

Consolidated Financial Statements of

**NEWPORT PARTNERS INCOME FUND**

Three months and six months ended June 30, 2006  
(Unaudited)

## NEWPORT PARTNERS INCOME FUND

Consolidated Balance Sheets  
(In thousands of dollars)

	June 30, 2006 (Unaudited)	December 31, 2005
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 42,088	\$ 25,278
Accounts receivable	120,762	117,867
Inventory	50,840	31,164
Prepaid expenses	2,159	2,359
Other current assets	12,593	6,507
	228,442	183,175
Property, plant and equipment	22,391	16,445
Long-term investments	48,272	42,234
Goodwill	282,627	258,102
Intangible assets	261,340	210,177
Other assets	4,561	4,971
	\$ 847,633	\$ 715,104
<b>Liabilities and Partners' Equity</b>		
Current liabilities:		
Bank indebtedness	\$ 37,018	\$ 19,436
Investment financing facilities	36,000	-
Accounts payable and accrued liabilities	112,942	98,252
Deferred revenue	6,262	5,357
Current portion of capital lease obligation	4,150	2,729
Current portion of long-term debt	2,019	2,018
	198,391	127,792
Capital lease obligation	4,154	3,082
Long-term debt	7	17
Future tax liability	2,536	2,044
Non-controlling interest	229,087	259,090
Convertible debenture	83,905	84,339
Unitholders' equity	329,553	238,740
Subsequent events (note 6)		
	\$ 847,633	\$ 715,104

See accompanying notes to consolidated financial statements.

## NEWPORT PARTNERS INCOME FUND

Consolidated Statement of Income

(In thousands of dollars, except per unit amounts)

(Unaudited)

	Three months ended June 30, 2006	Six months ended June 30, 2006
Revenues	\$ 143,224	\$ 255,587
Cost of revenues	113,124	198,292
	30,100	57,295
Expenses		
Selling, general and administrative	17,896	32,210
Amortization of deferred financing charges	322	618
Amortization of intangible assets	7,442	13,945
Depreciation	1,676	3,182
	27,336	49,955
Income before the undernoted	2,764	7,340
Income from equity investments	562	1,579
Other income	112	347
Interest expense	(2,287)	(4,132)
Income tax recovery	67	15
Income before non-controlling interest	1,218	5,149
Non-controlling interest	(1,194)	(3,850)
Income	\$ 24	\$ 1,299
Income per unit		
Basic and diluted (note 3)	0.00	0.04

See accompanying notes to consolidated financial statements.

**NEWPORT PARTNERS INCOME FUND**

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

	Units	Equity Component of Convertible Debenture	Six months ended June 30, 2006
Unitholders' Equity at January 1, 2006	25,766,036	669	\$ 238,740
Issued on exchange for A2 units of Newport Private Yield LP (note 4)	3,345,393		32,274
Issue of units	8,155,000		71,275
Convertible debenture conversion	52,631	(3)	496
Income for the period			1,299
Distributions paid and payable			(14,531)
Unitholders' Equity at June 30, 2006	37,319,060	666	\$ 329,553

See accompanying notes to consolidated financial statements.

## NEWPORT PARTNERS INCOME FUND

Consolidated Statements of Cash Flows  
(In thousands of dollars, except unit amounts)  
(Unaudited)

	Three months ended June 30, 2006	Six months ended June 30, 2006
Cash provided by (used in):		
Operating activities:		
Net income	24	1,299
Items not affecting cash:		
Amortization of deferred financing charges	322	618
Amortization of intangible assets	7,442	13,945
Depreciation	1,676	3,182
Income from equity investment, net of cash received	880	876
Non-cash compensation expense	560	1,120
Non-controlling interest	1,194	3,850
Change in non-cash working capital	(1,135)	4,359
	10,963	29,249
Financing activities:		
Issuance of units	71,275	71,275
Distributions to unitholders	(7,121)	(13,461)
Distribution to non-controlling interest by Newport Private Yield LP	(8,190)	(17,359)
Decrease in long-term debt	(4)	(10)
Increase in bank indebtedness	13,631	4,458
Increase in investment financing facilities	8,000	36,000
Repayment of capital lease obligations	(848)	(1,454)
	76,743	79,449
Investing activities:		
Acquisition of businesses, net of cash acquired	(51,844)	(82,601)
Increase in other assets	(88)	(208)
Purchase of long term investments	(6,914)	(6,914)
Purchase of property, plant and equipment	(1,551)	(2,165)
	(60,397)	(91,888)
Increase in cash and cash equivalents	27,309	16,810
Cash and cash equivalents, beginning of period	14,779	25,278
Cash and cash equivalents, end of period	42,088	42,088
Supplemental cash flow information:		
Interest paid	3,967	4,240
Cash acquired upon acquisition	7,108	7,732
Supplemental disclosure of non-cash financing and financing and investing activities:		
Acquisition of property, plan and equipment through capital leases	894	2,252

