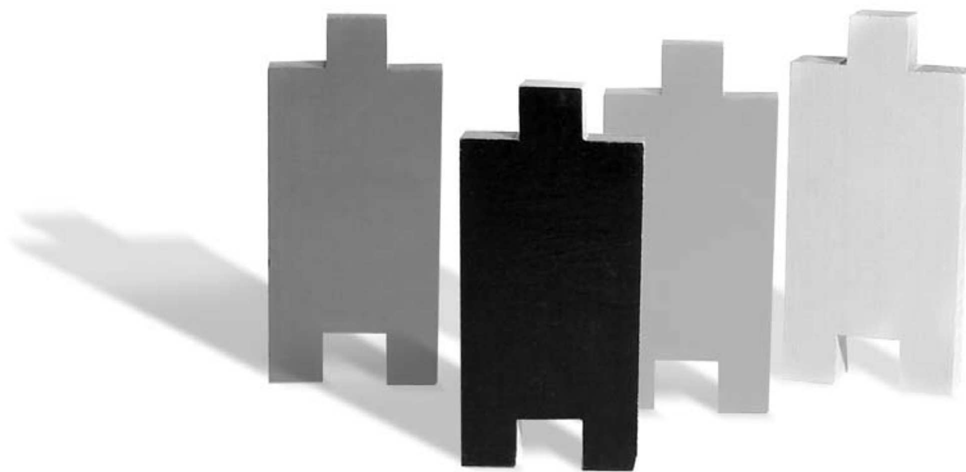
Q2

Report 2007



PORTFOLIO SUMMARY – BY OPERATING PARTNERSHIP ($000s)

Three months ended June 30, 2007

OPERATING PARTNER	DATE OF INITIAL INVESTMENT	OWNERSHIP INTEREST	INVESTED CAPITAL	Q2 2007 EBITDA	Q2 2007 DISTRIBUTABLE CASH	LTM DISTRIBUTABLE CASH YIELD[1]
FINANCIAL SERVICES						
EZEE	Mar. 2004	100%	$ 45,700	$ 1,407	$ 1,407	9.4%
Brompton	Aug. 2005	45%	27,200	962	1,101	14.8%
ESR	Aug. 2005	80%	56,000	3,037	3,574	19.0%
Morrison Williams	Aug. 2005	80%	42,000	2,188	2,188	20.3%
NP LP	Aug. 2005	100%	20,700	1,166	1,142	34.6%
Hargraft	Apr. 2006	80%[2]	17,800	1,105	1,134	17.9%
BMI	Apr. 2007	78%	18,200	718	769	20.8%
MARKETING						
S & E	Oct. 2004	80%	5,700	13	51	13.4%
Gemma	Mar. 2005	80%	28,000	1,382	1,300	18.4%
Capital C	Aug. 2005	67%	23,700	1,112	679	17.8%
IC Group	July 2006	80%	8,000	551	541	30.4%
Armstrong	Oct. 2006	80%	20,000	522	642	14.4%
INDUSTRIAL SERVICES						
NPC	Oct. 2004	80%	48,600	3,226	2,017	15.9%
Quantum Murray	Mar. 2006	64%	77,300	3,771	3,343	21.1%
OTHER						
RLogistics	May 2006	36%	10,000	277	277	12.6%
Peerless	June 2006	90%	36,000	1,369	1,104	13.7%
Titan	Sep. 2006	88%	25,200	500	75	11.1%
Gusgo	Oct. 2006	80%	12,500	341	426	16.8%
DISCONTINUED OPERATIONS						
RGC	Oct. 2004	80%	77,500	(2,166)	(2,523)	-5.2%

[1] LTM distributable cash as a percentage of time-weighted invested capital.

[2] On May 31, 2007 NPF completed its obligations entered into at the time of its initial investment in Hargraft by acquiring an additional 5% interest for approximately $1,800.

These are non-GAAP measures, which do not have any standard meaning and therefore are unlikely to be comparable to similar measures presented by other issuers – see Non-GAAP Measures and Forward Looking Information. Definitions are provided on page 34.

Dear Fellow Unitholders:

For the second quarter, Newport Partners Income Fund's portfolio performance strengthened, in comparison with both the prior year period and the first quarter of fiscal 2007.

Distributable cash from the current portfolio (reported as Continuing Operations) was $0.21 per unit – compared with $0.19 in the prior year period and $0.16 in the first quarter.

From an investment return perspective, this portfolio produced a distributable cash yield of 17.6%* – in line with our income-based return target of 16-20%. The three largest contributors to distributable cash all generated yields of 19%* or higher. We favour income-based returns on private equities because they reduce risk and give investors an enhanced cash return.

During the quarter, we closed the sale of our investment in RGC (reported as Discontinued Operations), which had been a significant drag on the portfolio's performance over the past 16 months, reducing the Fund's distributable cash yield to 14.2%*. In this quarter, the impact of RGC's underperformance cost the Fund $0.04 per unit of distributable cash, resulting in $0.17 of distributable cash per unit reported overall. Having now exited this investment, we believe we can begin to accelerate the rate at which we expect to close the gap between our distributions and our distributable cash.

During the quarter we added one new holding to the portfolio, BMI, a highly-profitable full service insurance broker with a 27 year history for $18.2 million, and we invested $24.6 million to support strategic acquisitions by three of our existing holdings. We also repurchased and cancelled 240,000 units under our NCIB for $1.4 million. Subsequent to quarter end, we invested $60 million in NPC, an oil and gas services business and the Fund's top performing investment to date. The Fund's investment allowed NPC to acquire an 80% interest in Golosky and thus gain access to the vast Alberta oil sands.

Investing in the growth of companies that are proven performers in the portfolio helps us achieve two strategic objectives: First, it is an efficient way to increase distributable cash at attractive prices. Second, by adding scale to companies we already own, we can increase the valuation multiple of our invested capital on those investments.

In a market where many private equity participants are chasing deals with higher and higher valuation multiples, our investors should take comfort from the Fund's strong franchise with entrepreneurs across Canada that enables the Fund to make high quality investments at reasonable valuations e.g. 5-6X EV/EBITDA. We will continue to be disciplined in what we buy and the prices we pay for companies, investing first and foremost in the management teams who run the businesses in our portfolio.

On the funding side, subsequent to quarter end, we took in another $80 million of capital in the form of convertible debentures with a 7% coupon and a conversion price of $6.90. This funding has allowed us to increase our managed assets to approximately $872 million and demonstrates our ability to attract efficiently priced capital to grow our investment portfolio. Given the reasonable valuations at which we are able to invest these funds, we continue to enjoy an attractive spread over our current weighted average cost of capital that makes additions to the portfolio accretive for unitholders.

Yours truly,

Peter Wallace
President & CEO

* for the twelve month period ended June 30, 2007

Management's Discussion and Analysis

August 13, 2007

Prior to our IPO on August 8, 2005, our investments in private businesses were made through NPY, established on February 27, 2004. The Fund holds a 56% indirect interest in NPY. 2007 is the first year where there has been full comparative information for the Fund and as such, financial results of NPY are not included in this MD&A, although certain financial information of NPY has been included.

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

Capitalized terms used herein have the meaning ascribed to them in the "Definitions" section located at page 34, and references to "we", "us", "our" or similar terms, refer to Newport Partners Income Fund (NPF or the Fund), unless the context otherwise requires.

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Forward-Looking Information

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

Non-GAAP Measures

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

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

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

LTM EBITDA refers to EBITDA for the last twelve months and is used by the Fund as the basis of its past financial performance over a full business cycle (i.e. twelve month period). LTM EBITDA is used by the Fund and management believes it is a useful supplemental measure because it eliminates the impact of seasonality on earnings that may impact the results of the Fund's Operating Partnerships if the period being reported on is not a full twelve months. LTM EBITDA is a measure that management believes facilitates the analysis of its financial performance over a full business cycle which may be useful to investors.

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

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

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

Net debt refers to total senior debt less cash-on-hand at the Fund. Management uses this measure to monitor its future debt capacity and to calculate leverage levels under its credit facility to ensure compliance with covenants. Investors may find this information useful in analyzing the capital structure of the Fund and its future debt capacity.

Corporate costs to net asset ratio are the total expenses of the corporate segment for the period expressed as a percentage of the net assets of the Fund, excluding future income taxes. Management uses this metric to monitor the expenses of the Fund consisting of, among other items, professional fees, compliance costs and management compensation. Investors may find this supplemental information useful to analyze the Fund's expenses relative to other mutual fund trusts.

