeds to the Fund of $23,496.

BALANCE SHEET INFORMATION ($000s)

	AS AT DECEMBER 31, 2007	AS AT DECEMBER 31, 2006
Current assets of discontinued operations	-	$ 68,969
Long-lived assets of discontinued operations	-	14,403
Current liabilities of discontinued operations	-	54,372
Net assets of discontinued operations	-	29,000

FOURTH QUARTER RESULTS

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

Three months ended December 31, 2007

	FINANCIAL SERVICES	MARKETING	INDUSTRIAL SERVICES	OTHER	CORPORATE[1]	TOTAL
Revenue	$ 24,450	$ 22,363	$ 94,704	$ 23,417	-	$164,934
Gross profit	12,506	12,260	18,233	6,125	-	49,124
Income (loss) from continuing operations before non-controlling interest[2]	6,495	1,848	878	1,839	(7,758)	3,302
EBITDA	9,895	893	7,497	3,568	(1,367)	20,486
Loss on dilution of ownership interest	-	-	-	-	86	86
Write down on goodwill and intangibles	-	2,987	-	-	-	2,987
Adjusted EBITDA[3]	9,895	3,880	7,497	3,568	(1,281)	23,559
Interest (income) expense[2]	(24)	94	868	582	7,946	9,466
Non-cash interest expense	-	-	-	-	(992)	(992)
Income tax expense (recovery)-current	6	-	340	-	3	349
Maintenance capital expenditures and reserves	431	(10)	549	239	-	1,209
Capital lease payments	2	39	1,080	21	-	1,142
Compensation expense funded by operating partner[4]	347	261	-	-	-	608
Priority income per partnership agreement[5]	213	104	1,414	108	-	1,839
Distributable cash from continuing operations	$ 10,040	$ 4,122	$ 6,074	$ 2,834	$ (8,238)	$ 14,832
Cash used by discontinued operations						-
Distributable cash						$ 14,832
Distributable cash per unit from continuing operations						**$ 0.21**
Cash used per unit by discontinued operations						$ (0.00)
Distributable cash per unit						$ 0.21

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

Three months ended December 31, 2006

	FINANCIAL SERVICES	MARKETING	INDUSTRIAL SERVICES	OTHER	CORPORATE[1]	TOTAL
Revenue	$ 18,951	$ 22,142	$ 46,713	$ 23,677	-	$111,483
Gross profit	10,588	12,206	10,921	7,294	-	41,009
Income from continuing operations before non-controlling interest	4,550	2,019	2,600	946	(6,840)	3,275
EBITDA	8,649	4,261	4,763	4,255	(1,141)	20,787
Interest (income) expense[2]	(118)	69	477	592	3,225	4,245
Income taxes	11	24	-	-	-	35
Maintenance capital expenditures and reserves	14	326	503	112	388	1,343
Capital lease payments	29	27	657	14	-	727
Compensation expense funded by operating partner[4]	354	-	-	-	-	354
Priority income per partnership agreement[5]	-	(51)	-	69	-	18
Distributable cash from continuing operations	$ 9,067	$ 3,764	$ 3,126	$ 3,606	$ (4,754)	$ 14,809
Distributable cash from discontinued operations						519
Distributable cash						$ 15,328
Distributable cash per unit from continuing operations						**$0.20**
Distributable cash per unit from discontinued operations						$0.01
Distributable cash per Unit						$0.21

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

2 NPF advanced approximately $60,000 to NPC to allow it to complete its investment in Golosky on July 31, 2007. This long term facility can be converted into equity, if certain future performance criteria are met, and in anticipation of the triggering targets being met, and also in order to remove the financing component from the operating results of NPC, interest expense of NPC, and the Industrial Services segment in this Summary Financial table has been reduced by $1,577 and such amount has been added to the interest expense of the Corporate segment.

3 Adjusted EBITDA excludes the non-cash gain or loss on changes to ownership interest.

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

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

FOURTH QUARTER PERFORMANCE

SUMMARY RESULTS ($000s)

	QUARTER ENDED DECEMBER 31	
	2007	2006
Revenues	$ 164,934	$ 111,483
Cost of revenues	(115,810)	(70,474)
Gross profit	49,124	41,009
Selling, general and administrative expenses	(27,267)	(22,541)
Amortization expense [1]	(10,645)	(10,573)
Depreciation expense	(2,513)	(2,174)
Income from equity investments	430	871
Other income	337	963
Interest expense [1]	(9,468)	(4,245)
Income tax expense-current	(350)	(35)
Income tax recovery-future	6,727	-
Loss on dilution of interest in operating partnership	(86)	-
Write down of goodwill and intangibles	(2,987)	-
Income from continuing operations	3,302	3,275
Income for the period	3,302	3,275
Add:		
Amortization	10,645	10,573
Depreciation	2,513	2,174
Amortization of Brompton intangible assets and future income tax recovery	935	485
Interest	9,468	4,245
Income tax expense-current	350	35
Income tax recovery-future	(6,727)	-
EBITDA	$ 20,486	$ 20,787
Loss on dilution of ownership interest	86	-
Write down of goodwill and intangibles	2,987	-
Adjusted EBITDA	$ 23,569	$ 20,787

FOURTH QUARTER RESULTS COMMENTARY

The Fund's businesses are reported in its four operating segments: Financial Services, Marketing, Industrial Services and Other. Revenues for the three months ended December 31, 2007 were $164,934 compared to $111,483 in the corresponding 2006 period, an increase of 48%. This increase primarily reflects our expanded portfolio and the investments made by our existing Operating Partnerships.

Gross profit for the three months ended December 31, 2007 was $49,124 compared to $41,009 in 2006, an increase of 20%.

For the three months ended December 31, 2007, these four operating segments produced $24,840 of adjusted EBITDA for the Fund compared to $21,928 in 2006.

The five largest contributors to EBITDA in the portfolio for the three months ended December 31, 2007 were Quantum Murray, NPC, ESR, Morrison Williams and Capital C.

Quantum Murray completed a busy year with quarterly revenues and margins as expected. The results for the quarter were dampened however by higher than expected indirect costs and some catch-up costs.

NPC's financial results were solid for the final quarter given the challenging market conditions in the Alberta oil and gas industry. NPC benefited from strong results from its core maintenance and oil sands operations, although reduced construction activity continued, reducing overall margins.

