Consolidated Financial Statements of

NEWPORT PARTNERS INCOME FUND

Three months ended March 31, 2007 and 2006
(Unaudited)

NEWPORT PARTNERS INCOME FUND

Consolidated Balance Sheets
(In thousands of dollars)

	March 31, 2007	December 31, 2006
	(unaudited)	(unaudited)
Assets		
Current assets:		
Cash and cash equivalents	$ 26,886	$ 61,643
Accounts receivable	102,373	101,266
Inventories	35,264	33,253
Prepaid expenses	3,498	2,555
Other current assets	17,869	13,790
Current assets of discontinued operations	44,394	68,969
	230,284	281,476
Property, plant and equipment	26,227	23,706
Long-term investments	46,618	47,001
Goodwill	263,631	253,344
Intangible assets	286,105	265,390
Other assets	71	9,029
Long-lived assets of discontinued operations	13,164	14,403
	$ 866,100	$ 894,349
Liabilities and Unitholders' Equity		
Current liabilities:		
Revolving credit facility	$ 38,038	$ 5,000
Accounts payable and accrued liabilities	83,315	84,737
Deferred revenue	10,445	7,465
Current portion of obligations under capital leases	3,969	4,122
Current liabilities of discontinued operations	30,824	54,372
	166,591	155,696
Obligations under capital leases	3,787	3,943
Long-term debt	164,938	170,000
Future tax liability	2,344	2,505
Non-controlling interest	156,782	176,196
Convertible debenture	81,202	83,970
Unitholders' equity	290,456	302,039
Subsequent events (note 9)		
	$ 866,100	$ 894,349

See accompanying notes to unaudited interim consolidated financial statements.

NEWPORT PARTNERS INCOME FUND

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

	Three months ended March 31, 2007	Three months ended March 31, 2006
Revenue	$ 116,215	$ 72,187
Cost of revenue	78,864	48,996
	37,351	23,191
Expenses		
Selling, general and administrative	21,947	9,426
Amortization of deferred financing charges	580	296
Amortization of intangible assets	8,827	5,307
Depreciation	1,891	1,404
	33,245	16,433
Income before the undernoted	4,106	6,758
Income from equity investments	745	1,017
Other income	197	234
Interest expense	5,778	1,603
Loss on dilution of ownership interest (notes 3(a) and 6)	5,844	-
Income (loss) before income taxes	(6,574)	6,406
Income tax expense (recovery) - current	(154)	51
Income (loss) from continuing operations before non-controlling interest	(6,420)	6,355
Non-controlling interest relating to continuing operations	2,940	(4,294)
Income (loss) from continuing operations	(3,480)	2,061
Loss from discontinued operations before non-controlling interest	(2,782)	(2,424)
Non-controlling interest relating to discontinued operations	1,274	1,638
Loss from discontinued operations	(1,508)	(786)
Income (loss) for the period	$ (4,988)	$ 1,275
Income (loss) per unit (note 5)		
Basic and diluted:		
Continuing operations	$ (0.09)	$ 0.08
Discontinued operations	(0.04)	(0.03)
Income (loss)	(0.13)	0.05

See accompanying notes to unaudited interim consolidated financial statements.

NEWPORT PARTNERS INCOME FUND

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

	Units	Three months ended March 31, 2007
Unitholders' Equity at January 1, 2007, before equity component of convertible debenture	39,283,565	$ 301,375
Cumulative impact of adopting new accounting requirements for financial instruments (note 2)		60
Issued on exchange for A2 units of Newport Private Yield LP (note 6)	1,013,444	7,228
Units purchased under normal course issuer bid	(627,500)	(4,041)
	39,669,509	304,622
Loss for the period		(4,988)
Distributions		(9,842)
		289,792
Equity component of convertible debenture		664
Unitholders' Equity at March 31, 2007	39,669,509	$ 290,456

	Units	Three months ended March 31, 2006
Unitholders' Equity at January 1, 2006, before equity component of convertible debenture	25,766,036	$ 238,071
Issued on exchange for A2 units of Newport Private Yield LP	2,954,242	28,510
	28,720,278	266,581
Income for the period		1,275
Distributions		(6,575)
		261,281
Equity component of convertible debenture		669
Unitholders' Equity at March 31, 2006	28,720,278	$ 261,950

See accompanying notes to unaudited interim consolidated financial statements.