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

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

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

VISION AND CORE BUSINESS

Private equity (investing in privately-owned businesses) is a growing asset class that has the potential to deliver superior returns. However, the considerable challenges of finding and financing investments in private companies prevent many individual investors from participating – as these businesses are generally hard to find, have few external shareholders, require large minimum investments and are generally illiquid.

NPF was established to provide investors with a simple way to access private equity through ownership of a professionally managed portfolio of successful Canadian private businesses that offers income, growth, diversification and liquidity for investors.

NPF's investment philosophy is to make long-term equity investments in established, profitable, well-managed private businesses across Canada. These businesses distribute their profits to the Fund, which in turn pays monthly distributions to unitholders. By investing in NPF, unitholders participate in the growth potential of these businesses while earning a steady stream of income.

In making its private equity investments, the Fund draws on the management expertise of Newport Partners LP (Newport or NP LP), its wholly-owned subsidiary, which has investment management expertise and a strong franchise value among successful entrepreneurs. Newport is an asset manager with approximately $1.2 billion of AUM on behalf of private clients.

NPF's vision is to be the equity partner of choice to Canada's most successful entrepreneurs. This vision supports the strategy of selectively expanding the portfolio to deliver increased value to unitholders.

STRATEGY

To accomplish its vision, NPF's **business strategy** is focused on:

- Generating a steady flow of potential investment opportunities by tapping into Newport's large, national network of contacts and relationships with successful entrepreneurs. This is a proprietary advantage Newport has cultivated over a history of providing personal and corporate wealth management services to this marketplace.
- Offering a unique combination of benefits for successful entrepreneurs who own and operate private businesses: access to growth capital; strategic support; operational autonomy; liquidity; and diversity of personal wealth. For many entrepreneurs, this value proposition is just as, or more important than the valuation of the business. This is a point of differentiation from other prospective private equity buyers. Consequently, the Fund generally does not compete for investments and has the opportunity to invest at attractive valuations (i.e. 5-6 times EV/EBITDA).

NPF's **investment strategy** is based on:

- Investing in well established businesses with leading or niche positions in their respective industries, long histories of profitability, executable growth plans and management teams that are known to us.
- Investing for a significant equity interest (typically 50–80%) and allowing management to retain an interest in the business. This helps to ensure management's interests are aligned with ours as investors.
- Providing capital allocation and strategic advice to support the growth and performance of the businesses held in the portfolio. Day-to-day operations are the core competency and responsibility of the management teams in which the Fund invests. We believe this strategy gives each party the platform and incentive to do what they do best.
- Investing for income. The Fund seeks to invest in businesses that have the capacity to distribute their cash flows to unitholders and grow organically without requiring significant re-investment of capital. A key element of this strategy is to invest at reasonable valuations. With each investment we make, we expect to receive cash flow from our share of the annual profits of the business, equating to 16–20% of our total invested capital. We believe this income-oriented approach to private equity reduces risk -- as investors effectively 'get paid while they wait' for the business to grow and its underlying value to appreciate.
- Investing for growth. As the underlying businesses grow organically and through acquisitions, using capital available from the Fund, distributable cash to investors is increased and the underlying value of the portfolio can be expected to appreciate.
- Managing risk through diversification and prudent use of leverage. This is a significant point of differentiation from many private equity firms that invest using high leverage – as much as 4-6 times debt to EBITDA. NPF maintains a strong balance sheet with a targeted net debt to EBITDA ratio of 2.5 times.

NPF's **financial strategy** is based on:

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

KEY PERFORMANCE DRIVERS

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

Investing Activities:

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

Funding Activities:

- Securing access to capital sources that enable the Fund to make new investments that are accretive to unitholders while maintaining a strong balance sheet.

Some of NPF's key financial performance indicators and results against those indicators as of June 30, 2007 are set out below:

KEY PERFORMANCE INDICATORS	AS AT JUNE 30, 2007
Q2 2007 Distributable cash per unit from continuing operations	$0.21
Q2 2007 Distributable cash per unit	$0.17
Net debt / LTM EBITDA	2.55 x
Corporate costs to net asset ratio	1.28%
LTM distributable cash yield from the portfolio	17.6%
LTM distributable cash yield from the portfolio including discontinued operations	14.2%

CAPABILITY TO DELIVER RESULTS

LIQUIDITY AND CAPITAL RESOURCES

OPERATING CASH FLOW AND WORKING CAPITAL

Cash provided by continuing operations was $19.7 million for the three months ended June 30, 2007, compared to $17.0 million for the period ended June 30, 2006. The Fund had positive working capital of approximately $45.3 million at June 30, 2007, compared to $125 million at December 31, 2006. Distributions paid in the period exceeded distributable cash by $5,460. The shortfall was funded by cash reserves and the revolving credit facility. We believe that based on our expectations of operating activities for the portfolio we will have sufficient working capital available to fund our needs. Reduced seasonality of the portfolio improves our ability to manage the working capital and liquidity position of the Fund. Our revolving credit facility is available to fund working capital needs as required. We continue to make progress on closing the gap between our distributions and our distributable cash and with the divestiture of RGC we expect accelerated progress for the balance of the year.

FINANCING

NPF has a $320 million Senior Credit Agreement with an affiliate of Fortress, part of a global alternative investment and asset management firm with approximately $36 billion in AUM. The Credit Facility is comprised of $245 million of available term debt and a $75 million revolving facility. The interest rate on the 5 year term facility is equal to the 3-month LIBOR rate plus 3.50% to 4.95% depending on total senior leverage ratio. The revolving facility carries interest at the BA rate plus 2.50%. The Credit Facility has customary positive and negative covenants. The negative covenants include a limit on the Fund's distributions relative to distributable cash and a leverage limit of 2.75 times total senior debt to LTM EBITDA. As at June 30, 2007 the Fund's total senior leverage ratio was 2.55 times and it was in compliance with all the covenants in the Credit Facility. As at June 30, 2007, $57 million of the revolving credit facility has been drawn and $190 million has been drawn under the term loan.

Subsequent to quarter end, the Fund signed a second amendment to its credit facility and took the opportunity to clarify the definition of distributable cash to account for portfolio additions and dispositions in keeping with the Fund's activity as an asset manager.

CAPITAL EXPENDITURES

The portfolio incurred total capital expenditures (capital lease payments and maintenance capital expenditures) of $1.5 million for the period compared with $1.3 million in the prior year period. The industrial services segment accounts for 67% of the Fund's total capital expenditures.

CAPITAL STRUCTURE

The Fund maintains a balanced and flexible capital structure that is comprised largely of permanent equity and long-term debt or equity-linked debt. We believe this is the most appropriate method of financing our long-term assets.

An important element of the Fund's debt management strategy is that there is no debt at the operating partnership level (with the exception of minority owned Brompton). All of the debt is at the Fund level. At June 30, 2007 the debt under the Credit Facility represented 32% of our capital structure, with 68% being equity and equity-linked debt. The Fund provides working capital advances to the operating partnerships as well as providing funding for tuck-in acquisitions. In addition, the Fund uses the Credit Facility to make investments in new operating partnerships and to fund shortfalls in distributions as they arise. The Fund believes that this consolidated debt strategy as well as our target of maintaining total senior debt to LTM EBITDA of 2.50 times or less reduces the overall risk to unitholders and is consistent with our prudent use of leverage as compared with many private equity firms.

On December 8, 2006, NPF announced that it had filed a notice with the TSX to introduce a NCIB and received approval to purchase for cancellation, through the facilities of the TSX, up to 1,924,572 of its units, representing approximately 5% of its then 38,491,445 issued and outstanding units. During the second quarter, NPF purchased 240,000 units under the NCIB, bringing the total repurchased to June 30, 2007 to 867,500. We intend to continue to make purchases of the units from time to time at the prevailing market price where we believe it to be in the best interests of the Fund and our unitholders.

NON-CAPITAL RESOURCES

INVESTMENT EXPERTISE

Newport's core competency is investment management. The principals involved in Newport are a highly experienced group of investment managers with, on average, 25 years financial services experience. The Investment Committee of the Fund, which is responsible for reviewing and approving all investments for the Fund, consists of seven senior members of Newport whose backgrounds originate in investment management, accounting and corporate finance. We believe we have the intellectual capital and the capacity within our existing team to execute our investment strategy. There has been no attrition and Newport's principals are large unitholders of the Fund.