ESR performed as expected. Insurance premium results remained modestly below the prior year reflecting heightened competition in standard markets. ESR's contribution from contingent profit commission was in line with expectations, and reflects a higher amount than recorded in prior quarters as greater certainty in the quantum of the commission to be received is known as the year progresses.

Morrison Williams' financial results were solid, but lower than expectations, reflecting a highly volatile market in the final quarter of the year.

Capital C had a very strong quarter with revenues reflecting much higher billable work following two quarters of business development and long lead-time sales activities.

The Fund's fourth quarter results were reduced by lower than expected performance from Brompton, Titan, Peerless, Hargraft and the marketing segment, apart from Gemma and Capital C.

Titan did benefit from weather related product sales but this progress was offset by the impact of the pronounced slowdown in Alberta's exploration and drilling sector, as the company distributes products and services to the oil and gas and transportation industries.

Peerless is the dominant supplier of military gear for the federal government and the size and timing of government contracts can be difficult to predict. Peerless has suffered throughout the year, including this quarter, from delays in the release of government contracts.

Hargraft's and BMI's results were hurt by softer insurance markets and continuing intense competition. BMI's results for the quarter benefited from the recording of contingent profit commission.

In the fourth quarter, the strong Canadian dollar continued to impact the performance at Armstrong and IC Group – both of which derive a significant portion of their revenues in U.S. dollars.

The portfolio produced a distributable cash yield of 15.6% on our weighted invested capital of $590,358 for the fourth quarter.

See "Fourth Quarter 2007 Performance Summary – by Operating Partnership" for details of Fund EBITDA and distributable cash by individual investment holding.

The Fund's Corporate segment includes administrative costs to operate the Fund, and the interest costs on borrowings to fund investments and working capital of its businesses. Corporate office costs were $1,281 for the three months ended December 31, 2007 compared with $1,141 in 2006. Corporate costs reduced total adjusted EBITDA to $23,559 for the three months ended December 31, 2007 compared with $20,787 in 2006, an increase of 13%.

The main items which reduce EBITDA to arrive at Distributable Cash are interest expense and capital expenditures. During the final quarter, cash interest costs were $8,474, compared with $4,245 in 2006. During 2007, we also issued $79,966 of convertible debentures bearing interest of 7%. During 2007, the operating segments had capital expenditures and capital lease payments of $2,870, as compared to $2,070 in 2006. The majority of these expenditures were incurred in the industrial services segments.

Distributable cash from continuing operations for the three months ended December 31, 2007 was $14,832 resulting in $0.21 of distributable cash per unit, compared with $14,809 and $0.20 per unit in 2006.

Non-cash items that impacted the results were depreciation and amortization, and future income taxes. Depreciation and amortization was $13,158 for the three months ended December 31, 2007, against $12,747 for 2006. The largest component of this expense is the amortization of intangible assets, which are recorded as investments are made. The future income taxes recovered in the fourth quarter primarily reflects the changes in income tax rates from 31.5% to 29.5% in 2011 and 28% thereafter.

Net income for the three months ended December 31, 2007 from continuing operations was $3,302 compared to $3,275 in 2006.

FOURTH QUARTER 2007 PERFORMANCE SUMMARY – BY OPERATING PARTNERSHIP

OPERATING PARTNERSHIP	EBITDA ($000s)	DISTRIBUTABLE CASH ($000s)	YIELD (%)	COMMENTARY
Financial Services				
EZEE	1,401	1,165	10.2	EZEE's revenues and EBITDA were slightly below our expectations though significantly higher than the prior year period because of operational improvements and acquisitions it made during the year. The final quarter results were impacted by integration projects, now largely completed, which will benefit 2008.
Brompton	885	756	11.1	The volatility in the financial markets in the fourth quarter impacted Brompton's structured product offerings, and there was also significant redemption activity in the underlying funds being managed. Brompton will continue to search for and structure new investment products which can be brought to market when conditions improve.
ESR	2,823	3,110	22.2	The final quarter was as expected for ESR. The results were positively impacted by the recording of significant contingent profit commissions. These profits highlight the strength and quality of ESR's underwriting while the insurance business continues to experience softer market conditions.
Morrison Williams	2,111	2,111	20.1	AUM at Morrison Williams at December 31, 2007 were $4.34 billion, down 6.3% from a year ago. The majority of this decrease occurred in the fourth quarter, and with continuing volatile markets, there remains the risk of increasing redemptions of mutual funds and lower fees received from falling asset levels. Until the markets stabilize it will be a challenge for Morrison Williams to match its recent performance and investment returns.
NP LP	1,413	1,376	26.7	NP LP's results for the quarter were strong, reflecting solid returns from proprietary investment products, which contributed performance fees. Like others, NP LP has experienced a decrease in its AUM due primarily to the markets.
Hargraft	365	382	8.6	Hargraft's results were below expectations. The insurance industry continued in a soft market where premiums are declining as underwriters compete vigorously for market share. The impact of a soft market on the financial results was compounded as Hargraft's sales and marketing costs increased in order to remain competitive.
BMI	897	1,140	25.1	Given the current extremely competitive marketplace, BMI produced solid results for the quarter. Revenues were increased by contingent profit commissions, and management has worked well to keep general and administrative expenses in line, achieving savings where appropriate.
	9,895	**10,040**		
Marketing				
S&E	171[1]	196	13.8	S&E's results for the quarter were improved over previous quarters as some progress has been made to replace revenue lost from a significant contract cancelled a year ago. S&E's focus on consulting assignments led to some of the revenue improvement this quarter.
Gemma	1,171	1,335	19.1	Gemma recorded its seventh successive quarter of revenue and EBITDA growth. The management team was successful in convincing many clients to extend, by several days, many of the programs that traditionally shut down over the holiday season, therefore, positively impacting revenues and productivity.
Capital C	1,825	1,883	31.8	Capital C had its best quarter of the year, and its results reflected execution on assignments which had required significant lead time and long business development activities. While this development work negatively impacted the second and third quarters, Capital C believes that the strong results of this quarter can continue well into 2008 based on the current pipeline.
IC Group	424	383	13.5	Results were short of expectations in the fourth quarter as marketing sales activity slowed down and insurance revenues continue to fall short of targets. The largest impact came from two core accounts that did not produce the expected business volumes. However, a major client campaign which was delayed in the quarter should benefit the business in 2008.
Armstrong	289	325	6.5	This year has been a challenge for Armstrong, and the fourth quarter was no exception. Revenue has been impacted by reduced spending by U.S. based clients. The results for the quarter were also impacted by business development activities as Armstrong looked to replace lost revenues. These activities should benefit the business in 2008.
	3,880[1]	**4,122**		
Industrial Services				
NPC	5,099	3,275	11.6	NPC's maintenance and oil sands operations reported strong revenues. As in previous quarters, NPC's construction divisions, which are more focused on gas related projects, experienced a slow quarter. Lower construction activity impacts margins negatively as these activities typically enjoy the highest gross margins in NPC's business.

