Consolidated Financial Statements of

NEWPORT PARTNERS INCOME FUND

Three months and six months ended June 30, 2007 and 2006
(Unaudited)

NEWPORT PARTNERS INCOME FUND

Consolidated Balance Sheets
(In thousands of dollars)

	June 30, 2007 (unaudited)	December 31, 2006 (unaudited)
Assets		
Current assets:		
Cash and cash equivalents	$ 34,519	$ 54,616
Cash held in trust (note 9)	27,468	7,027
Accounts receivable	107,210	101,266
Inventories	35,039	33,253
Prepaid expenses	2,440	2,555
Other current assets	23,564	13,790
Current assets of discontinued operations (note 4)	3,337	68,969
	233,577	281,476
Property, plant and equipment	34,800	23,706
Long-term investments	46,055	47,001
Goodwill	269,335	253,344
Intangible assets	306,447	265,390
Other assets	1,153	9,029
Long-lived assets of discontinued operations (note 4)	-	14,403
	$ 891,367	$ 894,349
Liabilities and Unitholders' Equity		
Current liabilities:		
Revolving credit facility	$ 57,063	$ 5,000
Accounts payable and accrued liabilities	114,987	84,737
Deferred revenue	8,586	7,465
Current portion of obligations under capital leases	4,496	4,122
Current liabilities of discontinued operations (note 4)	2,813	54,372
	187,945	155,696
Obligations under capital leases	5,772	3,943
Long-term debt	185,031	170,000
Future tax liability (note 7)	42,463	2,505
Non-controlling interest	140,468	176,196
Convertible debenture	81,321	83,970
Unitholders' equity (note 6)	248,367	302,039
Subsequent events (note 10)		
	$ 891,367	$ 894,349

See accompanying notes to unaudited interim consolidated financial statements.

NEWPORT PARTNERS INCOME FUND

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

	Three months ended June 30 2007	Three months ended June 30 2006	Six months ended June 30 2007	Six months ended June 30 2006
Revenues	$ 133,744	$ 83,502	$ 249,959	$ 155,689
Cost of revenues	88,791	57,424	167,655	106,420
	44,953	26,078	82,304	49,269
Expenses				
Selling, general and administrative	24,733	12,030	46,680	21,460
Amortization of deferred financing charges	-	322	-	618
Amortization of intangible assets	9,205	6,247	18,032	11,554
Depreciation	2,032	1,570	3,923	2,974
	35,970	20,169	68,635	36,606
Income before the undernoted	8,983	5,909	13,669	12,663
Income from equity investments	771	562	1,516	1,579
Other income	356	112	553	347
Interest expense	6,488	2,090	12,846	3,692
Loss on dilution of ownership interest (notes 3(a) and 6)	220	-	6,064	-
Income (loss) before income taxes	3,402	4,493	(3,172)	10,897
Income tax expense (recovery) - current	(158)	(66)	(312)	(15)
Income tax expense (recovery) - future	39,958	-	39,958	-
Income (loss) from continuing operations before non-controlling interest	(36,398)	4,559	(42,818)	10,912
Non-controlling interest relating to continuing operations	(1,627)	(3,042)	1,313	(7,087)
Income (loss) from continuing operations	$ (38,025)	$ 1,517	$ (41,505)	$ 3,825
Loss from discontinued operations before non-controlling interest	(2,445)	(3,341)	(5,227)	(5,763)
Non-controlling interest relating to discontinued operations	1,127	1,848	2,401	3,237
Loss from discontinued operations	(1,318)	(1,493)	(2,826)	(2,526)
Income (loss) for the period	$ (39,343)	$ 24	$ (44,331)	$ 1,299
Income (loss) per unit (note 5)				
Basic and diluted:				
Continuing operations	(0.96)	0.05	(1.05)	0.13
Discontinued operations	(0.03)	(0.05)	(0.07)	(0.09)
Income (loss)	(0.99)	0.00	(1.12)	0.04

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)