ENTREPRENEUR NETWORK

Generating 'deal flow' of potential new investments is a critical success factor for private equity investment. Newport has trusted relationships and an extensive network of contacts in the Canadian private business sector from which it generates new investment opportunities for the Fund. This network is derived from the personal contacts of NP LP's principals, the management teams of the companies in the portfolio and a client base of 400 entrepreneurial families. This network represents a competitive advantage that has enabled the Fund to achieve its 2007 goal of investing $100-$150 million of new capital into high quality private equities at reasonable valuations. As of the date of this report, NPF has invested $154.1 million in 2007.

INVESTMENT PHILOSOPHY AND CULTURE

NPF has a highly entrepreneurial culture and investment philosophy that is attractive to successful entrepreneurs of leading private businesses – many of whom would otherwise be disinclined to accept a financial partner in their business. The investment proposition for the entrepreneur is based on providing working and growth capital; strategic support; operational autonomy; and liquidity and diversity of personal wealth. In many cases, these factors are more important to the entrepreneur than the actual price he/she receives for the business.

The result of this capability is that the Fund generally does not compete with other potential buyers for its investments. We believe the Fund is somewhat insulated from increased levels of private equity investment activity and rising valuations.

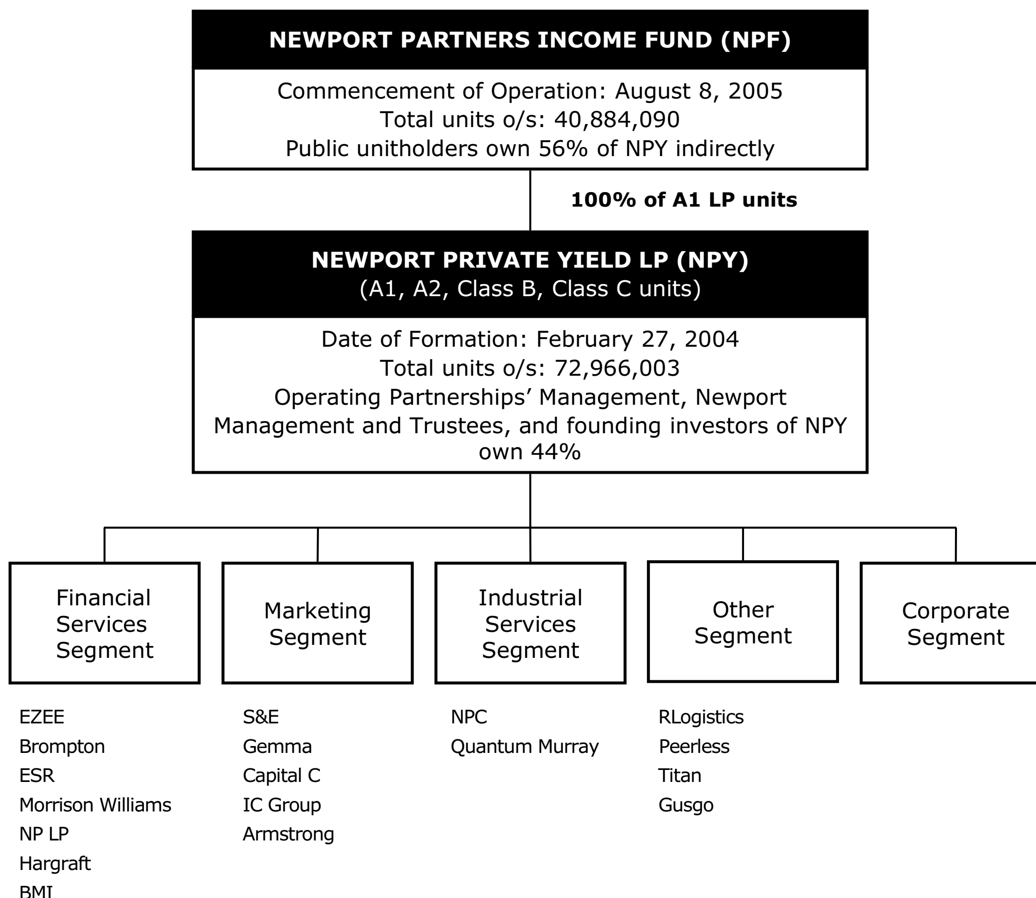
SYSTEMS AND PROCESSES

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

OTHER FACTORS IMPORTANT TO UNDERSTANDING OUR RESULTS

SIMPLIFIED STRUCTURE – NPF AND NPY

NPF is an unincorporated, open-ended, limited purpose trust, which was created to hold an indirect interest in NPY. NPY is a limited partnership formed to invest in securities of private businesses and distribute the available cash flows to the limited partners.



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

NPY UNITS OUTSTANDING

A1	A2	B1	B2	C	TOTAL
40,884,090	27,374,924	1,536,216	843,173	2,327,600	72,966,003

During the period January 1, 2007 to June 30, 2007, 1,164,569 A2 LP units and 1,303,456 B4 LP units were exchanged for units of NPF, and 867,500 A1 units were cancelled.

During the second quarter, under the terms of its NCIB, NPF purchased and cancelled a total of 240,000 units with an average purchase price of $5.93.

DISCONTINUED OPERATIONS

On April 30, 2007, NPF completed the sale of 100% of the assets of RGC, a consumer electronics distributor for a gross price of $34 million (excluding its investment in RLogistics), of which $4 million is subject to holdback and adjusted based on a final calculation of Net Tangible Assets. Net proceeds to the Fund to date are $24 million. RGC's 45% equity investment in RLogistics, completed in May 2006, has not been sold. The Fund's 36% equity interest in RLogistics is reported in the Other segment.

The assets and liabilities of RGC, excluding RLogistics, have been classified as discontinued operations in the consolidated balance sheets as at June 30, 2007 and December 31, 2006, and the results of operations of RGC have been classified as discontinued operations in the consolidated statements of operations and statements of changes in financial position for the periods ended June 30, 2007 and 2006.

FUTURE INCOME TAXES

The Government of Canada's enactment of Bill C-52 Budget Implementation Act, 2007 in June 2007 contained provisions that will make public income trusts subject to the payment of a Trust income tax on their earnings commencing in 2011. The impact to the Fund of the enactment of Bill C-52 in the second quarter is that the Fund must now comply with the CICA's recommendations regarding the accounting for future taxes arising from differences between the tax basis of an asset or liability and its carrying amount on the balance sheet under GAAP. What this means for the Fund is that it must estimate the expected value of its assets and liabilities as of January 1, 2011 and compare this to the estimated tax value for these assets and liabilities and record the difference as non-cash future tax amounts using a tax rate of 31.5%. In general, there are no material differences in the values for operating assets and liabilities such as accounts receivables, inventory and trade payables for the 18 holdings that comprise the Fund's current investment portfolio. There are, however, differences[1] for example between the carrying values of definite life intangibles (e.g. customer contracts) and indefinite life intangibles (e.g. brands) that arise as part of the Fund's accounting for its investments in the underlying operating partnerships. As one example, under GAAP, the Fund records intangible assets and these assets have a lesser value for tax purposes. In this case, a future tax liability would be recorded. If the Fund was to divest of one or more of its operating partnerships for an amount that is equal to or more than the tax carrying value this would give rise to a gain because the proceeds would be greater than the tax value of the assets. The tax would be paid out of the proceeds of the divestiture with no impact on the Fund's operating cash and the future tax liability previously recorded would be reduced accordingly.

The Fund's second quarter financial results include a net future income tax expense of $40 million representing all temporary differences as at June 30, 2007. It is expected that in subsequent periods, adjustments will be made to the future tax liability amount when new investments are made and also to reflect changes in the accounting and tax values of the Fund's assets based on its current portfolio. The expense recorded in the second quarter and in subsequent quarters has no impact on the Fund's operations, and has no impact on cash generated by operating activities or on distributable cash.

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

NPF prepares its financial statements in accordance with GAAP. The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities, and the reported amounts of revenues and expenses for the period of the consolidated financial statements. Significant accounting policies and methods used in the preparation of the financial statements are described in note 1 to the 2006 audited annual consolidated financial statements as well as in Accounting Policies – Impact of New Account Standards discussed below. NPF, NPY and the Operating Partnerships evaluate their estimates and assumptions on a regular basis, based on historical experience and other relevant factors. Included in the consolidated financial statements are estimates used in determining allowance for doubtful accounts, inventory valuation, the useful lives of property, plant and equipment and intangible assets, revenue recognition and other matters. Actual results could differ materially from those estimates and assumptions.