OPERATING PARTNERSHIP	EBITDA ($000s)	DISTRIBUTABLE CASH ($000s)	YIELD (%)	COMMENTARY
Quantum Murray	2,398	2,799	14.4	Quantum Murray's fourth quarter results were below expectations. While revenues and gross margins were only slightly below expectations, indirect and some catch-up general and administrative expenses reduced the reported EBITDA.
	7,497	**6,074**		
Other				
Rlogistics	502	321	12.8	During the fourth quarter Rlogistics completed the installation of a new accounting and distribution system which should strengthen controls and provide management with better statistical information on which to base decisions.
Peerless	1,384	1,148	12.8	The slower sign off of federal contracts that Peerless has experienced throughout 2007 continued in the fourth quarter. A positive is that through careful management, Peerless was able to maintain its gross margin percentages even though revenues were less than expected. Peerless is optimistic that it should benefit during the next two years from the standard industry cycle.
Titan	1,250	824	13.1	Titan's fourth quarter results are slightly improved over previous quarters as weather related sales of "ground engaging tools" have been strong. However, the largest impact on Titan during the year has been much lower oil and gas drilling activity. This has continued in the fourth quarter. Titan is hopeful of some improvement in this area in 2008, and there have been some initial positive signs of this, although it is too early to know if this is other than temporary.
Gusgo	432	541	17.3	Gusgo's fourth quarter results continue to reflect lower revenues than expected due to the strong Canadian dollar making it less attractive for U.S. based customers. For 2008, Gusgo management is focused on expanding its opportunities in Canada to replace lost revenues through providing additional services to its existing customer base.
	3,568	**2,834**		

1 Excludes a write-down of goodwill and intangibles. Refer to the Goodwill and Intangible section for further details.

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

	2007 Q4	2007 Q3	2007 Q2	2007 Q1	2006 Q4	2006 Q3	2006 Q2	2006 Q1
Revenues	164,934	149,796	133,744	116,215	111,483	98,930	83,502	72,187
Gross profit	49,124	44,779	44,953	37,351	41,009	32,684	26,078	23,191
Income (loss) from continuing operations	3,302	(116)	(36,398)	(6,420)	3,275	6,424	4,559	6,355
Net income (loss)	892	(57)	(21,773)	(4,988)	(26,946)	2,302	24	1,275
Adjusted EBITDA from continuing operations	23,559	22,114	21,831	16,830	20,786	18,579	15,415	15,389
EPS from continuing operations	0.48	0.00	(0.51)	(0.09)	0.13	0.08	0.05	0.08
EPS	0.48	0.00	(0.54)	(0.13)	(0.80)	0.06	0.00	0.05

ADDITIONAL INFORMATION

CONTRACTUAL OBLIGATIONS ($000s)

	2008	2009	2010	2011	THEREAFTER	TOTAL
Interest expense	27,528	32,725	32,725	26,388	5,598	124,963
Long-term debt	-	-	-	210,000	-	210,000
Convertible debenture	-	-	84,500	-	79,966	164,466
Capital lease obligations	6,080	4,009	2,805	1,390	1,606	15,890
Operating leases	9,804	8,233	6,241	4,597	10,140	39,015
Total contractual obligations	43,412	44,967	126,271	242,375	97,310	554,334

TRANSACTIONS WITH RELATED PARTIES

OWNERSHIP

As of December 31, 2007, directors, officers and employees and entities related to the fund of the general partner beneficially hold an aggregate of 24,238,105 NPY and NPF units or 33% on a fully diluted basis.

TRANSACTIONS

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

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

Employee loans were made in the aggregate amount of $2,399 of which $2,349 remains outstanding at December 31, 2007. In accordance with the terms and conditions of the loans, the loans were used to purchase units of NPF and are full recourse loans secured by the Units and carry interest at prime.

OFF BALANCE SHEET ITEMS

The Fund had $7,105 of letters of credit outstanding at December 31, 2007. The letters of credit are predominantly to secure cash management services provided by Royal Bank of Canada and bonding facilities provided by Aviva Insurance Company of Canada and as security for programs in the Marketing and Industrial Services segment.

SUBSEQUENT EVENTS

On February 26, 2008, NPH entered into an Acquisition Agreement with Duntroon pursuant to which NPH will exchange all of its 45% equity interest in Brompton to Duntroon for a 41.7% equity interest in Duntroon. Immediately following the transaction Duntroon will change its name to Brompton Corp. and will carry on business on substantially the same basis as currently carried on by Brompton with the same management team, directors and independent review committee. The Fund does not anticipate any negative impact on its share of earnings and distributions received from Brompton as a result of this transaction.

Duntroon is an Ontario corporation which completed a plan of arrangement on August 4, 2006 following which its common shares were delisted from the TSX and the business previously carried on was transferred to an independent company, Cymat Technologies Ltd. Duntroon currently does not carry on any active business and has tax losses which may be available to shelter future income of Duntroon from tax. The transaction is expected to provide a tax-efficient platform for the possible expansion of Brompton's business.

Concurrent with the acquisition from NPH, Duntroon entered into an acquisition agreement with Brompton Group Limited ("BGL") to purchase the balance of the issued units of Brompton on similar terms.

NPH's obligation to complete the sale is conditional upon, among other things, the shareholders of Duntroon approving the acquisition and related matters, the concurrent closing of the BGL acquisition by Duntroon, the consent of NPH's lending syndicate, the receipt of regulatory approvals and additional conditions typical for a transaction of this nature.

Details of the transaction are described in Duntroon's Information Circular and Proxy Statement dated February 26, 2008 and available at www.sedar.com.