NEWPORT PARTNERS INCOME FUND

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

	Three months ended March 31, 2007	Three months ended March 31, 2006
Cash provided by (used in):		
Operating activities:		
Income (loss) for the period	$ (4,988)	$ 1,275
Items not affecting cash:		
Loss from discontinued operations	2,782	2,424
Amortization of deferred financing charges	580	296
Amortization of intangible assets	8,827	5,307
Depreciation	1,891	1,404
Income from equity investments, net of cash received	484	424
Non-cash compensation expense	560	560
Loss on dilution of interest in operating partner	5,844	-
Non-controlling interest	(4,214)	2,656
Changes in non-cash working capital	(5,714)	(9,167)
Cash provided by discontinued operations	9,614	13,105
	15,666	18,284
Financing activities:		
Repurchase of units	(4,041)	-
Distributions to unitholders	(9,744)	(6,340)
Distributions to non-controlling interest	(8,021)	(9,169)
Increase in bank indebtedness	33,038	417
Increase (decrease) in long term debt	-	(6)
Increase in acquisition financing facilities	-	28,000
Repayment of capital lease obligations	(746)	(606)
Cash used in discontinued operations	(9,731)	(9,590)
	755	2,706
Investing activities:		
Acquisition of businesses, net of cash acquired	(50,199)	(30,757)
Purchase of long-term investments	-	(120)
Purchase of property, plant and equipment	(1,907)	(596)
Decrease in other assets	556	-
Cash provided by (used) in discontinued operations	372	(16)
	(51,178)	(31,489)
Decrease in cash and cash equivalents	(34,757)	(10,499)
Cash and cash equivalents, beginning of period – continuing operations	61,643	25,278
Cash and cash equivalents, beginning of period – discontinued operations	-	-
Cash and cash equivalents, end of period	26,886	14,779
Cash and cash equivalents, end of period – discontinued operations	-	3,499
Cash and cash equivalents, end of period – continuing operations	$ 26,886	$ 11,280
Supplemental cash flow information:		
Interest paid	$ 4,445	$ 273
Cash acquired upon acquisition	664	624
Supplemental disclosure of non-cash financial and investing activities:		
Acquisition of property, plant and equipment through capital leases	857	1,358

See accompanying notes to unaudited interim consolidated financial statements.

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

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

- financial services;
- marketing;
- industrial services;
- other; and
- corporate.

On July 28, 2005, a prospectus was filed for Newport for the issuance of 21,300,000 trust units. The initial public offering was completed on August 8, 2005 (the "Closing"). Subsequent to the Closing the over-allotment option was exercised, and a further 1,350,000 trust units were issued for a total of 22,650,000 units (together with the initial 21,300,000 trust units issued, the "Offering"). With the proceeds of the offering Newport acquired A1 LP units of NPY, and after the exchange of certain A2 LP units to A1 LP units, Newport indirectly holds, through Commercial Trust, all of the A1 LP Units of NPY, representing approximately 54% (March 31, 2006 – 44%) of the outstanding LP units.

1. Basis of presentation

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Certain information and note disclosures normally included in the consolidated financial statements prepared in accordance with Canadian generally accepted accounting principles have been condensed to include only the notes related to elements which have significantly changed in the interim period. As a result, these interim consolidated financial statements should be read in conjunction with Newport's audited consolidated financial statements and notes thereto for the year ended December 31, 2006.

These unaudited interim consolidated financial statements are prepared following accounting policies consistent with Newport's audited consolidated financial statements and notes thereto for the year ended December 31, 2006, except for changes discussed in note 2.

2. Changes in accounting policies

The Fund adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Sections 1530, "Comprehensive Income"; 3855, "Financial Instruments – Recognition and Measurement"; 3861, Financial Instruments – Disclosure and Presentation" on January 1, 2007. The adoption of these new standards resulted in changes in the accounting for financial instruments. The comparative interim consolidated financial statements have not been restated.

(a) Financial assets and financial liabilities

Under the new standards, all financial instruments are classified into one of the following five categories; held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are included on the consolidated statement of financial position and are measured at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Held-for-trading financial investments are subsequently measured at fair value and all gains and losses are included in net income in the period in which they arise. Available-for-sale financial instruments are subsequently measured at fair value with revaluation gains and losses included in other comprehensive income until the instrument is derecognized or impaired. As a result of the adoption of these standards, the Fund has classified its cash and cash equivalents as held-for-trading. Long-term investments are classified as available-for-sale investments. Accounts receivable, and long-term note receivables are classified as loans and receivables. Accounts payable, long-term debt and capital lease obligations have been classified as other financial liabilities, all of which are measured at amortized cost.