	Number of Units	Unitholders' Capital	Equity Component of Convertible Debenture	Deficit	Comprehensive Income	Contributed Surplus	Total Unitholders' Equity
Balance – January 1, 2007	39,283,565	$ 364,805	$ 664	$ (63,430)	$ -	$ -	$ 302,039
Cumulative impact of adopting new accounting rules (note 2)					60		60
Units exchanged	2,468,025	15,794					15,794
Units purchased under normal course issuer bid	(867,500)	(6,526)				1,062	(5,464)
Loss for the period				(44,331)			(44,331)
Distributions				(19,731)			(19,731)
Balance – June 30, 2007	40,884,090	$ 374,073	$ 664	$(127,492)	$ 60	$ 1,062	$ 248,367

	Number of Units	Unitholders' Capital	Equity Component of Convertible Debenture	Deficit	Comprehensive Income	Contributed Surplus	Total Unitholders' Equity
Balance – January 1, 2006	25,766,036	$ 244,565	$ 669	$ (6,494)	$ -	$ -	$ 238,740
Units issued	8,155,000	71,275					71,275
Units exchanged	3,345,393	32,274					32,274
Convertible debenture conversion	52,631	499	(3)				496
Loss for the period				1,299			1,299
Distributions				(14,531)			(14,531)
Balance – June 30, 2006	37,319,060	$ 348,613	$ 666	$ (19,726)	$ -	$ -	$ 329,553

See accompanying notes to unaudited interim 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		Six months ended June 30	
	2007	2006	2007	2006
Cash provided by (used in):				
Operating activities:				
Income (loss) for the period	$ (39,343)	$ 24	$ (44,331)	$ 1,299
Items not affecting cash:				
Loss from discontinued operations	2,445	3,341	5,227	5,763
Amortization of deferred financing charges	-	322	-	618
Amortization of intangible assets	9,205	6,247	18,032	11,554
Depreciation	2,032	1,570	3,923	2,974
Future income tax expense	39,958	-	39,958	-
Income from equity investments, net of cash received	484	452	968	876
Non-cash interest expense	238	-	818	-
Non-cash compensation expense	560	560	1,120	1,120
Loss on dilution of interest in operating partner	220	-	6,064	-
Non-controlling interest	500	1,194	(3,714)	3,850
Changes in non-cash working capital	3,423	3,331	(2,291)	(5,832)
Cash provided by (used in) discontinued operations	(201)	(6,078)	9,413	7,027
	19,521	10,963	35,187	29,249
Financing activities:				
Repurchase of units	(1,423)	-	(5,464)	-
Issuance of units	-	71,275	-	71,275
Distributions to unitholders	(9,987)	(7,121)	(19,731)	(13,461)
Distributions to non-controlling interest	(7,750)	(8,190)	(15,771)	(17,359)
Increase in cash held in trust	(3,833)	(1,127)	(1,634)	(320)
Increase in bank indebtedness	19,025	10,458	52,063	10,875
Increase (decrease) in long-term debt	20,000	(4)	20,000	(10)
Increase in acquisition financing facilities	-	8,000	-	36,000
Repayment of capital lease obligations	(738)	(848)	(1,484)	(1,454)
Cash provided by (used in) discontinued operations	2,811	3,173	(6,920)	(6,417)
	18,105	75,616	21,059	79,129
Investing activities:				
Acquisition of businesses, net of cash acquired	(43,550)	(53,422)	(93,749)	(84,179)
Proceeds on disposal of business	24,000	-	24,000	-
Purchase of long-term investments	-	(6,914)	-	(6,914)
Purchase of property, plant and equipment	(1,115)	(957)	(3,022)	(1,555)
Increase in other assets	(1,082)	(88)	(526)	(208)
Cash used in discontinued operations	(1,211)	(594)	(839)	(610)
	(22,958)	(61,975)	(74,136)	(93,466)
Increase (decrease) in cash and cash equivalents	14,668	24,604	(17,890)	14,912
Cash and cash equivalents, beginning of period - continuing operations	22,058	7,653	54,616	20,844
Cash and cash equivalents, beginning of period - discontinued operations	-	3,499	-	-
Cash and cash equivalents, end of period	36,726	35,756	36,726	35,756
Cash and cash equivalents, end of period - discontinued operations	2,207	-	2,207	-
Cash and cash equivalents, end of period – continuing operations	$ 34,519	$ 35,756	$ 34,519	$ 35,756
Supplemental cash flow information:				
Interest paid	$ 7,873	$ 3,967	$ 12,318	$ 4,240
Cash acquired upon acquisition	727	5,530	1,351	6,154
Supplemental disclosure of non-cash financial and investing activities:				
Acquisition of property, plant and equipment through capital leases	3,045	894	3,902	2,252