2008 OUTLOOK

For 2008, we expect the portfolio to continue to generate a 16-20% cash yield on our invested capital. Our largest holding, NPC, will benefit from a full year of contribution from its investment in Golosky, which services customers in the oil sands development. Golosky represents 50% of NPC's revenue mix and is expected to offset continued weakness in gas drilling activity which represents approximately 25% of NPC's revenues. We will continue our work with NPC management on the plan to give the company access to a lower cost of capital in 2008. However, given the currently reduced valuations in the sector, we will be opportunistic about timing and also about the choice of capital source.

Our second largest holding, Quantum Murray will focus on continuing to integrate its operations and cross-selling its full range of services to a broader customer base. It enters 2008 with a healthy backlog of project opportunities and is well positioned to capitalize on increased spending on infrastructure and the environment. The first quarter, however, is typically weak, given the seasonality of its remediation business, which represents approximately 30% of its revenues.

In our financial services segment, our asset management businesses are unlikely to repeat their performance of 2007 given the current volatility of capital markets. The Brompton transaction described above could provide for an expansion of its business. EZEE should deliver modest growth based on the acquisitions it made in 2007 to gain economies of scale. The insurance businesses continue to face the challenges of a soft market and have planned for a slight reduction in volume commission revenues. Contingent profit commissions will also be slightly lower this year.

In our marketing segment, Gemma, Capital C and IC Group are all well positioned for continued growth while Armstrong and S&E anticipate improved results over 2007, which was a transition year for both businesses.

In the Other segment, all of the four businesses are expecting improved results over the previous year.

Despite an uncertain economic environment, our outlook for the year remains positive at this time. The managers of our operating partners see no indications on the immediate horizon of economic factors that would negatively impact their operations and the Fund's diversification across business segments helps to mitigate volatility.

At the corporate level, the Fund also benefits from lower interest rates, as our five-year term facility has a variable interest rate.

As in 2007, our first quarter is expected to be weaker than the subsequent three quarters of the year. This is primarily due to the seasonality of the remediation business at Quantum Murray and the seasonality of high-margin contingent profit commissions in our insurance businesses.

With the surplus cash remaining after paying distributions of $0.65 per unit per year and proceeds from any potential asset sales, we plan to implement three objectives during fiscal 2008: reduce debt, buy back up to 2,070,348 units under our Normal Course Issuer Bid program and provide funding for strategic, value-creating acquisitions by our existing operating partnerships. These activities enhance net asset value of the Fund. We do not anticipate adding new holdings to the portfolio in 2008 as we will be focusing on enhancing the value of our existing companies within our portfolio.

RISK FACTORS

Our financial results are impacted by the performance of each of our Operating Partnerships and various external factors influencing the environments in which they operate. While stronger performance by one of the Operating Partnerships may compensate for weaker performance by another of the Operating Partnerships, any negative effects on the financial condition or results of operations of an Operating Partnership has a negative effect on the financial condition or result of operation of the Fund.

Please refer to the AIF dated March 26, 2008 and our short form prospectus dated July 3, 2007 for a discussion of Risk Factors particular to the operating partnerships.

RISK FACTORS – FUND AND UNITHOLDER

INVESTMENT RISK

Our strategy is to invest in successful entrepreneurs operating high-quality businesses that generate sustainable cash flows. There is risk that we could invest in either an entrepreneur or a business that fails to meet our performance expectations over the medium to long-term. We believe we mitigate this risk through the application of our investment partnership criteria and our disciplined investment process. By avoiding heavily-leveraged, capital intensive businesses, we also aim to preserve our capital. We prefer to invest with entrepreneurs who are known to us personally or through our network. In all cases, we must be convinced of management's competence and character before investing. Investment risk is also offset by diversification of our investment portfolio which reduces the impact of any one particular cash flow source. We have also been successful at negotiating a subordination feature with most of our businesses that gives the Fund a priority distribution on its cash flows for a certain period of time. In addition, while we intend to adhere to our core operating philosophy and to the partnership principles, investment criteria and investment model contemplated thereby, we retain the discretion to select and structure investments in a manner that we see fit, and the manner in which an investment is structured might involve certain other risks.

We conduct business, legal and financial due diligence investigations on all our investments and the purchase and sale agreements pursuant to which we directly or indirectly make our initial investment in an Operating Partnership generally contain customary representations and warranties (in certain cases to the knowledge of the vendors) with respect to the applicable business and related indemnities from the vendors regarding corporate matters, taxes, litigation, operations, employee matters and financial statements, among other things. Generally, the survival period for the representations and warranties and related indemnities is two years from the applicable closing date and in some cases, the maximum liability of the vendors under the indemnities is subject to limits and is subject to deductibles. However, there can be no assurance that we will uncover all risks associated with the investment in our due diligence investigations, that the representations and warranties given by such vendors will adequately protect against such risks, or of recovery by us in the event of a breach of a representation and warranty. Furthermore, the purchase and sale agreements pursuant to which we indirectly make follow up investments in an Operating Partnership do not contain any representations and warranties or related indemnities from the vendors with respect to the business and operation of the applicable Operating Partnership but do contain representations and warranties from the vendors with respect to the ownership of the limited partnership units being sold to us. A failure to uncover risks associated with an investment or to recover in the event of a breach of a representation or warranty may have a material adverse impact on the operations and financial results of the Fund.

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

FAILURE TO REALIZE ANTICIPATED BENEFITS OF INVESTMENTS MADE AND FUTURE ACQUISITIONS

The Fund and a number of its Operating Partnerships intend to partner with additional entrepreneurs in the future. The ability to identify new partnership opportunities and to acquire an ownership interest in new partnerships at attractive prices is not guaranteed. Achieving the benefits of future acquisitions will depend in part on successfully consolidating functions and integrating operations, procedures and personnel of all of the partnerships in a timely and efficient manner. The integration of these future acquisitions will require the dedication of management effort, time and resources which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. The integration process may result in the disruption of ongoing business and customer and employee relationships that may adversely affect the Fund or an Operating Partnership's ability to achieve the anticipated benefits of future acquisitions.

BUSINESS VALUATIONS

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

CONDITION OF CAPITAL MARKETS

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

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

DEPENDENCE ON KEY PERSONNEL

The success of the Fund and of each of its Operating Partnerships depends on their respective senior management teams and other key employees, including their ability to retain and attract skilled management and employees. The loss of the services of key personnel could have a material adverse effect on the business, financial condition, results of operations or future prospects of the Fund and its Operating Partnerships. In addition, the growth plans described in this Annual Information Form may require additional employees, increase the demand on management and produce risks in both productivity and retention levels. The Fund and its Operating Partnerships may not be able to attract and retain additional qualified management and employees as needed in the future. There can be no assurance that the Fund will be able to effectively manage its growth, and any failure to do so could have a material adverse effect on the Fund's business, financial condition, results of operations and future prospects.