See accompanying notes to consolidated financial statements.

## **NEWPORT PARTNERS INCOME FUND**

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

Three months and six months ended June 30, 2006  
(Unaudited)

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Newport Partners Income Fund ("Newport") is an unincorporated, open-ended, limited purpose trust established on May 13, 2005 to hold interests in Newport Private Yield LP ("NPY"). NPY is a limited partnership established to invest in securities of private business (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; distribution; and industrial services. Newport owns all of the A1 LP Units of NPY, representing approximately 51% of the outstanding LP units.

### **1. Basis of presentation**

These 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 period ended December 31, 2005.

These unaudited interim consolidated financial statements are prepared following accounting policies consistent with Newport's audited consolidated financial statements and notes thereto for the period ended December 31, 2005.

Newport's results of operations are typically lower in the first and second quarters relative to other quarters due to seasonality factors affecting several Operating Partnerships. The results of operations for the three months and six months ended June 30, 2006 are not necessarily indicative of the results to be expected for the full year.

## NEWPORT PARTNERS INCOME FUND

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

Three months and six months ended June 30, 2006  
(Unaudited)

### 2. Business combinations

On June 6, 2006 Newport increased its interest in NPY to 51% by acquiring an additional 6% interest for \$34,915, net of cash retained of \$36,360. The investment amount exceeded the share of net assets of NPY acquired by \$8,479 and this amount has been recorded as goodwill in these consolidated interim financial statements.

In addition, the following investments made by NPY during the six months ended June 30, 2006 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 using the proportionate consolidation method. The estimated fair values of the assets acquired and liabilities assumed for each of the investments are as follows:

Six months ended June 30, 2006	(a) NPY	(b) Murray	(c) Waydex	(d) Hargraft	(e) Domotec	(e) Peerless	Total
Date of investment	June 6	March 16	January 25	April 28	May 5	June 20	
Percentage acquired	6%	80%	32%	75%	100%	90%	
<b>Assets acquired:</b>							
Current assets	10,961	13,945	962	6,765	102	20,410	53,145
Property, plant and equipment	1,274	3,273	346	118	5	970	5,986
Long term assets	3,370	-	-	-	-	-	3,370
Goodwill	21,716	4,495	39	2,676	-	829	29,755
Intangible assets	14,415	21,005	767	14,212	405	30,186	80,990
	51,736	42,718	2,114	23,771	512	52,395	173,246
<b>Liabilities assumed:</b>							
Current liabilities	11,252	10,611	810	6,852	4	16,195	45,724
Long-term liabilities	5,569	913	334	763	-	-	7,579
	16,821	11,524	1,144	7,615	4	16,195	53,303
<b>Net assets acquired:</b>	34,915	31,194	970	16,156	508	36,200	119,943
<b>Consideration:</b>							
Cash	34,915	28,494	931	15,956	508	36,000	116,804
Units Issued	-	2,000	-	-	-	-	2,000
Transaction Costs	-	700	39	200	-	200	1,139
	34,915	31,194	970	16,156	508	36,200	119,943

**NEWPORT PARTNERS INCOME FUND**

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

Three months and six months ended June 30, 2006  
(Unaudited)

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**2. Business combinations (continued)**

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

(a) Murray

On March 16, 2006 Murray Demolition Corporation sold substantially all of its assets to Murray and NPY invested in 80% of the limited partnership units of Murray for \$30,494, payable by way of issue of 204,291 A2 LP units based on the average market value of the A1 LP units to which they are exchangeable, and \$28,494 in cash. Murray is a provider of demolition contract services.