(b) Comprehensive income

On January 1, 2007, the Fund adopted Section 1530 of the CICA Handbook, "Comprehensive Income". It describes reporting and disclosure recommendations with respect to comprehensive income and its components. Comprehensive income is the change in unitholders' equity, which results from transactions and events from sources other than the Fund's unitholders. These transactions and events include unrealized gains and losses resulting from changes in fair value of certain financial instruments classified as available for sale.

At March 31, 2007 there were no transactions recorded in comprehensive income.

2. Changes in accounting policies (continued)

(c) Investments

The new rules require that the Fund reclassifies its investments as either available-for-sale or held-to-maturity. Available-for-sale investments are measured at fair value with unrealized gains and losses recorded in other comprehensive income until the investment is either sold, or if an unrealized loss is considered other than temporary, the unrealized loss is recorded in income. The criteria for other than temporary impairment remain unchanged. Available-for-sale investments where there is no quoted market price will continue to be recorded at amortized cost. There were no gains or losses recorded in other comprehensive income during the quarter.

(d) Effective interest method

Deferred financing charges are included in loan balances and are recognized in interest over the life of the resulting loan. Prior to January 1, 2007, an equal amount of deferred financing charges were recognized each period over the life of the resulting loan. The new rules require that we use the effective interest method to recognize deferred financing charges whereby the amount recognized varies over the life of the loan based on principal outstanding. As at January 1, 2007, Newport adjusted deferred financing charges to what the balance would have been had the effective interest method always been used to recognize deferred financing charges. The impact was a decrease in debt of $60 and a increase in retained earnings of $60.

3. Business combinations

The following investments made by NPY during the three months ended March 31, 2007 were accounted for using the purchase method, and the results of the operations have been included in NPY's consolidated interim financial statements since the date of investment. The preliminary estimated fair values of the assets acquired and liabilities assumed for each of the investments are as follows:

(In thousands of dollars, except per unit amounts)

3. Business combinations (continued)

Three months ended March 31, 2007	**(a) Quantum**	**(b) TRM**	**(c) Skystone**	**Total**
Date of investment	January 3	January 12	March 13	
Percentage acquired	61.7%	100%	64%	
Accounting method	(1)	(2)	(1)	
	$	$	$	$
Assets acquired:				
Current assets	14,300	202	1,822	16,324
Property, plant and equipment	791	950	494	2,235
Goodwill	7,223	2,256	803	10,282
Intangible assets	19,481	10,226	3,967	33,674
	41,795	13,634	7,086	62,515
Liabilities assumed:				
Current liabilities	10,596	-	926	11,522
	10,596	-	926	11,522
Net assets acquired:	31,199	13,634	6,160	50,993
Consideration:				
Cash	17,585	13,444	6,160	37,189
Units issued by Operating Partner	13,266	-	-	13,266
Transaction costs	348	190	-	538
	31,199	13,634	6,160	50,993

(1) Proportionate consolidation

(2) Consolidation

3. Business combinations (continued)

(a) On January 3, 2007, Murray invested $50,000 for the assets of privately-owned Quantum Environmental Group Inc. ("Quantum"). Under the terms of the transaction, Quantum received $28,500 in cash and $21,500 in units of Murray. Upon closing, NPY has a 61.7% interest in the merged company which has changed its name to Quantum Murray LP. The remaining 38.3% interest is controlled by the management of Quantum Murray LP. To facilitate this transaction, NPY invested an additional $28,500 in Murray. A loss of $5,327 has been recorded as a result of the decrease in ownership of Murray from 80%. Based in Vancouver, Quantum is a nationally recognized leader in the clean-up and rehabilitation of commercial and industrial sites and facilities.

(b) On January 12, 2007, NPY invested approximately $13,444 in cash into EZEE to allow it to acquire the Canadian ATM business of TRM Corp.

(c) On March 13, 2007, NPY invested an additional $7,700 in NPC to allow NPC to acquire an 80% interest in Skystone LP ("Skystone"). NPY's ownership interest in NPC did not change and as a result $1,540 has been added to goodwill.

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

4. Discontinued operations

Management of Newport, and the principals of SW International Inc. ("SW"), the owners of 20% of the units of RGC LP ("RGC"), adopted a formal plan to dispose of all of the assets of RGC. On March 27, 2007, a definitive agreement was signed by Newport, SW and a purchaser for the sale of all of the assets of RGC for an aggregate net consideration of $34,000. The transaction closed on April 30, 2007. RGC's 45% equity investment in RLogistics completed in May, 2006, has not been sold, and the equity income from this investment is included in the Other segment.