GENERAL ECONOMIC FACTORS

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

LIMITED CUSTOMER BASES

Some of the Operating Partnerships derive a significant portion of their revenues from a limited customer base. If one or more of the significant customers of an Operating Partnership were to cease doing business with the Operating Partnership, or significantly reduced or delayed its purchase of services, the financial condition and results of operations of such Operating Partnership could be materially adversely affected.

ENVIRONMENTAL LEGISLATION

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

Management believes that the risk of non-compliance with environmental regulation is greatest for the Operating Partnerships in the Industrial and Other Segments.

LABOUR

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

INTEREST RATE RISK

A wholly-owned subsidiary of the Fund entered into a secured credit agreement with an affiliate of Fortress Credit Corp. on December 7, 2006 ("Credit Facility"). This Credit Facility is referenced to the BA and LIBOR rates. Increases in rates could negatively impact our operating results.

INCOME TAX RULES - PROPOSED CHANGES APPLICABLE TO PUBLICLY TRADED TRUSTS & PARTNERSHIPS

On June 22, 2007, Bill C-52, which significantly modifies the tax treatment of certain publicly traded trusts and partnerships that are specified investment flow-through trusts or partnerships ("SIFTs"), received Royal Assent. In particular, certain income of (and distributions made by) a SIFT will be taxed in a manner similar to income earned by (and distributions made by) a corporation. Generally, the application of these rules will not apply to income trusts which commenced public trading prior to November 1, 2006 (such as the Fund), until January 1, 2011, provided that there is no "undue expansion" of a SIFT in the intervening period.

On December 15, 2006, the Department of Finance (Canada) released the normal growth guidelines for SIFTs that qualify for the four-year transitional relief. The guidelines establish objective tests with respect to how much an income trust is permitted to grow without jeopardizing its transitional relief. In general, the Fund will be permitted to issue new equity over the next four years equal to its market capitalization as of the end of trading on October 31, 2006 (subject to certain annual limits). Market capitalization, for these purposes, is to be measured in terms of the value of the Fund's issued and outstanding publicly-traded units. If these limits are exceeded, the Fund may lose its transitional relief and thereby become immediately subject to the SIFT rules. The Fund has not exceeded its growth limits as at December 31, 2007.

Bill C-52 included certain interpretative uncertainties that could subject underlying subsidiary partnerships to tax in a manner similar to the Fund. The Department of Finance issued an announcement on December 20, 2007 (the "Announcement") that was meant to address the uncertainties with legislation expected sometime in 2008. In its 2007 financial statements, the Fund has applied the June 2007 enacted legislation in computing future income taxes based on its interpretation of the legislation, but the Fund continues to evaluate the impact of the enacted legislation and the Announcement on its operations.

In addition, the Minister also reiterated the Government's commitment to work with any SIFTs to ensure that they can convert to taxable Canadian corporations without negative tax consequences to Unitholders. Draft legislation implementing these amendments has not yet been released.

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

The enactment of the SIFT rules results in the recording of future taxes at the substantively enacted tax rates in respect of temporary differences of the Fund that are expected to reverse after the date the changes take effect.

DEPENDENCE ON NPY

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

NPY is entirely dependent on the operations and assets of the Operating Partnerships through its indirect ownership interests. The Fund's ability to make regular distributions to Unitholders is dependent on the cash flow generated by the Operating Partnerships. This is affected by the profitability, fluctuations in working capital, margin sustainability and capital expenditures of the Operating Partnerships. Although the Operating Partnerships intend to distribute their cash available for distribution, there can be no assurance regarding the amounts of income to be generated by the Operating Partnerships and amounts paid to NPY. The failure of any Operating Partnership to make its anticipated distributions could adversely impact the Fund's financial condition and cash flows and therefore the Fund's distributions to Unitholders.

REGULATION

The Fund and its Operating Partnerships are subject to a variety of federal, provincial and local laws, regulations, and guidelines and may become subject to additional laws, regulations and guidelines in the future, particularly as a result of acquisitions. The financial and managerial resources necessary to ensure such compliance could escalate significantly in the future which could have a material adverse effect on the Fund's and its Operating Partnerships' business, financial condition, results of operations and cash flows.

Although such expenditures historically have not been material, such laws and regulations are subject to change. Accordingly, it is impossible for the Fund or the Operating Partnerships to predict the cost or impact of such laws and regulations on their respective future operations.

COMPETITION

The businesses in which the Operating Partnerships operate are highly competitive. The Operating Partnerships often compete with companies that are much larger and have greater resources than the Operating Partnerships. There can be no assurance that the Fund and the Operating Partnerships will be able to successfully compete against their respective competitors or that such competition will not have a material adverse effect on their businesses, financial condition, results of operations and cash flows and therefore the Fund's distributions to Unitholders.

POTENTIAL UNKNOWN LIABILITIES

In connection with the prior formation of Operating Partnerships completed by NPY, there may be unknown liabilities assumed by NPY through its interests in the Operating Partnerships for which NPY may not be indemnified by the prior owner. The discovery of any material liabilities could have a material adverse effect on the business, financial condition, results of operations and future prospects of the Fund.

AVAILABILITY OF FUTURE FINANCING

The Fund's principal source of funds is cash generated from its Operating Partnerships. The Fund believes that funds from these sources will provide it with sufficient liquidity and capital resources to meet its current and future financial obligations at existing business levels. Despite the Fund's expectations, however, it may require additional equity or debt financing to meet its financing requirements. There can be no assurance that this financing will be available when required or available on commercially favourable terms or on terms that are otherwise satisfactory to the Fund, in which event the financial condition of the Fund may be materially adversely affected and the amount of cash available for distribution to Unitholders may be reduced.

RESTRICTIONS ON GROWTH OF THE FUND

The payout by the Fund of substantially all of its operating cash may make additional capital and operating expenditures dependent on increased cash flow or additional financings in the future. The Fund will require equity or debt financing in order to acquire interests in new Operating Partnerships. There can be no assurance that such financing will be available when required or on commercially favourable terms, which could limit the growth of the Fund.