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

On January 25, 2006, NPY invested \$2,514 in NPC Integrity Energy Services LP ("NPC"), an 80% owned existing Operating Partnership, to fund the investment in Waydex. NPC invested in 40% of the common shares of Waydex for \$2,011. The cost of this investment was subsequently reduced by \$847 representing amounts receivable by NPC relating to the period prior to the investment. The investment by NPC resulted in NPY's 32% ownership of Waydex. NPY's ownership interest in NPC did not change from 80%, and the 20% share of this investment by NPY, being \$503, has been accounted for as goodwill in these consolidated interim financial statements.

(c) Hargraft Schofield ("Hargraft")

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

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

**NEWPORT PARTNERS INCOME FUND**

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

Three months and six months ended June 30, 2006  
(Unaudited)

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

On May 5, 2006, NPY invested in EZEE ATM LP to allow it to acquire all of the shares of ("Domotec") for cash consideration of \$508. Domotec is a full service provider of ATMs.

(e) Peerless Garments ("Peerless")

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

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

In addition, on May 1, 2006, NPY increased its investment in RGC LP (formerly Jutan LP) by \$9,900 to allow RGC LP to acquire a 45% interest in a reverse logistics provider for \$8,500 and to use the balance to provide working capital funds. NPY's ownership interest in RGC LP did not change from 80%, and the 20% share of the investment by NPY, being \$1,980 has been accounted for as goodwill in these consolidated interim financial statements.

On May 31, 2006, NPY re-organized its 80% and 50% interests in Capital C and Kenna respectively by creating a new LP into which 100% of each of these businesses was transferred. NPY now owns 67% of this new entity, and has accounted for this transaction as a continuity of its interests.

### 3. Unitholders' Equity

On June 5, 2006, Newport issued to the public 8,155,000 units for proceeds, net of underwriting commissions, of \$71,275. Newport used the proceeds to subscribe for 8,155,000 units of NPY, and in doing so increased its ownership interest to 51%.

On April 25, 2006, 52,631 A1 units were issued on conversion of convertible debenture units at \$9.50 per unit.

**NEWPORT PARTNERS INCOME FUND**

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

Three months and six months ended June 30, 2006  
(Unaudited)

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**3. Unitholders' Equity (continued)**

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 these units and their conversion are anti-dilutive.

**4. Exchangeable units**

Holders of A2 LP units of NPY have the right to exchange their units into trust units. During the three and six months ended June 30, 2006, 391,151 and 3,345,393 A2 LP units were exchanged, respectively. As 1,292,694 of these units of NPY were outstanding prior to the initial public offering, the conversion was calculated as a step acquisition using the original carrying value of these units, and the exchange resulted in the recognition of \$3,638 in goodwill by Newport.

**5. Segmented information**

NPY has four 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 brokerage and underwriting, and the servicing of ATMs. The marketing segment represents the investment in non-traditional marketing operations that acquires rights in media, publications and television, an investment in an integrated direct marketing company with its primary focus on inbound and outbound teleservices and an investment in a fully integrated marketing services agency. The industrial services segment represents the investment in fully integrated providers of mid-stream production services to the energy industry, a provider of demolition contract services and a manufacturer of protective outerwear. The distribution segment represents an investment in the operations of the import and distribution of electronic and household products. NPY evaluates the performance of its operating segments based on earnings and cash flows.

**NEWPORT PARTNERS INCOME FUND**

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

Three months and six months ended June 30, 2006  
(Unaudited)