The assets and liabilities of RGC, excluding RLogistics, have been segregated and presented separately as discontinued in the consolidated balance sheets as at March 31, 2007 and December 31, 2006, and the results of operations of RGC have been segregated and presented separately as discontinued in the consolidated statements of income and statements of changes in financial position for the three months ended March 31, 2007 and 2006.

(In thousands of dollars, except per unit amounts)

4. Discontinued operations (continued)

	March 31, 2007	March 31, 2006
Revenues	$ 32,542	$ 40,174
Net loss	(2,782)	(2,424)

	March 31, 2007	December 31, 2006
Current assets:		
Accounts receivable	$ 19,527	$ 42,283
Inventory	23,637	25,853
Prepaid expenses	1,230	833
Current assets of discontinued operations	44,394	68,969
Property, plant and equipment	1,432	1,475
Intangibles	9,824	10,571
Goodwill	1,908	1,908
Other assets	-	449
Long-lived assets of discontinued operations	13,164	14,403
Current liabilities:		
Bank lines	6,725	16,290
Accounts payable and accrued liabilities	22,137	35,504
Current portion of long-term debt	1,666	1,833
Deferred revenue	296	745
Current liabilities of discontinued operations	30,824	54,372
Net assets of discontinued operations	$ 26,734	$ 29,000

5. Income per unit

The potential issuance of units upon the conversion of the convertible debenture has not been taken into account in the computation of fully diluted income per unit as they are anti-dilutive.

6. Unitholders' Equity

Holders of A2 LP units of NPY have the right to exchange their units into trust units. During the first quarter, 1,013,444 A2 LP units were exchanged. As 571,321 of these units of NPY were outstanding prior to the IPO, the conversion of these units was calculated as a step acquisition using the original carrying value of these units, and the exchange resulted in the recognition of $18 in goodwill by Newport.

On December 8, 2006 Newport introduced a Normal Course Issuer Bid and received approval to purchase for cancellation, through the facilities of the TSX, up to 1,924,572 of its units, representing 5% of its then issued and outstanding units. For the three months ended March 31, 2007 Newport purchased 627,500 units for cancellation. At the same time, Newport cancelled the same number of units of NPY and recorded a loss on dilution of its ownership interest of $517 ($280 net of non-controlling interest).

The Fund intends to make distributions to its unitholders, based upon net cash receipts of the Fund. The Fund's intention is for unitholders of record on the last business day of each month to receive distributions on the 15th day of the following month. The actual amount distributed in respect of the units will be made in the sole discretion of the trustees.

For the period ended March 31, 2007 total distributions paid and payable were $9,842 (2006 - $6,575).

7. Segmented information

NPY has six reportable operating segments, each of which has separate operational management and management reporting information. All of NPY's operations, assets and employees are located in Canada. The financial services segment incorporates investment management, institutional money management, wealth management, specialty insurance underwriting, and the servicing of ATMs. The marketing segment represents the investment in non-traditional marketing operations that acquires rights in media, publications and television, and an investment in an integrated direct marketing company with its primary focus on inbound and outbound teleservices, an investment in a fully integrated marketing services agency and investments in two promotional solutions marketing firms. The industrial services segment represents the investments in fully integrated providers of mid-stream production services to the energy industry and in a provider of demolition contract and remediation services. The other segment incorporates a manufacturer of protective outerwear, a distributor and manufacturer of heavy equipment, a container transportation business and a reverse logistics provider. The corporate segment represents head office administrative and financing costs incurred by the Fund. The accounting polices of the segments are the same as those described in the summary of significant accounting polices in note one and in the notes to the audited consolidated financial statements for the year ended December 31, 2006. NPY utilizes earning before interest, taxes, depreciation and amortization ("EBITDA") as a performance measure for its operating partners and segment results, and accordingly a reconciliation from net income to EBITDA is included herein.