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

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

GOODWILL AND INTANGIBLE ASSETS

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values. When NPF enters into a business combination, the purchase method of accounting is used. Goodwill is assigned as of the date of the business combination to reporting units that are expected to benefit from the business combination. NPF's reported goodwill was $270 million at June 30, 2007.

Goodwill is not amortized and is tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. As at June 30, 2007, there were no indicators of impairment in the carrying value of goodwill.

Intangible assets acquired individually or as part of a group of other assets are recognized and measured at cost. Intangible assets acquired in a transaction, including those acquired in business combinations, are recorded at their fair value. Intangible assets with determinable useful lives, such as ATM location contracts, customer relationships and contracts, and management contracts, are amortized over their useful lives and are tested for impairment annually. Intangible assets having an indefinite life, such as brands, are not amortized but instead are tested for impairment on an annual or more frequent basis by comparing their fair value with book value. As at June 30, 2007, there were no indicators of impairment in the carrying value of NPF's intangible assets. The net book value of intangible assets was $306 million at June 30, 2007.

ACCOUNTING POLICIES

NPF prepares its financial statements in accordance with GAAP. NPF's accounting policies are disclosed in the notes of the 2006 audited annual consolidated financial statements and in the following disclosure of the impact of new accounting standards.

IMPACT OF NEW ACCOUNTING STANDARDS

Effective January 1, 2007, the Fund adopted the CICA's Handbook Section 3855 "Financial Instruments – Recognition and Measurement", Section 1530 "Comprehensive Income" and Section 3861 "Financial Instruments – Disclosure and Presentation".

The adoption of the new standards resulted in changes in accounting for financial instruments. NPF will continue to capitalize all costs related to the credit facility agreement and convertible debt in accordance with section 3855.57(b) and has netted such costs against the debt instruments. NPF has calculated the amortization of such costs using the effective interest rate and has reflected the impact of this new standard with an adjustment to opening retained earnings.

The comparative interim consolidated financial statements have not been restated. For a description of the principal changes in accounting policy see note 2 to the consolidated financial statements.

FUTURE ACCOUNTING STANDARDS

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

Section 1535 establishes guidelines for the disclosure of information regarding a business' capital and how it is managed. The standard 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 includes 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 to 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.

RESULTS – SECOND QUARTER PERFORMANCE

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

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

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2007	2006	2007	2006
NPY (representing non-controlling interest)	30,858	35,962	31,291	36,666
NPF	39,804	31,200	39,608	29,324
Total weighted average units outstanding[1]	70,662	67,162	70,899	65,990
Total distributions paid and payable	$ 17,679	$ 16,270	$ 35,502	$ 31,209
Distributions per unit	$ 0.25	$ 0.24	$ 0.50	$0.47
Cash provided by operations	$ 19,521	$ 10,963	$ 35,187	$ 29,249
Cash used in discontinued operations	201	6,078	(9,413)	(7,027)
Add (deduct): changes in non-cash working capital	(3,423)	(3,331)	2,291	5,832
Add (deduct): priority income per partnership agreement[2]	(31)	162	1,662	(288)
Deduct: maintenance capital expenditures	(788)	(331)	(2,195)	(470)
Deduct: capital lease payments	(738)	(772)	(1,484)	(1,435)
Distributable cash from continuing operations	14,742	12,769	26,048	25,861
Distributable cash used by discontinued operations	(2,523)	(2,708)	(4,864)	(3,734)
Distributable cash	$ 12,219	$ 10,061	$ 21,184	$ 22,127
Distributable cash per unit from continuing operations	$0.21	$0.19	$0.37	$0.39
Cash used per unit by discontinued operations	$(0.04)	$(0.04)	$(0.07)	$(0.05)
Distributable cash per unit	$0.17	$0.15	$0.30	$0.34
Net (loss) income for the period	$ (39,343)	$ 24	$ (44,331)	$ 1,299
Shortfall of distributions paid to distributable cash	$ (5,460)	$ (6,209)	$ (14,318)	$ (9,082)
Shortfall of distributions paid to net income (loss)[3]	$ (57,022)	$ (16,246)	$ (79,833)	$ (29,910)

BALANCE SHEET ($000s)

	AS AT JUNE 30, 2007	AS AT DECEMBER 31, 2006
Total assets	$ 891,367	$ 894,349
Revolving credit facility	57,063	5,000
Long-term debt[4]	185,031	170,000
Convertible debt[4]	81,321	83,970
Unitholders' equity - NPF & NPY	$ 388,835	$ 478,235

[1] Represents weighted average number of units outstanding during the period adjusted for C LP units which are currently subordinated and therefore received no distributions. The subordination period for these units expires on September 30, 2007.

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

[3] Net income is after deducting amortization and future income taxes.

[4] Subsequent to December 31, 2006 changes to accounting rules require that deferred financing charges are netted against long term debt and convertible debt. As at June 30, 2007 the gross long term debt outstanding was $190,000 and the convertible debt was $84,500.

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

Three months ended June 30, 2007

	FINANCIAL SERVICES	MARKETING	INDUSTRIAL SERVICES	OTHER	CORPORATE[1]	TOTAL
Revenue	$ 24,469	$ 21,996	$ 64,960	$ 22,319	-	$133,744
Gross margin	12,917	11,907	14,495	5,634	-	44,953
Income (loss) from continuing operations before non-controlling interest	(14,253)	(7,744)	1,039	(7,925)	(7,515)	(36,398)
EBITDA	10,583	3,580	6,997	2,487	(2,036)	21,611
Loss on dilution of ownership interest	-	-	-	-	220	220
Adjusted EBITDA[2]	10,583	3,580	6,997	2,487	(1,816)	21,831
Interest (income) expense	(133)	78	483	610	5,450	6,488
Non-cash interest expense	-	-	-	-	(238)	(238)
Income tax expense (recovery) - current	6	-	(164)	-	-	(158)
Maintenance capital expenditures and reserves	(45)	414	358	61	-	788
Capital lease payments	-	55	664	19	-	738
Compensation expense funded by operating partner[3]	560	-	-	-	-	560
Priority income per partnership agreement[4]	-	180	(296)	85	-	(31)
Distributable cash from continuing operations	$ 11,315	$ 3,213	$ 5,360	$ 1,882	$ (7,028)	$ 14,742
Cash used by discontinued operations						$ (2,523)
Distributable cash						$ 12,219
Distributable cash per unit from continuing operations						**$0.21**
Cash used per unit by discontinued operations						$(0.04)
Distributable cash per unit						$0.17

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

Three months ended June 30, 2006

	FINANCIAL SERVICES	MARKETING	INDUSTRIAL SERVICES	OTHER	CORPORATE[1]	TOTAL
Revenue	$ 15,993	$ 14,622	$ 51,263	$ 1,624	-	$ 83,502
Gross margin	8,312	6,566	10,855	345	-	26,078
Income (loss) from continuing operations before non-controlling interest	3,108	1,257	2,982	448	(3,236)	4,559
EBITDA	7,414	2,919	5,779	448	(1,195)	15,365
Loss on dilution of ownership interest	-	-	-	-	-	-
Adjusted EBITDA[2]	7,414	2,919	5,779	448	(1,195)	15,365
Interest (income) expense	(45)	(6)	422	-	1,719	2,090
Income tax expense (recovery) - current	25	(25)	(66)	-	-	(66)
Maintenance capital expenditures and reserves	181	(15)	356	-	-	522
Capital lease payments	-	40	732	-	-	772
Compensation expense funded by operating partner[3]	560	-	-	-	-	560
Priority income per partnership agreement[4]	-	162	-	-	-	162
Distributable cash from continuing operations	$ 7,813	$ 3,087	$ 4,335	$ 448	$ (2,914)	$ 12,769
Cash used by discontinued operations						$ (2,708)
Distributable cash						$ 10,061
Distributable cash per unit from continuing operations						**$0.19**
Cash used per unit by discontinued operations						$(0.04)
Distributable cash per unit						$0.15

[1] The results of the Corporate segment include corporate costs and corporate interest expense.
[2] Adjusted EBITDA excludes the non-cash gains or loss on changes to ownership interest.
[3] NPF's agreement with ESR contemplates that certain employee bonuses are paid for by the 20% limited partners. GAAP requires that the bonuses be expensed and therefore reduces EBITDA. Since there is no cash outlay by NPF the expense is added back in arriving at distributable cash.
[4] To the extent that in any reporting period, calculated on a cumulative basis, NPF's proportionate share of distributable cash is more or less than its priority amount, an adjustment to distributable cash is made to reflect the actual cash distributions payable to NPF by the operating partner.