See accompanying notes to unaudited interim consolidated financial statements.

NEWPORT PARTNERS INCOME FUND

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

Three months and six months ended June 30, 2007 and 2006
(Unaudited)

Newport Partners Income Fund ("the Fund") 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").

The Fund has been created to hold, through the Fund'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. As at June 30, 2007, the Fund indirectly holds all of the A1 LP units of NPY, representing approximately 56% (June 30, 2006 – 51%) 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 the Fund'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 the Fund'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 and future accounting standards

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 June 30, 2007, there were no transactions recorded in comprehensive income.

(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 three and six months ended June 30, 2007.

(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, the Fund 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 an increase in retained earnings of $60.

(e) Future accounting standards

In December 2006, the Canadian Institute of Chartered Accountants ("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 required 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 period 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. Techniques used for the measurement of cost of inventories, such as the retail method, may be used for convenience if the results approximate cost. 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 period, 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. The difference in the measurement of opening inventory may be applied to the opening of inventory for the period, with an adjustment to opening retained earnings with no prior periods restated, or retrospectively with a restatement to prior periods in accordance with Section 1506, "Accounting Changes".

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. In addition the changes in the inventory cost, the Fund is reviewing the additional presentation and disclosure requirements which will be required in the consolidated financial statements and/or in the accompanying notes.

(In thousands of dollars, except per unit amounts)

3. Business combinations

The following investments made by NPY during the six months ended June 30, 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:

Six months ended June 30, 2007	**(a) Quantum**	**(b) TRM**	**(c) Skystone**	**(d) BMI**	**(e) Technoda**	**(f) Big Stone**	**(g) Nor-Tech**	**(h) Thomson**	**(i) Hargraft**	**Total**
Date of investment	January 3	January 12	March 13	April 17	April 30	April 30	May 9	May 30	May 31	
Percentage acquired	61.7%	100%	64%	77.5%	100%	40%	64%	64.3%	4.7%	
Accounting method	(1)	(2)	(1)	(1)	(2)	(1)	(1)	(1)	(1)	
	$	$	$	$	$	$	$	$	$	$
Assets acquired:										
Current assets	14,300	202	1,822	22,482	56	948	385	4,683	415	45,293
Property, plant and equipment	791	950	494	830	245	238	804	4,187	12	8,551
Goodwill	7,223	2,256	803	1,664	99	-	324	598	158	13,125
Intangible assets	19,481	10,226	3,967	15,918	1,200	471	2,285	7,155	788	61,491
	41,795	13,634	7,086	40,894	1,600	1,657	3,798	16,623	1,373	128,460
Liabilities assumed:										
Current liabilities	10,596	-	926	22,481	-	405	-	2,863	401	37,672
Long-term liabilities	-	-	-	-	-	-	23	-	-	23
	10,596	-	926	22,481	-	405	23	2,863	401	37,695
Net assets acquired:	31,199	13,634	6,160	18,413	1,600	1,252	3,775	13,760	972	90,765
Consideration:										
Cash	17,585	13,444	6,160	18,213	1,600	1,252	2,175	11,712	972	73,113
Notes payable	-	-	-	-	-	-	1,600	-	-	1,600
Units issued by Operating Partner	13,266	-	-	-	-	-	-	2,048	-	15,314
Transaction costs	348	190	-	200	-	-	-	-	-	738
	31,199	13,634	6,160	18,413	1,600	1,252	3,775	13,760	972	90,765

(1) Proportionate consolidation

(2) Consolidation

(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% to 64%. 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. Skystone is a provider of facilities design and engineering services to the oil and gas sector.