**5. Segmented information (continued)**

Three months ended June 30, 2006	Financial Services	Marketing	Industrial Services	Distribution	Total
Revenues	\$ 15,993	\$ 14,622	\$ 52,886	\$59,723	\$143,224
Cost of revenues	7,683	8,056	41,686	55,699	113,124
	8,310	6,566	11,200	4,024	30,100
Expenses					
Selling, general and administrative	3,259	3,647	5,125	5,865	17,896
Amortization of deferred financing charges	322	-	-	-	322
Amortization of intangible assets	3,524	1,343	1,379	1,196	7,442
Depreciation	156	350	1,063	107	1,676
	7,261	5,340	7,567	7,168	27,336
Income/(loss) before the undernoted	1,049	1,226	3,633	(3,144)	2,764
Income from equity investment	409	-	-	153	562
Other income	112	-	-	-	112
Interest (expense) income	(1,675)	6	(421)	(197)	(2,287)
Income tax (expense) recovery	(23)	25	65	-	67
Income/(loss)	(128)	1,257	3,277	(3,188)	1,218
Goodwill acquired	11,155	-	637	-	11,792
Expenditures for property, plant and equipment	227	306	423	595	1,551

**NEWPORT PARTNERS INCOME FUND**

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

Three months and six months ended June 30, 2006  
(Unaudited)

**5. Segmented information (continued)**

Six months ended June 30, 2006	Financial Services	Marketing	Industrial Services	Distribution	Total
Revenues	\$ 32,147	\$ 28,579	\$ 94,963	\$ 99,898	\$ 255,587
Cost of revenues	14,509	16,066	75,845	91,872	198,292
	17,638	12,513	19,118	8,026	57,295
Expenses					
Selling, general and administrative	6,047	7,159	8,254	10,750	32,210
Amortization of deferred financing charges	618	-	-	-	618
Amortization of intangible assets	6,680	2,686	2,188	2,391	13,945
Depreciation	296	682	1,996	208	3,182
	13,641	10,527	12,438	13,349	49,955
Income/(loss) before the undernoted	3,997	1,986	6,680	(5,323)	7,340
Income from equity investment	1,426	-	-	153	1,579
Other income	347	-	-	-	347
Interest (expense) income	(2,831)	(44)	(817)	(440)	(4,132)
Income tax (expense) recovery	(76)	25	66	-	15
Income/(loss)	2,863	1,967	5,929	(5,610)	5,149
Goodwill acquired	11,155	-	5,866	-	17,021
Expenditures for property, plant and equipment	499	462	593	611	2,165
Total assets	442,766	78,122	176,672	150,073	847,633
Total goodwill	179,936	23,926	20,473	58,292	282,627

**6. Subsequent events**

On July 26, 2006, NPY invested \$8 million for an 80% interest in IC Group LP ("IC Group"). NPY drew on its credit facility to finance the transaction. IC Group is a provider of interactive promotional solutions.

On July 20, 2006, NPY increased its credit facility to a total authorized level of \$120 million from \$100 million.

**7. Comparative figures**

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

Consolidated Financial Statements of

**NEWPORT PRIVATE YIELD LP**

Three months and six months ended June 30, 2006  
(Unaudited)

The Newport Private Yield LP financial statements for the three and six months ended June 30, 2005 were not reviewed by a firm of chartered accountants.

**NEWPORT PRIVATE YIELD LP**

Consolidated Balance Sheets  
(In thousands of dollars)

	June 30, 2006 (Unaudited)	December 31, 2005
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 42,085	\$ 25,275
Accounts receivable	121,887	118,244
Inventories	50,840	31,164
Prepaid expenses	2,159	2,359
Other current assets	12,593	6,507
	229,564	183,549
Property, plant and equipment	22,391	16,445
Long-term investments	48,272	42,234
Goodwill	218,480	206,073
Intangible assets	261,340	210,177
Other assets	4,561	4,971
	\$ 784,608	\$ 663,449
<b>Liabilities and Partners' Equity</b>		
Current liabilities:		
Bank indebtedness	\$ 37,018	\$ 19,436
Investment financing facilities	36,000	-
Accounts payable and accrued liabilities	112,008	97,046
Deferred revenue	6,262	5,357
Current portion of obligations under capital leases	4,150	2,729
Current portion of long-term debt	2,019	2,018
	197,457	126,586
Obligations under capital leases	4,154	3,082
Long-term debt	7	17
Future tax liability	2,536	2,044
Convertible units	83,905	84,339
Partners' equity	496,549	447,381
Subsequent events (note 5)		
	\$ 784,608	\$ 663,449

See accompanying notes to consolidated financial statements.