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

Six months ended June 30, 2007

	FINANCIAL SERVICES	MARKETING	INDUSTRIAL SERVICES	OTHER	CORPORATE[1]	TOTAL
Revenue	$ 42,907	$ 43,650	$ 115,926	$ 47,476	-	$249,959
Gross margin	20,527	23,575	25,721	12,481	-	82,304
Income (loss) from continuing operations before non-controlling interest	(11,871)	(6,062)	2,532	(7,014)	(20,403)	(42,818)
EBITDA	17,092	7,488	11,698	5,883	(9,564)	32,597
Loss on dilution of ownership interest	-	-	-	-	6,064	6,064
Adjusted EBITDA[2]	17,092	7,488	11,698	5,883	(3,500)	38,661
Interest (income) expense	(212)	139	904	1,205	10,810	12,846
Non-cash interest expense	-	-	-	-	(818)	(818)
Income tax expense (recovery) - current	12	-	(324)	-	-	(312)
Maintenance capital expenditures and reserves	136	771	1,114	174	-	2,195
Capital lease payments	-	90	1,358	36	-	1,484
Compensation expense funded by operating partner[3]	1,120	-	-	-	-	1,120
Priority income per partnership agreement[4]	-	440	1,007	215	-	1,662
Distributable cash from continuing operations	$ 18,276	$ 6,928	$ 9,653	$ 4,683	$ (13,492)	$ 26,048
Cash used by discontinued operations						$ (4,864)
Distributable cash						$ 21,184
Distributable cash per unit from continuing operations						**$0.37**
Cash used per unit by discontinued operations						$(0.07)
Distributable cash per unit						$0.30

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

Six months ended June 30, 2006

	FINANCIAL SERVICES	MARKETING	INDUSTRIAL SERVICES	OTHER	CORPORATE[1]	TOTAL
Revenue	$ 32,147	$ 28,579	$ 93,339	$ 1,624	-	$155,689
Gross margin	17,638	12,513	18,773	345	-	49,269
Income (loss) from continuing operations before non-controlling interest	8,590	1,967	5,634	448	(5,727)	10,912
EBITDA	16,608	5,354	10,569	448	(2,177)	30,802
Loss on dilution of ownership interest	-	-	-	-	-	-
Adjusted EBITDA[2]	16,608	5,354	10,569	448	(2,177)	30,802
Interest (income) expense	(101)	44	817	-	2,932	3,692
Income tax expense (recovery) - current	76	(25)	(66)	-	-	(15)
Maintenance capital expenditures and reserves	196	64	401	-	-	661
Capital lease payments	-	78	1,357	-	-	1,435
Compensation expense funded by operating partner[3]	1,120	-	-	-	-	1,120
Priority income per partnership agreement[4]	(720)	432	-	-	-	(288)
Distributable cash from continuing operations	$ 16,837	$ 5,625	$ 8,060	$ 448	$ (5,109)	$ 25,861
Cash used by discontinued operations						$ (3,734)
Distributable cash						$ 22,127
Distributable cash per unit from continuing operations						**$0.39**
Cash used per unit by discontinued operations						$(0.05)
Distributable cash per unit						$0.34

1 The results of the Corporate segment include corporate costs and corporate interest expense.
2 Adjusted EBITDA excludes the non-cash gains or loss on changes to ownership interest.
3 NPF's agreement with ESR contemplates that certain employee bonuses are paid for by the 20% limited partners. GAAP requires that the bonuses be expensed and therefore reduces EBITDA. Since there is no cash outlay by NPF the expense is added back in arriving at distributable cash.
4 To the extent that in any reporting period, calculated on a cumulative basis, NPF's proportionate share of distributable cash is more or less than its priority amount, an adjustment to distributable cash is made to reflect the actual cash distributions payable to NPF by the operating partner.

INVESTMENT & FUNDING ACTIVITIES

These tables provide a summary of new investments made by the Fund during the quarter ended June 30, 2007. Additional information about these investments is provided in the Segment Operating Results section of this report.

NEW OPERATING PARTNERSHIPS (DOLLAR AMOUNTS IN $000s)

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

STRATEGIC ACQUISITIONS BY OPERATING PARTNERSHIPS (DOLLAR AMOUNTS IN $000s)

SEGMENT	DATE	INVESTMENT	CAPITAL INVESTED
Financial Services	30-Apr-07	**EZEE** acquired the Canadian ATM assets of Les Systemes Electroniques Technoda Inc.	$ 1,600
Industrial Services	9-May-07	**NPC** acquired an 80% interest in Nor-Tech Systems Ltd., an electrical and instrumentation contracting company with a focus on the oil and gas industry.	4,700
	30-May-07	**Quantum Murray** acquired 100% of the assets of Thomson, which provides a full spectrum of integrated metal and recycling services from demolition to collection, processing, management, transportation and sales.	18,300
Total			$ 24,600

SUMMARY RESULTS – NPF ($000s)

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2007	**2006**	**2007**	**2006**
Revenues	$ 133,744	$ 83,502	$ 249,959	$ 155,689
Cost of revenues	(88,791)	(57,424)	(167,655)	(106,420)
Gross profit	44,953	26,078	82,304	49,269
Selling, general and administrative expenses	(24,733)	(12,030)	(46,680)	(21,460)
Depreciation and amortization expense	(11,237)	(8,139)	(21,955)	(15,146)
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)
Income tax (expense) recovery – current	158	66	312	15
Income tax (expense) recovery - future	(39,958)	-	(39,958)	-
Loss on dilution of interest	(220)	-	(6,064)	-
Income (loss) from continuing operations	(36,398)	4,559	(42,818)	10,912
Income (loss) from continuing operations	(36,398)	4,559	(42,818)	10,912
Add:				
Depreciation and amortization	11,237	8,139	21,955	15,146
Amortization of Brompton intangible assets	484	643	968	1,067
Interest expense	6,488	2,090	12,846	3,692
Income tax expense (recovery)	(158)	(66)	(312)	(15)
Income tax (expense) recovery - future	39,958	-	39,958	-
EBITDA	$ 21,611	$ 15,365	$ 32,597	$ 30,802
Loss on dilution of ownership interest	220	-	6,064	-
Adjusted EBITDA	21,831	15,365	38,661	30,802
Invested capital	$ 503,457	$ 323,717	$ 487,144	$ 296,588

SECOND QUARTER AND YEAR-TO-DATE RESULTS

Revenue from continuing operations for the three month period ended June 30, 2007 was $133,744 compared to $83,502 in the prior year period. For the six month period ended June 30, 2007, revenue was $249,959, compared to $155,689 in the prior year period.

The enactment in June 2007 of Bill C-52 resulted in a GAAP requirement to record a future income tax expense of $39,958 in the second quarter of 2007. NPF is now required to record future income tax related to temporary differences at the Fund level, which represents the differences between the accounting and tax basis of the Fund's net assets. This is a non-cash expense that has no current impact on the Fund's cash from operating activities.

Net loss for the three month period from continuing operations was $(36,398) compared to income of $4,559 for the same period in 2006. Net loss for the six months ended June 30, 2007 was $(42,818) compared to income of $10,912 for the same period in 2006.

On April 30, 2007, the Fund closed its divestiture of RGC, the results from discontinued operations were as follows:

	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)

Overall, the Fund reported a net loss after controlling interest for the three month period ended June 30, 2007 of $(39,343) compared to net income of $24 in the prior year period.

Adjusted EBITDA from continuing operations of $21,831 was up 42.1% compared to $15,365 in 2006. For the six month period, adjusted EBITDA was $38,661 compared with $30,802 in the prior year period. EBITDA highlights within the portfolio are as follows:

As expected, ESR's financial results were much improved over the first quarter, producing $3,037 of EBITDA versus $698, as the company picked up contingent profit commission revenues that historically were earned in the first quarter. For the first six months of the year, ESR's performance is tracking to our expectations and the outlook remains unchanged for a slight decline over fiscal 2006 given the challenging insurance market environment.

Quantum Murray also produced a stronger quarter generating $3,771 of EBITDA. Projects that had been delayed in the first quarter came to fruition in the second as management had expected. The current market environment for demolition services is strong and Quantum Murray's western-based hazardous materials and remediation services operations are performing well. The only area of weakness is the remediation business in Ontario and management is focused on building these revenues. Year-to-date, the business is tracking to expectations and Quantum Murray enters the third quarter with a solid backlog of contracted projects.