(d) On April 17, 2007, NPY invested $18,213 cash for a 77.5% interest in the business of Baird MacGregor Insurance Brokers LP ("BMI"). BMI is an insurance broker specializing in the transportation and logistics industries in Ontario.

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

(f) On April 30, 2007, NPC invested $1,566 cash to increase its interest from 45% to 95% in Big Stone Ventures Ltd., an oil and gas service business.

(g) On May 9, 2007, NPY invested an additional $2,718 in NPC to allow NPC to acquire an 80% interest in Nor-Tech Systems LP ("Nor-Tech"). The total consideration for NPC's 80% interest is $4,718 with the balance of $2,000, also to be funded by NPY, 50% to be settled six months from closing, and the remaining 50% one year from closing. NPY's ownership interest in NPC did not change, and as a result $544 has been added to goodwill. Nor-Tech is a services provider to the oil and gas sector.

(h) On May 30, 2007, NPY invested an additional $18,275 in cash in Quantum Murray LP ("Quantum"). Quantum acquired 100% of the assets of Thomson Metals and Disposal

("Thomson") for cash of $18,275 and the issuance of $3,225 units of Quantum. As a result of this transaction, NPY's interest in Quantum has increased to 64.3%, and NPY's goodwill relating to this investment has increased by $2,508.

(i) On May 31, 2007, NPY increased its investment in Hargraft, without increasing its ownership percentage, by $796 to allow Hargraft to satisfy its obligation to a vendor of Hargraft Schofield Benefits Inc., a 100% owned subsidiary of Hargraft pursuant to the original purchase and sale agreement. This amount has been added to goodwill.

Also on May 31, 2007, NPY paid $972 in cash to the other unitholders of Hargraft to acquire 4.7% of Hargraft to increase its ownership to 80%.

Both of these transactions were the final components to NPY's original investment in Hargraft made in April 2006.

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 the Fund, and the principals of SW International Inc. ("SW"), the owners of 20% of the units of RGC LP ("RGC") signed on March 27, 2007, a definitive agreement to sell all of the assets of RGC for an aggregate net consideration of $34,000 for 100% of the assets. The transaction closed on April 30, 2007. A holdback in the amount of $4,000 will be settled six months after closing, and settlement is tied to achieving a target tangible net asset level and is dependent on the collection of accounts receivable and net realizations of inventory of the business sold. 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 June 30, 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 and six months ended June 30, 2007 and 2006.

(In thousands of dollars, except per unit amounts)

	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
Revenues	$ 10,452	$ 59,724	$ 42,994	$ 99,898
Net loss	(2,445)	(3,341)	(5,227)	(5,763)

	June 30, 2007	December 31, 2006
Current assets:		
Cash	$ 2,140	$ -
Accounts receivable	473	42,283
Inventory	241	25,853
Prepaid expenses	483	833
Current assets of discontinued operations	3,337	68,969
Property, plant and equipment	-	1,475
Intangibles	-	10,571
Goodwill	-	1,908
Other assets	-	449
Long-lived assets of discontinued operations	-	14,403
Current liabilities:		
Bank lines	-	16,290
Accounts payable and accrued liabilities	2,813	35,504
Current portion of long-term debt	-	1,833
Deferred revenue	-	745
Current liabilities of discontinued operations	2,813	54,372
Net assets of discontinued operations	$ 524	$ 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 three and six months ended June 30, 2007, 1,454,581 and 2,468,025 A2 LP units were exchanged respectively. As 722,446 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.

On December 8, 2006, the Fund received approval from the TSX for a Normal Course Issuer Bid 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 and six months ended June 30, 2007 the Fund purchased 240,000 and 867,500 units for cancellation respectively. At the same time, the Fund cancelled the same number of units of NPY and recorded a loss on dilution of its ownership interest of $220 and $737 respectively ($123 and $403 respectively 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 at the sole discretion of the trustees.