**NEWPORT PRIVATE YIELD LP**

Consolidated Statements of Operations

(In thousands of dollars, except per unit amounts)

(Unaudited)

	Three months ended		Six months ended	
	2006	June 30 2005	2006	June 30 2005
Revenues	\$ 143,224	\$ 29,874	\$ 255,587	\$ 43,369
Cost of revenues	113,124	22,570	198,292	34,067
	30,100	7,304	57,295	9,302
Expenses				
Selling, general and administrative	16,956	2,842	30,504	4,334
Amortization of deferred finance charges	322	-	618	-
Amortization of intangible assets	7,442	1,433	13,945	2,275
Depreciation	1,676	535	3,182	902
	26,396	4,810	48,249	7,511
Income before the undernoted	3,704	2,494	9,046	1,791
Income from equity investments	562	217	1,579	169
Other income	112	-	347	-
Interest expense	(2,287)	(173)	(4,132)	(384)
Income tax recovery	67	-	15	-
Partnership income	\$ 2,158	\$ 2,538	\$ 6,855	\$ 1,576
Income per unit				
Basic and diluted (note 3)	0.03	0.27	0.10	0.18

See accompanying notes to consolidated financial statements.

**NEWPORT PRIVATE YIELD LP**

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

Three months and six months ended June 30, 2006 and June 30, 2005  
(Unaudited)

**NEWPORT PRIVATE YIELD LP**

Consolidated Statement of Partner's Equity  
(In thousands of dollars, except unit amounts)

Six months ended June 30, 2006 and June 30, 2005  
(Unaudited)

	Units	Equity component of convertible debenture	Six months ended June 30, 2006
Partners' Equity, January 1, 2006	64,536,286	669	\$ 447,381
Issue of units	8,566,614		\$ 74,177
Conversion of convertible debentures	52,631	(3)	479
Income for the period			6,855
Distributions paid and payable			(32,343)
Partners' Equity, June 30, 2006	73,155,531	666	\$ 496,549

	Units <sup>(1)</sup>		Six months ended June 30, 2005
Partners' Equity, January 1, 2005	3,393,688	-	\$ 32,925
Issue of units	6,147,328		\$ 79,343
Income for the period			1,576
Distributions paid and payable			(5,577)
Partners' Equity, June 30, 2005	9,541,016	-	\$ 108,267

<sup>(1)</sup> On August 8, 2005 the A Limited Partner units were redesignated as A2 Limited Partner units and a split on a 2.3276 : 1 basis.

See accompanying notes to consolidated financial statements.

**NEWPORT PRIVATE YIELD LP**

Consolidated Statements of Cash Flows  
(In thousands of dollars, except unit amounts)  
(Unaudited)

	Three months ended		Six months ended	
	June 30		June 30	
	2006	2005	2006	2005
Cash provided by (used in):				
Operating activities:				
Net income	\$ 2,158	\$ 2,538	\$ 6,855	\$ 1,576
Items not affecting cash:				
Amortization of deferred financing charges	322	-	618	-
Amortization of intangible assets	7,442	1,433	13,945	2,275
Depreciation	1,676	535	3,182	902
Income from equity investments, net of cash received	880	1,203	876	1,592
Non-cash compensation expense	560	-	1,120	-
Change in non-cash working capital	(860)	(4,360)	3,866	(9,300)
	12,178	1,349	30,462	(2,955)
Financing activities:				
Issuance of partnership units, net of costs	70,060	26,295	70,060	79,343
Distributions to partners	(15,311)	(3,667)	(30,820)	(5,577)
Increase in bank indebtedness	13,631	4,165	4,458	3,817
Increase in investment financing facilities	8,000	-	36,000	-
Decrease in long-term debt	(4)	(751)	(10)	(1,749)
Repayment of capital lease obligations	(848)	(385)	(1,454)	(431)
	75,528	25,657	78,234	75,403
Investing activities:				
Acquisition of businesses, net of cash acquired	(51,844)	(460)	(82,601)	(43,340)
Increase in other assets	(88)	-	(208)	-
Purchase of long terms investments	(6,914)	(26,000)	(6,914)	(26,000)
Purchase of intangible assets	-	(150)	-	(150)
Purchase of property, plant and equipment	(1,551)	(285)	(2,163)	(338)
	(60,397)	(26,895)	(91,886)	(69,828)
Increase in cash and cash equivalents	27,309	111	16,810	2,620
Cash and cash equivalents, beginning of period	14,776	4,860	25,275	2,351
Cash and cash equivalents, end of period	\$ 42,085	\$ 4,971	\$ 42,085	\$ 4,971
Supplemental cash flow information:				
Interest paid	\$ 3,967	\$ 133	\$ 4,240	\$ 344
Cash acquired upon acquisition	1,644	335	2,268	335
Supplemental disclosure of non-cash financing and investing activities:				
Issuance of partnership units on business combinations and long-term investments (note 2)	-	-	2,000	-
Acquisition of property, plant and equipment through capital leases	894	-	2,252	-