NPC had a strong quarter generating $3,226 of EBITDA. Despite a currently weak industry environment, results from NPC's plant turnaround operations significantly exceeded management's expectations and its base maintenance business, led by its Cobra division, also grew over the same period in 2006. NPC's construction facility operations continued to be negatively impacted by weak gas prices that have resulted in an industry-wide pullback on new capital projects. As reported previously, NPC management has forecasted a modest reduction in its overall financial results for 2007 and its current view is that the industry cyclicality impacting construction operations may not be reversed in this fiscal year. Recent acquisitions should more than offset this weakness. In addition, subsequent to quarter end, NPC acquired an 80% interest in Golosky. With operations in Fort McMurray and Edmonton, Golosky provides diversified services to the oil sands, oil and gas, pulp and paper and construction industries in Northern Alberta.

Reduced spending and drilling activity in the Alberta energy sector also had a negative impact on sales of Titan's products to the oil and gas and transportation industries. As a result, EBITDA was significantly reduced compared to the prior year period and the first quarter of this year. Titan management does not expect to recoup the shortfall in the second half of the year and as a result we expect this investment to underperform in the short term. Titan management is implementing an expense reduction plan, including workforce reduction until the market environment improves.

In the Other segment, Peerless had a soft quarter as the timing of government contracts for military apparel is difficult to predict, generally occurring in three to four year cycles. Management's outlook is that fiscal 2007 will likely be a weaker year in the cycle.

The Marketing segment, which overall has performed very well over the past two years, had a slower quarter in comparison to the first quarter and to management's expectations. This was primarily due to reduced spending by packaged goods manufacturers who are experiencing margin compression. At Capital C, investment in non-billable time related to new business development and higher employment and occupancy costs related to its move were factors. However, Capital C management expects this to be a temporary weakness that will be made up in the second half of the year based on recent new business wins. Gemma and IC Group were the exceptions within the marketing group as they each produced strong quarters of significant growth in revenues and EBITDA from the introduction of new programs for clients.

EBITDA from the remainder of the portfolio was either in line with management's expectations or at variance by amounts that were immaterial to the Fund.

Distributable cash from continuing operations was $14,742, compared with $12,769 in the prior year period. This resulted in $0.21 of distributable cash per unit, compared to $0.19 in the prior year period.

Cash used by discontinued operations, RGC was $(2,523), compared with $(2,708) in the prior year period. This resulted in $(0.04) of distributable cash per unit, compared to $(0.04) in the prior year period. On April 30, 2007, the Fund completed its divestiture of RGC.

In total, distributable cash per unit increased to $0.17 compared to $0.15 generated in the prior year period. For the six month period ended June 30, 2007, distributable cash per unit was $0.30, compared to $0.34 in the prior year period. With the divestiture of RGC, the Fund expects to begin to accelerate the rate at which it can close the gap between distributions and distributable cash.

Other factors impacting distributable cash were as follows:

Interest costs increased as the Fund's capital structure was expanded and diversified to fund NPF's investment program and to provide working capital to an expanded portfolio. During the period, cash interest costs were $6,250, compared with $2,090 in the prior year period. Interest costs are affected by the timing of investments and include both cash and non-cash amounts.

Capital expenditures were reduced from the first quarter, primarily due to a higher than usual first quarter of expenditures by NPC. The industrial services sector is typically the largest component of both capital expenditure and capital leases. Capital lease repayments in this quarter were consistent with the first quarter.

SECOND QUARTER PERFORMANCE SUMMARY - BY OPERATING PARTNERSHIP

OPERATING PARTNERSHIP	EBITDA ($000s)	DISTRIBUTABLE CASH ($000s)	COMMENTARY
Financial Services			
EZEE	1,407	1,407	EZEE substantially completed the integration of its recently acquired ATM portfolios from TRM and Technoda and these transactions contributed to a significant increase in revenues over the prior year period. This more than offset the continuing softness in its ATM transactions within its Quebec-based portfolio, which was impacted by the no-smoking by-law in that province. The outlook for EZEE remains positive for the balance of the year. Additional revenues from the TRM and Technoda acquisitions and a new contract to install 48 ATMs at a national retail chain should be achieved with no new investment in service or support. In addition, cost cutting initiatives in communication, service and sales should enhance margins.
Brompton	962	1,101	Compared to the previous quarter, assets under management were up slightly due to positive market performance and results were better than management anticipated at the end of the first quarter. The market environment for new issues of structured products remains challenging however, and this is impacting Brompton's growth.
ESR	3,037	3,574	Revenue and EBITDA were significantly higher than the previous year period due to the contribution from contingent profit commissions that were higher than the prior year period and higher than the first quarter of this year. ESR management expects that over the course of the full fiscal year, the contribution of contingent profit commissions in 2007 will generally be flat to 2006 levels. ESR's commission revenues were down slightly over the prior year period as anticipated, due to intense pricing competition in a challenging insurance market environment. Overall, for 2007, management continues to expect a moderate reduction in its financial results based on the unchanged market conditions.
Morrison Williams	2,188	2,188	Morrison Williams' AUM increased 2.6% over the previous quarter, and were basically flat compared to June 30, 2006, due to strong investment performance that offset the continued but slowing redemptions in mutual funds. Based on its current outlook, Morrison Williams' management expects similar results for the balance of fiscal 2007.
NP LP	1,166	1,142	NP LP's revenue and EBITDA increased slightly over the prior year period due primarily to enhanced corporate advisory and insurance fees. These factors more than offset the 2.8% decline in AUM from the prior year period. The outlook remains positive for modest growth in fiscal 2007 from increased marketing efforts and a strong pipeline of corporate advisory opportunities.
Hargraft	1,105	1,134	Hargraft's financial results reflect the strong contribution of contingent profit commission revenues during the period. Hargraft's commission revenues continue to reflect the previously reported competitive market pressures on premium pricing in its property and casualty business, particularly in the transportation sector. Overall, for fiscal 2007, management does not anticipate a significant change in the market environment and expects heightened competition will continue.
BMI	718	769	NPF invested in BMI on April 17, 2007. BMI's insurance premium volumes during the quarter increased over the prior year period, with a slight decrease in revenues as anticipated due to pricing competition. Renewal retention performance is excellent and financial results were in line with expectations for the quarter.
	10,583	**11,315**	
Marketing			
S&E	13	51	Although S&E experienced a decline in revenues and EBITDA over the prior year period, primarily due to the previously reported cancellation of a major client contract late in 2006, management has been making progress on rebuilding the company with a focused strategy that includes the introduction of fee-based consulting services for targeted industry sectors that have a propensity for sports and entertainment marketing. This focus has resulted in a new account with a major financial institution and an expanded pipeline of prospects. S&E is also sharing services with Armstrong and they plan to combine offices in the second half of the year or early 2008 to promote cross selling opportunities.
Gemma	1,382	1,300	Gemma achieved material growth in both revenues and EBITDA over the prior year period. This growth was primarily the result of increased outbound business-to-business activity and higher utilization levels at Gemma's Montreal location. Gemma's management expects business during the second half of the year to remain strong based on its current contracts and pipeline of new opportunities. Gemma's immediate challenge will be managing the annual turnover of student workers who return to school in September. However, with the steps that it has taken to date, management believes that this transition will be made successfully.
Capital C	1,112	679	After a strong first quarter, Capital C's performance during the period was weaker than the prior year period due to investments it made in non-billable time related to new business development and higher employment and occupancy costs related to its move to new premises. The combined timing of these activities produced temporarily lower revenues and EBITDA. However, this strategy yielded significant new project work with expanded capacity to provide integrated services to a more diversified base of clients. Capital C management expects strong performance in the third quarter, which historically has been lighter due to seasonality, and in the fourth quarter.