For the three months and six months ended June 30, 2007 total distributions paid and payable were $9,889 and $19,731 respectively (2006 - $7,956 and $14,531 respectively).

7. Tax

On June 22, 2007, Bill C-52, released by the Department of Finance on December 21, 2006 to implement the October 31, 2006 announcement of a new tax on publicly traded income trusts and limited partnerships, was enacted in Parliament. As a result, in accordance with the provisions of CICA HB section 3465, the effect of this change in the tax law is to be recognized in the period that includes the enactment date. Temporary differences, being the differences between the book and tax bases of assets and liabilities, which are expected to reverse after 2010 and will give rise to future taxes are required to be recognized in the period. The estimated net future tax liability of $39,958 expected to reverse after 2010 has been recorded as a charge to income for the six month period ended June 30, 2007.

Assuming that its structure remains unchanged, the Fund will not be subject during the period 2007 to 2010 to current income taxes to the extent that its taxable income and taxable capital gains are paid or payable to a unitholder.

8. 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 includes two reportable segments and 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 earnings 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.

NEWPORT PARTNERS INCOME FUND

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

Three months and six months ended June 30, 2007 and 2006
(Unaudited)

Three months ended June 30, 2007	Financial Services	Marketing	Industrial Services NPC	Industrial Services Murray	Other	Corporate	Total
Revenue	$ 24,469	$ 21,996	$ 39,230	$25,730	$ 22,319	$ -	$ 133,744
Cost of revenue	11,552	10,089	32,773	17,692	16,685	-	88,791
	12,917	11,907	6,457	8,038	5,634	-	44,953
Expenses							
Selling, general and administrative	3,668	8,327	3,231	4,267	3,424	1,816	24,733
Amortization of intangible assets	3,541	1,644	785	1,513	1,722	-	9,205
Depreciation	201	380	931	348	172	-	2,032
	7,410	10,351	4,947	6,128	5,318	1,816	35,970
Income (loss) before the undernoted	5,507	1,556	1,510	1,910	316	(1,816)	8,983
Income from equity investment	494	-	-	-	277	-	771
Other income	356	-	-	-	-	-	356
Interest (income) expense	(133)	78	494	(11)	610	5,450	6,488
Loss on dilution of interest in Operating Partner		-	-	-	-	220	220
Income tax expense (recovery) - current	6	-	(164)	-	-	-	(158)
Income tax expense (recovery) - future	20,737	9,222	2,314	(252)	7,908	29	39,958
Income (loss) from continuing operations	$ (14,253)	$ (7,744)	$ (1,134)	$ 2,173	$ (7,925)	$ (7,515)	$ (36,398)
Add back:							
Interest (income) expense	(133)	78	494	(11)	610	5,450	6,488
Depreciation and amortization	3,742	2,024	1,716	1,861	1,894	-	11,237
Amortization of Brompton intangible asset (i)	484	-	-	-	-	-	484
Income tax expense (recovery) - current	6	-	(164)	-	-	-	(158)
Income tax expense (recovery) - future	20,737	9,222	2,314	(252)	7,908	29	39,958
EBITDA	$ 10,583	$ 3,580	$ 3,226	$ 3,771	$ 2,487	$ (2,036)	$ 21,611
Goodwill acquired	1,921	-	324	598	-	-	2,843
Expenditures for property, plant and equipment	129	567	28	330	61	-	1,115
Total assets (ii)	356,383	71,051	133,199	146,737	101,054	82,943	891,367
Total goodwill	183,998	32,364	18,276	19,123	15,574	-	269,335

(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.