See accompanying notes to consolidated financial statements.

**NEWPORT PRIVATE YIELD LP**

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

Three months and six months ended June 30, 2006 and June 30, 2005  
(Unaudited)

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Newport Private Yield LP ("NPY") is a limited partnership established to invest in securities of private businesses (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, distribution, and industrial services. NPY is 51% owned by Newport Partners Income Fund ("Newport").

**1. Basis of presentation**

These 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 NPY's and Newport's audited consolidated financial statements and notes thereto for the year ended December 31, 2005.

These unaudited interim consolidated financial statements are prepared following accounting policies consistent with NPY's audited consolidated financial statements and notes thereto for the year ended December 31, 2005.

NPY's results of operations are typically lower in the first and second quarters relative to other quarters due to seasonality factors affecting several Operating Partnerships. The results of operations for the three months and six months ended June 30, 2006 are not necessarily indicative of the results to be expected for the full year.

**NEWPORT PRIVATE YIELD LP**

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

Three months and six months ended June 30, 2006 and June 30, 2005  
(Unaudited)

**2. Business combinations**

The following investments made by NPY during the six months ended June 30, 2006 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 using the proportionate consolidation method. The estimated fair values of the assets acquired and liabilities assumed for each of the investments are as follows:

Six months ended June 30, 2006	(a) <b>Murray</b>	(b) <b>Waydex</b>	(c) <b>Hargraft</b>	(d) <b>Domotec</b>	(e) <b>Peerless</b>	<b>Total</b>
Date of investment	March 16	January 25	April 28	May 5	June 20	
Percentage acquired	80%	32%	75%	100%	90%	
<b>Assets acquired:</b>						
Current assets	\$ 13,945	\$ 962	\$ 6,765	\$ 102	\$ 20,410	\$ 42,184
Property, plant and equipment	3,273	346	118	5	970	4,712
Goodwill	4,495	39	2,676	-	829	8,039
Intangible assets	21,005	767	14,212	405	30,186	66,575
	42,718	2,114	23,771	512	52,395	121,510
<b>Liabilities assumed:</b>						
Current liabilities	10,611	810	6,852	4	16,195	34,472
Long-term liabilities	913	334	763	-	-	2,010
	11,524	1,144	7,615	4	16,195	36,482
<b>Net assets acquired:</b>	\$ 31,194	\$ 970	\$ 16,156	\$ 508	\$ 36,200	\$ 85,028
<b>Consideration:</b>						
Cash	\$ 28,494	\$ 931	\$ 15,956	\$ 508	\$ 36,000	\$ 81,889
Units Issued	2,000	-	-	-	-	2,000
Transaction Costs	700	39	200	-	200	1,139
	\$ 31,194	\$ 970	\$ 16,156	\$ 508	\$ 36,200	\$ 85,028

**NEWPORT PRIVATE YIELD LP**

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

Three months and six months ended June 30, 2006 and June 30, 2005  
(Unaudited)

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**2. Business combinations (continued)**

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

(a) Murray

On March 16, 2006 Murray Demolition Corporation sold substantially all of its assets to Murray and NPY invested in 80% of the limited partnership units of Murray for \$30,494, payable by way of issue of 204,291 A2 LP units based on the average market value of the A1 LP units to which they are exchangeable, and \$28,494 in cash. Murray is a provider of demolition contract services.