POTENTIAL FUTURE DEVELOPMENTS

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

DEPENDENCE ON NPY AND THE OPERATING PARTNERSHIPS

The Fund is a limited purpose trust that is entirely dependent on the operations and assets of NPY and the Operating Partnerships. Accordingly, cash distributions to Unitholders are not guaranteed, and are dependent on the ability of NPY to pay distributions to the Fund and the Operating Partnerships to pay distributions indirectly to NPY. The ability of the Fund to pay distributions or make other payments or advances to the Fund is subject to applicable laws and contractual restrictions contained in the instruments governing any indebtedness (including the Credit Facility).

LEVERAGE AND RESTRICTIVE COVENANTS

The degree to which the Fund is leveraged could have important consequences to Unitholders, including the following: (i) the ability of NPY to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; (ii) a material portion of NPY's cash flow from operations may need to be dedicated to payment of the principal of and interest on indebtedness, thereby reducing funds available for future operations and to pay distributions; (iii) certain of the borrowings under the Credit Facility may be at variable rates of interest, which exposes NPY to the risk of increased interest rates; and (iv) the Fund may be more vulnerable to economic downturns and be limited in its ability to withstand competitive pressures. NPY's ability to make scheduled payments of principal and interest on, or to refinance, its indebtedness will depend on its future operating performance and cash flows, which are subject to prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond its control.

The ability of the Fund to make distributions or make other payments or advances is subject to applicable laws and contractual restrictions contained in the instruments governing any indebtedness of the Fund and NPY (including the Convertible Debentures and the Credit Facility). The Credit Facility contains restrictive covenants customary for credit facilities of this nature, including covenants that limit the discretion of management with respect to certain business matters. These covenants place restrictions on, among other things, the ability of NPY to incur additional indebtedness, to pay distributions or make certain other payments, to sell or otherwise dispose of material assets and to make additional acquisitions. In addition, the Credit Facility contains a number of financial covenants that require NPY to meet certain financial ratios and financial tests. A failure to comply with the obligations in the Credit Facility could result in an event of default that, if not cured or waived, could permit acceleration of the relevant indebtedness. If the indebtedness under the Credit Facility were to be accelerated, there can be no assurance that the assets of NPY would be sufficient to repay in full that indebtedness.

POTENTIAL SALES OF ADDITIONAL UNITS

The Fund may issue additional Units or securities exchangeable for or convertible into Units in the future. The Fund may issue additional Units in order to, among other things, finance the acquisitions of additional CT Notes or CT Units in order to indirectly fund NPY's capital expenditure and other cash requirements or on the direct or indirect exchange of the Exchangeable Securities. Such additional Units may be issued without the approval of Unitholders. The Unitholders will have no pre-emptive rights in connection with such additional issues. Additional issuance of Units will result in the dilution of the interests of Unitholders.

DISTRIBUTION OF SECURITIES ON REDEMPTION OR TERMINATION OF THE FUND

Upon a redemption of Units or termination of the Fund, the Trustees may distribute CT Notes and/or CT Units directly to the Unitholders, subject to obtaining all required regulatory approvals. There is currently no market for such securities, and none is expected to develop in the future. In addition, the CT Notes will not be freely tradable and will not be currently listed on any stock exchange. Securities so distributed may not be qualified investments for trusts governed by deferred income plans, depending upon the circumstances at the time.

UNITHOLDER LIABILITY

The Declaration of Trust provides that no Unitholder will be subject to any liability in connection with the Fund or its assets or obligations and that, in the event that a court determines that Unitholders are subject to any such liabilities, the liabilities will be enforceable only against, and will be satisfied only out of, the Unitholder's share of the Fund's assets.

The Declaration of Trust further provides that the Trustees shall make all reasonable efforts to include as a specific term of any obligations or liabilities being incurred by the Fund, or the Trustees on behalf of the Fund, a contractual provision to the effect that neither the Unitholders, nor the Trustees have any personal liability or obligations in respect thereof. There remains a risk that a Unitholder may be personally liable despite such a provision in the Declaration of Trust or other agreements made by the Fund.

On December 16, 2004, the Trust Beneficiaries' Liability Act, 2004 (Ontario) came into force. This statute provides that holders of units of a trust are not, as beneficiaries, liable for any act, default, obligation or liability of the trust if, when the act or default occurs or the liability arises, (i) the trust is a reporting issuer under the Securities Act (Ontario), and (ii) the trust is governed by the laws of Ontario. The Fund has been a reporting issuer under the Securities Act (Ontario) since July 28, 2005 and it is governed by the laws of Ontario by virtue of the provisions of the Declaration of Trust.

UNDIVERSIFIED AND ILLIQUID HOLDINGS IN THE TRUST

The Fund's holding of CT Units and CT Notes is undiversified, and such securities are illiquid, as they are not expected to be listed or quoted on any stock exchange or other market.

RETURN OF CAPITAL

Cash distributions do not represent a "yield" in the traditional sense as they may represent both return of capital and return on investment.

SHOTGUN BUY-SELL RIGHTS

Certain of the limited partnership agreements of the Operating Partnerships contain shotgun buy-sell provisions. The purpose of the shotgun buy-sell provisions is to provide the parties with a recognized mechanism for solving any fundamental disputes which may develop. If one of the limited partners of the applicable Operating Partnership, other than NPH, initiates a shotgun buy-sell, the general partner of NPH will have to decide whether to buy at the offered price, in which case monies may have to be raised, either by drawing on the Credit Facility in the short term or issuing more Units, or to sell at the offered price, in which case NPH will receive the proceeds of sale, and will apply the proceeds in such manner as the general partner of NPH determines at the time, subject to any required approvals from lenders or others. There is no assurance that NPH will decide to buy at the offered price or that NPH will have sufficient funds to buy at the offered price. Any decision of NPH not to buy at the offered price or its inability to buy at the offered price may have a negative impact on the Fund. Any sale by NPH pursuant to such shotgun buy-sell provisions will require consent of the lenders under the Credit Facility. No assurance can be given that such consent will be obtained on acceptable terms or at all should NPH decide that it wishes to sell under such shotgun buy-sell provisions.

CREDIT FACILITIES

The Credit Facility, with an affiliate of Fortress Finance Corp., contains a variety of financial covenants. Failure to comply with these covenants could cause a default under the facilities which could have a material adverse effect on the Fund's financial condition, results of operations and its ability to pay distributions to unitholders. In addition, Brompton has a facility with a syndicate of Canadian chartered banks.