NEWPORT PARTNERS INCOME FUND

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

Three months and six months ended June 30, 2007 and 2006
(Unaudited)

Three months ended June 30, 2006	Financial Services	Marketing	Industrial Services		Other	Corporate	Total
			NPC	Murray			
Revenue	$ 15,993	$ 14,622	$ 37,561	$ 13,702	$ 1,624	$ -	$ 83,502
Cost of revenue	7,681	8,056	30,884	9,524	1,279	-	57,424
	8,312	6,566	6,677	4,178	345	-	26,078
Expenses							
Selling, general and administrative	2,062	3,647	2,629	2,447	50	1,195	12,030
Amortization of deferred financing charges	-	-	-	-	-	322	322
Amortization of intangible assets	3,527	1,343	558	819	-	-	6,247
Depreciation	156	350	790	274	-	-	1,570
	5,745	5,340	3,977	3,540	50	1,517	20,169
Income (loss) before the undernoted	2,567	1,226	2,700	638	295	(1,517)	5,909
Income from equity investment	409	-	-	-	153	-	562
Other income	112	-	-	-	-	-	112
Interest (income) expense	(45)	(6)	402	20	-	1,719	2,090
Income tax expense (recovery) - current	25	(25)	(66)	-	-	-	(66)
Income (loss) from continuing operations	$ 3,108	$ 1,257	$ 2,364	$ 618	$ 448	$ (3,236)	$ 4,559
Add back:							
Interest (income) expense	(45)	(6)	402	20	-	1,719	2,090
Depreciation and amortization	3,683	1,693	1,348	1,093	-	322	8,139
Amortization of Brompton intangible asset (i)	643	-	-	-	-	-	643
Income tax expense (recovery) - current	25	(25)	(66)	-	-	-	(66)
EBITDA	$ 7,414	$ 2,919	$ 4,048	$ 1,731	$ 448	$ (1,195)	$ 15,365
Goodwill acquired	2,676	-	(192)	-	829	-	3,313
Expenditures for property, plant and equipment	227	306	365	58	-	-	956
As at December 31, 2006							
Total assets (ii)	341,485	118,641	74,981	44,338	119,467	195,437	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.

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

Three months and six months ended June 30, 2007 and 2006
(Unaudited)

Six months ended June 30, 2007	Financial Services	Marketing	Industrial Services		Other	Corporate	Total
			NPC	Murray			
Revenue	$ 42,907	$ 43,650	$ 71,270	$ 44,656	$ 47,476	$ -	$ 249,959
Cost of revenue	22,380	20,075	59,142	31,063	34,995	-	167,655
	20,527	23,575	12,128	13,593	12,481	-	82,304
Expenses							
Selling, general and administrative	5,994	16,087	6,093	7,930	7,076	3,500	46,680
Amortization of intangible assets	7,066	3,293	1,346	2,886	3,441	-	18,032
Depreciation	392	896	1,669	623	343	-	3,923
	13,452	20,276	9,108	11,439	10,860	3,500	68,635
Income (loss) before the undernoted	7,075	3,299	3,020	2,154	1,621	(3,500)	13,669
Income from equity investment	1,038	-	-	-	478	-	1,516
Other income	553		-	-	-	-	553
Interest (income) expense	(212)	139	938	(34)	1,205	10,810	12,846
Loss on dilution of interest in Operating Partner	-	-	-	-	-	6,064	6,064
Income tax expense (recovery) - current	12	-	(324)	-	-	-	(312)
Income tax expense (recovery) – future	20,737	9,222	2,314	(252)	7,908	29	39,958
Income (loss) from continuing operations	$ (11,871)	$ (6,062)	$ 92	$ 2,440	$ (7,014)	$ (20,403)	$ (42,818)
Add back:							
Interest (income) expense	(212)	139	938	(34)	1,205	10,810	12,846
Depreciation and amortization	7,458	4,189	3,015	3,509	3,784	-	21,955
Amortization of Brompton intangible asset (i)	968	-	-	-	-	-	968
Income tax expense (recovery) - current	12	-	(324)	-	-	-	(312)
Income tax expense (recovery) – future	20,737	9,222	2,314	(252)	7,908	29	39,958
EBITDA	$ 17,092	$ 7,488	$ 6,035	$ 5,663	$ 5,883	$ (9,564)	$ 32,597
Goodwill acquired	4,177	-	1,127	7,821	-	-	13,125
Expenditures for property, plant and equipment	171	1,563	527	587	174	-	3,022
Total assets (ii)	356,383	71,051	133,199	146,737	101,054	82,943	891,367
Total goodwill	183,998	32,364	18,276	19,123	15,574	-	269,335