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

On January 25, 2006, NPY invested \$2,514 in NPC Integrity Energy Services LP ("NPC"), an 80% owned existing Operating Partnership, to fund the investment in Waydex. NPC invested in 40% of the common shares of Waydex for \$2,011. The cost of this investment was subsequently reduced by \$847 representing amounts receivable by NPC relating to the period prior to the investment. The investment by NPC resulted in NPY's 32% ownership of Waydex. NPY's ownership interest in NPC did not change from 80%, and the 20% share of this investment by NPY, being \$503, has been accounted for as goodwill in these consolidated interim financial statements.

(c) Hargraft Schofield ("Hargraft")

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

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

## NEWPORT PRIVATE YIELD LP

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

Three months and six months ended June 30, 2006 and June 30, 2005  
(Unaudited)

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

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

(e) Peerless Garments ("Peerless")

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

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

In addition, on May 1, 2006, NPY increased its investment in RGC LP (formerly Jutan LP) by \$9,900 to allow RGC LP to acquire a 45% interest in a reverse logistics provider for \$8,500 and to use the balance to provide working capital funds. NPY's ownership interest in RGC LP did not change from 80%, and the 20% share of the investment by NPY, being \$1,980 has been accounted for as goodwill in these consolidated interim financial statements.

On May 31, 2006, NPY re-organized its 80% and 50% interests in Capital C and Kenna respectively by creating a new LP into which 100% of each of these businesses was transferred. NPY now owns 67% of this new entity, and has accounted for this transaction as a continuity of its interests.

### 3. Partners' Equity

On June 5, 2006, NPY issued to Newport 8,155,000 A1 units for gross proceeds of \$71,275. Issue costs associated with this transaction were \$1,215.

On April 25, 2006, 52,631 A1 units were issued on conversion of convertible debenture units at \$9.50 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 these units and their conversion are anti-dilutive.

**NEWPORT PRIVATE YIELD LP**

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

Three months and six months ended June 30, 2006 and June 30, 2005  
(Unaudited)

**4. Segmented information**

NPY has four 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 brokerage and underwriting and the servicing of ATMs. The marketing segment represents an investment in non-traditional marketing operations that acquires rights in media, publications and television, an investment in an integrated direct marketing company with its primary focus on inbound and outbound teleservices and an investment in a fully integrated marketing services agency. The industrial services segment represents the investment in a fully integrated provider of mid-stream production services to the energy, a provider of demolition contract services and a manufacturer of protective outerwear. The distribution segment represents an investment in the operations of the import and distribution of electronic and household products. NPY evaluates the performance of its operating segments based on earnings.

Three months ended June 30, 2006	Financial Services	Marketing	Industrial Services	Distribution	Total
Revenues	\$ 15,993	\$ 14,622	\$ 52,886	\$ 59,723	\$ 143,224
Cost of revenues	7,683	8,056	41,686	55,699	113,124
	8,310	6,566	11,200	4,024	30,100
Expenses					
Selling, general and administrative	2,319	3,647	5,125	5,865	16,956
Amortization of deferred financing charges	322	-	-	-	322
Amortization of intangible assets	3,524	1,343	1,379	1,196	7,442
Depreciation	156	350	1,063	107	1,676
	6,321	5,340	7,567	7,168	26,396
Income/(loss) before the undernoted	1,989	1,226	3,633	(3,144)	3,704
Income from equity investments	409	-	-	153	562
Other income	112	-	-	-	112
Interest (expense) income	(1,675)	6	(421)	(197)	(2,287)
Income tax (expense) recovery	(23)	25	65	-	67
Partnership income/(loss)	\$ 812	\$ 1,257	\$ 3,277	\$ (3,188)	\$ 2,158
Goodwill acquired	2,676	-	637	-	3,313
Expenditures for property, plant and equipment	227	306	423	595	1,551

**NEWPORT PRIVATE YIELD LP**

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

Three months and six months ended June 30, 2006 and June 30, 2005  
(Unaudited)