OPERATING PARTNERSHIP	EBITDA ($000s)	DISTRIBUTABLE CASH ($000s)	COMMENTARY
IC Group	551	541	IC Group had significant growth in revenues and EBITDA over the prior year period though results were below management's expectations. Higher revenues were offset somewhat by higher development costs related to a pilot software project for a major global client and flat profitability of its specialty insurance division. Although the summer months are seasonally weaker, the outlook for IC Group continues to be positive for the second half of the year based on its currently contracted work and new opportunities generated from the rollout of its pilot software project.
Armstrong	522	642	Armstrong had a challenging quarter in which revenues were lower due to previously reported reduced spending by its online gaming customers and to delayed or cancelled projects by packaged goods accounts that are experiencing margin compression. Aggressive business development efforts are underway to supplement lost revenues. Armstrong management's outlook is that the second half of the year will be slightly better than the first half as new business wins from the second quarter and recent cost cutting efforts (e.g. SG&A and workforce reduction) are expected to contribute to improved results.
	3,580	**3,213**	
Industrial Services			
NPC	3,226	2,017	NPC's revenue and EBITDA for the second quarter were strong despite reduced activity in the Alberta oil and gas industry and poor weather conditions. Positive results were led by NPC's plant turnaround operations and its base maintenance business, led by its Cobra division. NPC's construction facility operations continued to be negatively impacted by weak gas prices resulting in an industry-wide pullback in spending on new capital projects. As reported previously, NPC management forecasted a modest reduction in its overall financial results for 2007 and its current view is that the industry cyclicality impacting construction operations may not be reversed in this fiscal year. Recent acquisitions should more than offset this weakness.
Quantum Murray	3,771	3,343	As expected, Quantum Murray's revenue and EBITDA for the second quarter showed significant improvement over the first quarter due to the successful completion of project activities that were delayed to the spring. The demolition and hazardous materials abatement operations showed strong performance across the country while remediation activity in Ontario remained soft. Quantum Murray's results include the contribution from Thomson (acquired May 30) for the month of June. As a result of this acquisition, NPF's priority on distributable cash from Quantum Murray is increased to $14.6 million. For fiscal 2007, Quantum Murray will continue its focus on cross-selling opportunities from its integrated operations and increasing revenues in the remediation business in Ontario, which tend to be derived from large scale projects, the timing of which can be unpredictable. Quantum Murray enters the second half of the year with a strong revenue backlog of contracted business and the outlook remains positive.
	6,997	**5,360**	
Other			
RLogistics	277	277	This investment continued to meet our expectations for the quarter. Slightly lower than expected revenues were offset by disciplined cost management. The outlook remains positive given the planned opening of three new retail locations by the end of the year.
Peerless	1,369	1,104	Peerless' revenue and EBITDA were in line with results of the first quarter but below management's expectations for the second. Peerless is the dominant supplier of military gear for the federal government, however, the size and timing of its contracts can be difficult to predict, generally occurring in three to four year cycles. Management's outlook is that fiscal 2007 will likely be a weaker year in the cycle.
Titan	500	75	Titan is currently challenged by a difficult market environment in which reduced exploration and drilling activity in Alberta is having a negative impact on sales to the oil and gas and transportation industries. The overall result is significantly reduced revenues and EBITDA. Titan management does not foresee an improvement in market conditions in the near term and has implemented an expense reduction plan. We expect this investment to underperform in the short term.
Gusgo	341	426	Gusgo's revenue and EBITDA were impacted by reduced traffic volumes due to the CN rail strike which has caused customers to seek alternatives to the Canadian rail system. The transportation industry has also been negatively affected by congestion at the Vancouver port which has reduced the amount of container traffic and in some cases diverted shipments to U.S. ports and carriers. However, the potential traffic increase from Asia to Montreal, via Europe, is a positive market development for Gusgo as it specializes in the Toronto-Montreal-USA transportation triangle. Gusgo's management expects lower revenues and profitability in fiscal 2007 with a gradual return of this business over the next twelve months and sustainable growth opportunities in the medium term as worldwide container trade continues to grow. NPF has a priority on $2.4 million of distributable cash from Gusgo in fiscal 2007.
	2,487	**1,882**	

SUPPLEMENTARY INFORMATION

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

This table provides a pro-forma analysis of NPF's EBITDA by Operating Partnership, after giving effect to the contribution of all the investments in the portfolio as at June 30, 2007 as if each investment had been owned by NPF for the full twelve month period ended June 30, 2007.

OPERATING PARTNERSHIP	JUNE 30, 2007[1]	DECEMBER 31, 2006[1] AS PREVIOUSLY REPORTED
Financial Services		
Ezee	$ 4,835	$ 2,538
Brompton	3,945	4,122
ESR	11,083	11,023
Morrison Williams	8,547	8,588
NP LP	7,241	7,160
Hargraft	3,172	2,557
BMI	3,276	-
	$ 42,099	**$ 35,988**
Marketing		
S&E	467	831
Capital C	4,972	5,303
Gemma	5,719	5,051
IC Group	2,522	1,772
Armstrong	2,302	3,792
	$ 15,982	**$ 16,749**
Industrial Services		
NPC	13,195	13,686
Quantum Murray	14,599	7,977
	$ 27,794	**$ 21,663**
Other		
RLogistics	1,295	1,327
Peerless	9,205	9,978
Titan	4,664	5,730
Gusgo	2,060	2,493
	17,224	**19,528**
Total Operating Partnerships	**$ 103,099**	**$ 93,928**
Corporate	(5,826)	(4,513)
Total Continuing Operations	**$ 97,273**	**$ 89,415**

[1] Includes EBITDA normalized to remove owner earnings and adjustments for the period prior to NPF ownership.

NPF'S PRIORITY INCOME BY OPERATING PARTNERSHIP

OPERATING PARTNERSHIP	PER ANNUM	EXPIRY
Financial Services		
BMI	$ 3,400	Q2 2009
Brompton	4,100	Q3 2007
ESR	11,200	Q3 2007
Morrison Williams	7,000	Q3 2007
NP LP	4,100	Q3 2007
Marketing		
S&E	1,000	Q2 2008
Capital C	4,100	Q3 2007
Gemma	4,800	Q1 2007
Armstrong	4,000	Q4 2010
Industrial Services		
NPC	8,100	Q3 2007
Quantum Murray	14,600	Q1 2009
Other		
Gusgo	2,400	Q4 2010

SEGMENT OPERATING RESULTS

FINANCIAL SERVICES

The Financial Services segment includes our proportionate share of EZEE, ESR, NP LP, Morrison Williams, Brompton, Hargraft and BMI. NPF completed its acquisition of EZEE in January 2005. It acquired the operations of ESR, NP LP, Morrison Williams and Brompton on closing of the Fund's IPO on August 8, 2005. NPF acquired Hargraft in April 2006 and BMI in April 2007.

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

SUMMARY FINANCIAL TABLE ($000s)

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2007	**2006**	**2007**	**2006**
Revenues	$ 24,469	$ 15,993	$ 42,907	$ 32,147
Cost of revenues	(11,552)	(7,681)	(22,380)	(14,509)
Gross profit	12,917	8,312	20,527	17,638
Selling, general and administrative expenses	(3,668)	(2,062)	(5,994)	(3,870)
Depreciation and amortization expense	(3,742)	(3,683)	(7,458)	(6,976)
Income from equity investments	494	409	1,038	1,426
Other income	356	112	553	347
Interest income	133	45	212	101
Income tax expense - current	(6)	(25)	(12)	(76)
Income tax expense - future	(20,737)	-	(20,737)	-
Income (loss) for the period	(14,253)	3,108	(11,871)	8,590
Income (loss) for the period	(14,253)	3,108	(11,871)	8,590
Add:				
Depreciation and amortization	3,742	3,683	7,458	6,976
Amortization of Brompton intangible assets	484	643	968	1,067
Interest income	(133)	(45)	(212)	(101)
Income tax expense - current	6	25	12	76
Income tax expense - future	20,737	-	20,737	-
EBITDA	$ 10,583	$ 7,414	$ 17,092	$ 16,608

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

	June 30, 2007	December 31, 2006	June 30, 2006
NP LP	$ 1,191	$ 1,147	$ 1,225
Morrison Williams	4,654	4,638	4,621
Brompton	3,050	2,915	2,604
Total	$ 8,895	$ 8,700	$ 8,450

(I) REVENUE

Revenue from the Financial Services segment was $24,469, compared with $15,993 in 2006. This increase is due primarily to higher revenues from ESR, EZEE, NP LP and Hargraft and the contribution from BMI, acquired on April 17, 2007. ESR and Hargraft in particular earned higher revenues from contingent profit commissions (which are based on actual claims experience) while volume commission revenues were down slightly as expected given the current competitive pricing environment. For the six month period ended June 30, 2007 revenue from the segment was $42,907 compared with $32,147 in the prior year period.

NP LP's revenues increased over the prior year period primarily due to higher insurance and corporate advisory fees. Morrison Williams' revenues were slightly better than management expected due to positive market performance that offset continued but slowing redemptions in mutual funds.