(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)

Six months ended June 30, 2006	Financial Services	Marketing	Industrial Services		Other	Corporate	Total
			NPC	Murray			
Revenue	$ 32,147	$ 28,579	$ 76,149	$ 17,190	$ 1,624	$ -	$ 155,689
Cost of revenue	14,509	16,066	62,613	11,953	1,279	-	106,420
	17,638	12,513	13,536	5,237	345	-	49,269
Expenses							
Selling, general and administrative	3,870	7,159	5,131	3,073	50	2,177	21,460
Amortization of deferred financing charges	-	-	-	-	-	618	618
Amortization of intangible assets	6,680	2,686	1,097	1,091	-	-	11,554
Depreciation	296	682	1,627	369	-	-	2,974
	10,846	10,527	7,855	4,533	50	2,795	36,606
Income (loss) before the undernoted	6,792	1,986	5,681	704	295	(2,795)	12,663
Income from equity investment	1,426	-	-	-	153	-	1,579
Other income	347	-	-	-	-	-	347
Interest (income) expense	(101)	44	795	22	-	2,932	3,692
Loss on dilution of interest in Operating Partner	-	-	-	-	-	-	-
Income tax expense (recovery) - current	76	(25)	(66)	-	-	-	(15)
Income (loss) from continuing operations	$ 8,590	$ 1,967	$ 4,952	$ 682	$ 448	$ (5,727)	$ 10,912
Add back:							
Interest (income) expense	(101)	44	795	22	-	2,932	3,692
Depreciation and amortization	6,976	3,368	2,724	1,460	-	618	15,146
Amortization of Brompton intangible asset (i)	1,067	-	-	-	-	-	1,067
Income tax expense (recovery) - current	76	(25)	(66)	-	-	-	(15)
EBITDA	$ 16,608	$ 5,354	$ 8,405	$ 2,164	$ 448	$ (2,177)	$ 30,802
Goodwill acquired	2,676	-	542	4,495	829	-	8,542
Expenditures for property, plant and equipment	497	462	538	58	-	-	1,555
As at December 31, 2006							
Total assets (ii)	341,485	118,641	74,981	44,338	119,467	195,437	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.

9. Trust bank accounts

NPY's investments which have insurance operations maintain trust bank accounts for premiums collected but not yet remitted to insurance companies.

10. Subsequent events

On July 12, 2007, the Fund issued $75,000 principal amount of 7% subordinated unsecured convertible debentures for net proceeds of $72,000. A further $4,966 was issued on August 8, 2007 pursuant to the exercise of the over-allotment provision, providing net proceeds of $4,767. The debentures are convertible into units of the Fund at any time prior to maturity at a conversion price of $6.90 per unit. The debentures mature on December 31, 2012 at which time they are due and payable. After December 31, 2010 the debentures may be redeemed in whole or part by the Fund, at the amount outstanding plus accrued and unpaid interest thereon, except that for redemption on or prior to December 31, 2011 the current market price of the units must not be less than 125% of the conversion price.

On July 31, 2007, the Fund provided a loan to NPC to allow it to complete an investment of $60,000 for an 80% interest in Edmonton-based Golosky, a diversified group of companies that provide products and services to a broad range of customers in the oil and gas, pulp and paper, and construction industries in northern Alberta. Under the terms of the transaction, approximately $10,000 of the net purchase price will be used to replace Golosky's existing debt.

On July 3, 2007 the Fund paid $2,000 to the vendors of IC group relating to the first year of a three year earn-out provision, pursuant to the original purchase and sale agreement. This payment will increase goodwill.

11. 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.