UNPREDICTABILITY AND VOLATILITY OF UNIT PRICE

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

NATURE OF UNITS

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

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

CASH DISTRIBUTIONS

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

As described under the heading, "Proposed Changes to the Income Tax Rules Applicable to Publicly Traded Trusts and Partnerships", on June 22, 2007, Bill C-52 received Royal Assent. Accordingly, certain income of (and distributions made by) a SIFT will be taxed in a manner similar to income earned by (and distributions made by) a corporation. On December 15, 2006, the Department of Finance released the normal growth guidelines for SIFTs that qualify for the four-year transitional relief. The application of the SIFT rules to the Fund may adversely affect the level of distributions received by Unitholders.

RESTRICTIONS ON POTENTIAL GROWTH

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

LIMITATION ON NON-RESIDENT OWNERSHIP

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

INVESTMENT ELIGIBILITY

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

INCOME TAX MATTERS

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

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

Although the Fund, the Commercial Trust, NPY, NPH, the Operating Partnerships and their subsidiaries are of the view that all expenses to be claimed by them in the determination of their respective incomes under the Tax Act is reasonable and deductible in accordance with the applicable provisions of the Tax Act, and that the allocation of partnership income for purposes of the Tax Act between the holders of LP Units and the Commercial Trust is reasonable, there can be no assurance that the Tax Act or the interpretation of the Tax Act will not change, or that CRA will agree with the expenses claimed or such allocation. If CRA successfully challenges the deductibility of such expenses or the allocation of such income, NPY's allocation of taxable income to the Commercial Trust, and indirectly the taxable income of the Fund and the Unitholders of the Fund, and taxable income of the Operating Partnerships and their subsidiaries, may change.

Elections have been made under the Tax Act such that the transactions under which NPH acquires its interest in the Operating Partnerships may be effected on a tax-deferred basis. The adjusted cost base of any property transferred to an Operating Partnership pursuant to such agreements may be less than its fair market value, such that a gain may be realized on the future sale of the property.

Further, interest on the CT Notes held by the Fund accrues at the Fund level for income tax purposes whether or not actually paid. The Declaration of Trust provides that an amount equal to the taxable income of the Fund will be distributed each year to Unitholders in order to reduce the Fund's taxable income to zero. If sufficient cash is not available, such distributions will be in the form of Units. Unitholders will generally be required to include an amount equal to the fair market value of those Units into their taxable income, in circumstances where they do not receive a cash distribution.

The acquisitions of Operating Partnerships involved various structuring events to complete the transactions in a tax effective manner. These transactions involved interpretations of the Tax Act which could, if interpreted differently, result in additional tax liabilities.

DISTRIBUTIONS

The Fund's policy is to make monthly cash distributions of its distributable cash to Unitholders of record on the last business day of each month, and to pay the distributions within 15 days following each month end.

The amount of the Fund's distributable cash is equal to the interest and principal repayments on the CT Notes owned by the Fund and the distributions (if any) on or in respect of the CT Units owned by the Fund less: (i) administrative expenses and other obligations of the Fund; (ii) amounts that may be paid by the Fund in connection with any cash redemptions or repurchases of Units; (iii) satisfaction of its debt service obligations (principal and interest) on indebtedness, if any (including the Convertible Debentures), and of its obligations pursuant to any agreements entered into in connection with the Credit Facility; and (iv) any amount that the Trustees may reasonably consider to be necessary to provide for the payment of any costs or expenses, including any tax liability of the Fund, that have been or are reasonably expected to be incurred in the activities and operations of the Fund (to the extent that such costs or expenses have not otherwise been taken into account in the calculation of the available distributable cash of the Fund) and for reasonable reserves.

The Fund may make additional distributions in excess of the aforementioned monthly distributions during the year, as the Trustees may determine. The distribution declared in respect of the month ending December 31 in each year will include such amount in respect of the taxable income and net realized capital gains, if any, of the Fund for such year as is necessary to ensure that the Fund is not liable for taxes under Part I of the Tax Act in such year.

Any income of the Fund that is unavailable for cash distribution will, to the extent necessary to ensure that the Fund does not have any income tax liability under Part I of the Tax Act, be distributed to Unitholders in the form of additional Units. Such additional Units will be issued pursuant to applicable exemptions under applicable securities laws, discretionary exemptions granted by applicable securities regulatory authorities or an annual information form or similar filing. The Declaration of Trust provides that immediately after any pro rata distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will be consolidated such that each Unitholder will hold after the consolidation the same number of Units as the Unitholder held before the non-cash distribution (except where tax was required to be withheld in respect of the Unitholder's share of the distribution as described below). In this case, each certificate representing a number of Units prior to the non-cash distribution will be deemed to represent the same number of Units after the non-cash distribution and the consolidation. Where amounts so distributed represent income, non-resident Unitholders will be subject to withholding tax and the consolidation will not result in such non-resident Unitholders holding the same number of Units.

Unitholders who are non-residents of Canada are required to pay all withholding taxes payable in respect of any distributions of income by the Fund, whether such distributions are in the form of cash or additional Units. The Fund will withhold from monthly distributions all amounts required to be withheld by law. In the event of a distribution in the form of additional Units, the Trustees may sell such Units to pay withholding taxes and to pay all of the Trustee's reasonable expenses with regard thereto. Any such sale will be made on any stock exchange or other market on which the Units are listed or traded. Non-residents should consult their own tax advisors regarding the tax consequences of investing in the Units.

Please refer to the AIF dated March 26, 2008 and our short form prospectus dated July 3, 2007 for a discussion of Risk Factors particular to the operating partnerships.

DISCLOSURE CONTROLS & PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

DISCLOSURE CONTROLS AND PROCEDURES

Multilateral Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings", issued by the CSA requires CEOs and CFOs to certify that they are responsible for establishing and maintaining the disclosure controls and procedures for the issuer, that disclosure controls and procedures have been designed to provide reasonable assurance that material information relating to the issuer is made known to them, that they have evaluated the effectiveness of the issuer's disclosure controls and procedures, and that their conclusions about effectiveness of those disclosure controls and procedures at the end of the period covered by the relevant annual filings have been disclosed by the issuer.