**4. Segmented information (continued)**

Three months ended June 30, 2005	Financial Services	Marketing	Industrial Services	Distribution	Total
Revenues	\$ 4,509	\$ 7,567	\$ 17,798	\$ -	\$ 29,874
Cost of revenues	3,344	4,728	14,498	-	22,570
	1,165	2,839	3,300	-	7,304
Expenses					
Selling, general and administrative	1,094	1,245	503	-	2,842
Amortization of intangible assets	625	598	210	-	1,433
Depreciation	48	192	295	-	535
	1,767	2,035	1,008	-	4,810
Income/(loss) before the undernoted	(602)	804	2,292	-	2,494
Income from equity investments	-	-	-	217	217
Interest expense	(26)	(5)	(142)	-	(173)
Partnership income/(loss)	\$ (628)	\$ 799	\$ 2,150	\$ 217	\$ 2,538
Goodwill acquired	-	609	-	-	609
Expenditures for property, plant and equipment	12	230	43	-	285

**NEWPORT PRIVATE YIELD LP**

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

Three months and six months ended June 30, 2006 and June 30, 2005  
(Unaudited)

**4. Segmented information (continued)**

Six months ended June 30, 2006	Financial Services	Marketing	Industrial Services	Distribution	Total
Revenues	\$ 32,147	\$ 28,579	\$ 94,963	\$ 99,898	\$ 255,587
Cost of revenues	14,509	16,066	75,845	91,872	198,292
	17,638	12,513	19,118	8,026	57,295
Expenses					
Selling, general and administrative	4,341	7,159	8,254	10,750	30,504
Amortization of deferred financing charges	618	-	-	-	618
Amortization of intangible assets	6,680	2,686	2,188	2,391	13,945
Depreciation	296	682	1,996	208	3,182
	11,935	10,527	12,438	13,349	48,249
Income/(loss) before the undernoted	5,703	1,986	6,680	(5,323)	9,046
Income from equity investments	1,426	-	-	153	1,579
Other income	347	-	-	-	347
Interest expense	(2,831)	(44)	(817)	(440)	(4,132)
Income tax (expense) recovery	(76)	25	66	-	15
Partnership income/(loss)	\$ 4,569	\$ 1,967	\$ 5,929	\$ (5,610)	\$ 6,855
Goodwill acquired	2,676	-	5,866	-	8,542
Expenditures for property, plant and equipment	497	462	593	611	2,163
Total assets	379,743	78,122	176,670	150,073	784,608
Total goodwill	139,097	18,495	15,826	45,062	218,480

**NEWPORT PRIVATE YIELD LP**

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

Three months and six months ended June 30, 2006 and June 30, 2005  
(Unaudited)

**4. Segmented information (continued)**

Six months ended June 30, 2005	Financial Services	Marketing	Industrial Services	Distribution	Total
Revenues	\$ 8,220	\$ 7,765	\$ 27,384	\$ -	\$ 43,369
Cost of revenues	6,615	4,857	22,595	-	34,067
	1,605	2,908	4,789	-	9,302
Expenses					
Selling, general and administrative	1,780	1,269	1,285	-	4,334
Amortization of intangible assets	1,218	646	411	-	2,275
Depreciation	96	193	613	-	902
	3,094	2,108	2,309	-	7,511
Income/(loss) before the undernoted	(1,489)	800	2,480	-	1,791
Income from equity investments	-	-	-	169	169
Interest expense	(106)	(5)	(273)	-	(384)
Partnership income/(loss)	\$ (1,595)	\$ 795	\$ 2,207	\$ 169	\$ 1,576
Goodwill acquired	14,814	1,129	-	-	15,943
Expenditures for property, plant and equipment	12	230	96	-	338
As at December 31, 2005					
Total assets	353,413	79,695	74,559	155,782	663,449
Total goodwill	134,316	19,120	9,555	43,082	206,073

**NEWPORT PRIVATE YIELD LP**

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

Three months and six months ended June 30, 2006 and June 30, 2005  
(Unaudited)

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**5. Subsequent events**

On July 26, 2006, NPY invested \$8 million for an 80% interest in IC Group LP ("IC Group"). NPY drew on its credit facility to finance the transaction. IC Group is a provider of interactive promotional solutions.

On July 20, 2006, NPY increased its credit facility to a total authorized level of \$120 million from \$100 million.

**6. Comparative figures**

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