(In thousands of dollars, except per unit amounts)

7. Segmented information (continued)

Three months ended March 31, 2007	Financial Services	Marketing	Industrial Services NPC	Industrial Services Murray	Corporate	Other	Total
Revenue	$ 18,438	$ 21,654	$ 32,040	$ 18,926	$ -	$ 25,157	$ 116,215
Cost of revenue	10,828	9,986	26,369	13,371	-	18,310	78,864
	7,610	11,668	5,671	5,555	-	6,847	37,351
Expenses							
Selling, general and administrative	2,326	7,760	2,862	3,663	1,684	3,652	21,947
Amortization of deferred financing charges	-	-	-	-	580	-	580
Amortization of intangible assets	3,525	1,649	561	1,373	-	1,719	8,827
Depreciation	191	516	738	275	-	171	1,891
	6,042	9,925	4,161	5,311	2,264	5,542	33,245
Income (loss) before the undernoted	1,568	1,743	1,510	244	(2,264)	1,305	4,106
Income(loss) from equity investment	544	-	-	-	-	201	745
Other income	197	-	-	-	-	-	197
Interest expense	(79)	61	444	(23)	4,780	595	5,778
Loss on dilution of ownership interest	-	-	-	-	5,844	-	5,844
Income tax	6	-	(160)	-	-	-	(154)
Income (loss) from continuing operations	$ 2,382	$ 1,682	$ 1,226	$ 267	$ (12,888)	$ 911	$ (6,420)
Interest (income) expenses	(79)	61	444	(23)	4,780	595	5,778
Depreciation and amortization	3,716	2,165	1,299	1,648	580	1,890	11,298
Amortization of Brompton intangible asset (i)	484	-	-	-	-	-	484
Income tax	6	-	(160)	-	-	-	(154)
EBITDA	$ 6,509	$ 3,908	$ 2,809	$ 1,892	$ (7,528)	$ 3,396	$ 10,986
Goodwill acquired	2,256	-	2,343	7,223	-	-	11,822
Expenditures for property, plant and equipment (ii)	42	996	499	257	-	113	1,907
Total assets (ii)	346,979	115,632	84,183	75,585	126,568	117,153	866,100
Total goodwill	183,094	33,535	17,062	14,242	-	15,698	263,631

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

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

(In thousands of dollars, except per unit amounts)

7. Segmented information (continued)

Three months ended March 31, 2006	Financial Services	Marketing	Industrial Services		Corporate	Other	Total
			NPC	Murray			
Revenue	$ 16,154	$ 13,957	$ 38,588	$ 3,488	$ -	$ -	$ 72,187
Cost of revenue	6,828	8,010	31,729	2,429	-	-	48,996
	9,326	5,947	6,859	1,059	-	-	23,191
Expenses							
Selling, general and administrative	1,804	3,512	2,502	626	982	-	9,426
Amortization of deferred financing charges	-	-	-	-	296	-	296
Amortization of intangible assets	3,153	1,343	539	272	-	-	5,307
Depreciation	140	332	837	95	-	-	1,404
	5,097	5,187	3,878	993	1,278	-	16,433
Income (loss) before the undernoted	4,229	760	2,981	66	(1,278)	-	6,758
Income(loss) from equity investment	1,017	-	-	-	-	-	1,017
Other income	234	-	-	-	-	-	234
Interest expense	(55)	50	393	2	1,213	-	1,603
Income tax	51	-	-	-	-	-	51
Income (loss) from continuing operations	$ 5,484	$ 710	$ 2,588	$ 64	$ (2,491)	-	$ 6,355
Interest (income) expenses	(55)	50	393	2	1,213	-	1,603
Depreciation and amortization	3,293	1,675	1,376	367	296	-	7,007
Amortization of Brompton intangible asset (i)	425	-	-	-	-	-	425
Income tax	51	-	-	-	-	-	51
EBITDA	$ 9,198	$ 2,435	$ 4,357	$ 433	$ (982)	-	$ 15,441
Goodwill acquired	-	-	-	5,229	-	-	5,229
Expenditures for property, plant and equipment (ii)	271	156	111	74	-	-	612
As at December 31, 2006							
Total assets (ii)	341,485	118641	74,981	44,338	195,437	119,467	894,349
Total goodwill	183,263	33,985	14,136	6,051	-	15,909	253,344

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

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

8. Trust bank accounts

NPY's investments which have insurance operations maintain trust bank accounts for premiums collected but not yet remitted to insurance companies of $4,829 ($7,227 at December 31, 2006). The funds are included in cash and cash equivalents.

9. Subsequent events

On April 30, 2007, NPY invested approximately $1,600 cash into EZEE to allow it to acquire the Canadian ATM business of Les Systemes Electroniques Technoda Inc.

On April 17, 2007, NPY invested approximately $18,200 cash for a 77.5% interest in the business of Baird MacGregor Insurance Brokers LP, a full serviced insurance broker specializing in serving the transportation and logistics industries.

Subsequent to quarter end, under the terms of the NCIB, Newport purchased and cancelled a total of 240,000 units with an average purchase price of $5.91.

10. Comparative figures

The 2006 comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2007 unaudited interim consolidated financial statements.