NPF's management, including its CEO and CFO, have evaluated the effectiveness of the Fund's disclosure controls and procedures as at December 31, 2007 and have concluded that those disclosure controls and procedures were effective to ensure that information required to be disclosed by the Fund in its corporate filings is recorded, processed, summarized and reported within the required time period for the year then ended.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that its objectives are met. Due to inherent limitations in all such systems, no evaluation of controls can provide absolute assurance that all control issues, if any, within a company have been detected. Accordingly, our disclosure controls and procedures are designed to provide reasonable, not absolute, assurance that the objectives of our disclosure control system are met and, as set forth above, NPF has concluded, based on its evaluation as of the end of the period covered by this report, that our disclosure controls and procedures were effective in providing reasonable assurance that the objectives of our disclosure control system were met.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Multilateral Instrument 52-109 also requires CEOs and CFOs to certify that they are responsible for establishing and maintaining the internal controls over financial reporting for the issuer, that those internal controls have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP, and that the issuer has disclosed any changes in its internal controls during its most recent interim period that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

ADDITIONAL INFORMATION

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

DEFINITIONS

"AIF" – means Annual Information Form;

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

"AUM" – means Assets Under Management;

"Bill C-52" or "trust taxation" – means Bill C-52 Budget Implementation Act, 2007;

"BMI" – means Baird MacGregor Insurance Brokers LP, a limited partnership formed under the laws of Ontario;

"Brompton" – means Brompton Funds LP, a limited partnership formed under the laws of Manitoba;

"C LP Units" – means the Class C limited partnership units of NPY;

"Capital C" – means Capital C Communications LP, a limited partnership formed under the laws of Ontario;

"CEO" – means Chief Executive Officer;

"CFO" – means Chief Financial Officer;

"CICA" – means Canadian Institute of Chartered Accountants;

"Cladtech" – means Cladtech Canada Inc.;

"Convertible Debentures" – means

"CSA" – means Canadian Securities Administrators;

"CT" – means Commercial Trust;

"CT Notes" – means the Notes designated as Series 1 and issued to the Fund in accordance with the Note Indenture;

"CT Units" – means the units of the Commercial Trust, each of which represents an equal undivided interest in the Commercial Trust and any distributions from the Commercial Trust, and includes a fraction of such a unit of the Commercial Trust;

"DDTL" – means Delayed-Draw Term Loan;

"Debentures" – means collectively the Series 2005 Debentures and the Series 2007 Debentures;

"Duntroon" – means Duntroon Energy Ltd., an Ontario corporation;

"Echelon" – means Echelon Emergency Response & Training Inc.;

"ESR" – means Elliott Special Risks LP, a limited partnership formed under the laws of Ontario;

"EPS" – means Earnings per share;

"EV/EBITDA" – means the enterprise value divided by EBITDA. Enterprise value is equal to market capitalization plus debt and convertible debentures, less cash and cash equivalents;

"Exchange Agreement" – means the agreement dated August 8, 2005 between CT and NPY which provides for the exchange of limited partnership units of NPY into units of the Fund;

"Fortress" – means Fortress Credit Corp.;

"GAAP" – means, at any time, Canadian generally accepted accounting principles, including those set out in the Handbook of the CICA, applied on a consistent basis;

"Gemma" – means Gemma Communications LP, a limited partnership formed under the laws of Ontario;

"Golosky" – means Golosky Holdings LP and Clearwater Holdings LP collectively, limited partnerships formed under the laws of Alberta;

"Gusgo" – means Gusgo Transport LP, a limited partnership formed under the laws of Ontario;

"Hargraft" – means Hargraft Schofield LP, a limited partnership formed under the laws of Ontario;

"IC Group" – means IC Group LP, a limited partnership formed under the laws of Ontario;

"IPO" – means Initial Public Offering;

"LTM" – means Last Twelve Months;

"MD&A" – means Management's Discussion and Analysis;

"Morrison Williams" - means Morrison Williams Investment Management LP, a limited partnership formed under the laws of Ontario;

"Murray" – means Murray Demolition LP (now Quantum Murray LP);

"NAV" – means Net Asset Value and is derived by amalgamating management's best estimate of the fair market value of each of the Operating Partnerships in the Fund and making adjustments for the senior debt, the market value of convertible debentures and the cash and cash equivalents of the Fund. The fair market value of each of the Operating Partnerships is derived using discounted public company comparable EV/EBITDA multiples and applying these multiples to the LTM EBITDA of each Operating Partnership;

"NCIB" – means Normal Course Issuer Bid;

"Net Tangible Assets" – means the total assets of a company minus any intangible assets such as goodwill, brand, customer relationships, intellectual property, employment management contracts, less all liabilities and the par value of convertible debentures;

"Newport" or "NP LP" – means Newport Partners LP, a limited partnership formed under the laws of Ontario;

"NPC" – means NPC Integrity Energy Services Limited Partnership, a limited partnership formed under the laws of Alberta;

"NPF" or the "Fund" – means Newport Partners Income Fund;

"NPH" – means Newport Partners Holdings LP, a limited partnership formed under the laws of Ontario;

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

"Operating Partnerships" – means businesses in which the Fund holds an ownership interest;

"Peerless" – means Peerless Garments LP, a limited partnership formed under the laws of Ontario;

"Priority Income" – means the annual distribution to which NPF is entitled before its operating partners share in the income of the business;

"Quantum" – means Quantum Environmental Group Inc.;

"Quantum Murray" – means Quantum Murray LP (formerly Murray Demolition LP) a limited partnership formed under the laws of Ontario;

"RGC" – means Redmond Group of Companies LP (formerly Jutan Limited Partnership);

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

"S&E" – means Sports and Entertainment Limited Partnership, a limited partnership formed under the laws of Ontario;

"Senior Credit Agreement" – means the Secured Credit Agreement entered into on December 7, 2006, with an affiliate of Fortress, as amended;

"Since inception" – means the date February 27, 2004 when NPY was formed as a limited partnership under the laws of Ontario;

"STR" – means 9111-5808 Quebec Inc. (o/a les Guichet STR);

"Thomson" – means the business formerly carried out by Gary W. Thomson Enterprises Ltd. and Hamilton Recycling Inc., purchased in an asset transfer and now carried out by Thomson Metals and Disposal LP and Thomson Waste Transfer LP, each a limited partnership formed under the laws of Ontario;

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

"TRM" – means TRM Corp.;

"TSX" – means Toronto Stock Exchange; and

"Units" – means trust units of the Fund.