EZEE substantially completed the integration of its recently acquired ATM portfolios from TRM and Technoda and these transactions contributed to a significant increase in revenues over the prior year period. This more than offset the continuing weakness in ATM transactions within its Quebec-based portfolio due to the effect of the no-smoking by-law in that province.

(II) GROSS PROFIT

Gross profit was $12,917, which translated into a 52.8% gross profit margin. For the three months ended June 30, 2006, the financial services segment produced gross profit of $8,312, which translated into a 52.0% gross profit margin. Gross profit and gross profit margins were slightly higher due to the contribution of high-margin contingent profit commissions at Hargraft. Gross profit for the six month period ended June 30, 2007 was $20,527 compared with $17,638 in the prior year period.

(III) SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses were $3,668 for the three months ended June 30, 2007 – compared with $2,062 for the three months ended June 30, 2006. This increase partially reflects the addition of BMI. Selling, general and administrative expenses as a percentage of revenue were 15.0%, compared to 12.9% in 2006. Selling, general and administrative expenses for the six month period ended June 30, 2007 were $5,994 compared with $3,870 in the prior year period.

(IV) DEPRECIATION AND AMORTIZATION

Depreciation and amortization was $3,742 for the three months ended June 30, 2007, against $3,683 for the three months ended June 30, 2006. This was commensurate with the levels of business for the period. Depreciation and amortization for the six month period ended June 30, 2007 was $7,458 compared with $6,976 in the prior year period.

(V) EBITDA

EBITDA was $10,583 for the three months ended June 30, 2007. For the three months ended June 30, 2006, EBITDA was $7,414. EBITDA for the six month period ended June 30, 2007 was $17,092 compared with $16,608 in the prior year period.

Income from our equity investment in Brompton was $978, and reflects the acquisition of the BARCLAYS*funds* in late 2006. Compared to the first quarter of this year, assets under management were up slightly due to positive market performance and EBITDA results were better than Brompton management's expectations at the end of the first quarter. The market environment for new issues of structured products remains challenging, however, and this is impacting Brompton's growth.

(VI) INCOME TAX

As discussed elsewhere, the enactment in June 2007 of Bill C-52 resulted in a requirement to record a future tax expense in June 2007 related to temporary differences, which will reverse after 2010, between the accounting and tax basis of the Fund's net assets. The tax expense relating to the assets of the Financial Services segment is $20,737.

(VII) INCOME

The loss for the period was $(14,253) compared to income of $3,108 in 2006. Loss for the six month period ended June 30, 2007 was $(11,871) compared with income of $8,590 in the prior year period.

(VIII) SEASONALITY

We have continued to refine our methodology for estimating the amount of contingent profit commission at ESR. The impact of this refinement is to lessen the impact of seasonality on the business going forward with contingent profit commissions reported gradually throughout the year compared to historically being reported in the first and second quarters.

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

(IX) OUTLOOK

The outlook for EZEE remains positive for the balance of the year. Additional revenues from the Technoda acquisition (180 ATM machines acquired on April 30, 2007) and a new contract to install 48 ATMs at a national retail chain should be achieved with no new investment in service or support. In addition, cost cutting initiatives in communication, service and sales should enhance gross profit margins over the next twelve months. With these initiatives, EZEE management expects to generate a 12–15% yield on the Fund's invested capital for 2007, compared with 8.1% for fiscal 2006.

The outlook for modest growth at NP LP remains unchanged. It expects to continue its growth based on increased marketing efforts and the selective hiring of experienced wealth managers. NP LP's third quarter results will likely be weaker than the prior year period, which included a $2,300 corporate advisory fee. Although the business has a strong pipeline of corporate advisory opportunities, management cannot predict the timing and magnitude of such fees.

Based on its current outlook, Morrison Williams expects the second half of the year to generally pattern the first two quarters. Its investment performance has been positive and this is expected to mitigate the impact of mutual fund redemptions.

Conditions in the commercial insurance market remain challenging as increased competition continues to put downward pressure on premium pricing in all three of the insurance businesses in the Fund. Their respective management teams see no indication of an external event that is likely to restore pricing discipline in the short term. Based on year to date results, ESR management's outlook remains unchanged that it will see a slight decline in revenues and EBITDA for 2007. Similarly, Hargraft management believes heightened competition will continue to put pressure on premium pricing. However, this effect should be somewhat neutralized by the higher than expected contribution from contingent profit commissions. For fiscal 2007, we expect to earn a 15-18% yield on our invested capital in Hargraft, an improvement over the 12.8% return in 2006. The outlook for BMI, our most recent investment, is that the balance of the year will generally pattern performance during this second quarter. The company's performance is steady despite the market conditions and the business is not seasonal.

The outlook for Brompton is that the second half of 2007 should largely pattern the first, as the structured product market remains challenging and management sees no reversal of this trend in the near term.

MARKETING

The Marketing segment includes our proportionate share of the results of S&E, Gemma, Capital C, IC Group and Armstrong. Figures for 2006 include full quarter results for S&E, Gemma and Capital C only. IC Group was acquired July 27, 2006 and Armstrong was acquired on October 4, 2006.

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

SUMMARY MARKETING SERVICES TABLE ($000s)

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2007	2006	2007	2006
Revenues	$ 21,996	$ 14,622	$ 43,650	$ 28,579
Cost of revenues	(10,089)	(8,056)	(20,075)	(16,066)
Gross profit	11,907	6,566	23,575	12,513
Selling, general and administrative expenses	(8,327)	(3,647)	(16,087)	(7,159)
Depreciation and amortization expense	(2,024)	(1,693)	(4,189)	(3,368)
Interest (expense) income	(78)	6	(139)	(44)
Income tax recovery - current	-	25	-	25
Income tax (expense) - future	(9,222)	-	(9,222)	-
Income (loss) for the period	(7,744)	1,257	(6,062)	1,967
Income (loss) for the period	(7,744)	1,257	(6,062)	1,967
Add:				
Depreciation and amortization expense	2,024	1,693	4,189	3,368
Interest expense (income)	78	(6)	139	44
Income tax (recovery) - current	-	(25)	-	(25)
Income tax (expense) - future	9,222	-	9,222	-
EBITDA	$ 3,580	$ 2,919	$ 7,488	$ 5,354

(I) REVENUE

Revenue for the Marketing segment was $21,996 – a 50.4% increase over 2006 revenue of $14,622. These results primarily reflect the contribution of IC Group and Armstrong along with strong organic growth from Gemma. Revenue for the six month period ended June 30, 2007 was $43,650 compared with $28,579 in the prior year period.

Gemma achieved material growth in revenues over the prior year period. This growth was primarily the result of increased outbound business-to-business activity and higher utilization levels at Gemma's Montreal location.

After a strong first quarter, Capital C's revenues during the period were weaker than the prior year period due to investments it made in non-billable time related to new business development activity and to reduced mark-ups on outsourced services. Capital C management expects the weakness to be confined to the second quarter, as its business development efforts yielded significant project work with new clients that should materialize into third and fourth quarter revenues.

S&E experienced a decline in revenues over the prior year period, primarily due to the previously reported cancellation of a major client contract late in 2006. Management has been making progress on rebuilding the company with a focused strategy that includes the introduction of fee-based consulting services for targeted industry sectors that have a propensity for sports and entertainment sponsorship. This focus has resulted in a new account with a major financial institution that has strong potential for expansion.

IC Group had a strong second quarter with significant growth in revenues over the prior year period though results were below IC management's expectations. Higher revenues were offset somewhat by higher development costs related to a pilot software project for a major global client and slow growth of its insurance division.

Armstrong had a challenging quarter in which revenues were lower due to previously reported reduced spending by its online gaming customers and delayed or cancelled projects by packaged goods accounts that are experiencing margin compression. During the quarter, the company focused aggressively on business development and was successful in closing two new accounts.

(II) GROSS PROFIT

Gross profit for the Marketing segment was $11,907 and gross profit margin was 54.1%. For the comparative three months ended June 30, 2006, gross profit was $6,566 and gross profit margin was 44.9%. This improvement is partially due to the inclusion of IC Group, which has relatively higher gross profit margins. Gross profit for the six month period ended June 30, 2007 was $23,575 compared with $12,513 in the prior year period.

(III) SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the three months ended June 30, 2007 were $8,327 compared to the same period at June 30, 2006 of $3,647. These expenses as a percentage of revenue were 37.8%, compared to 24.9% in 2006. Capital C's expenses were higher than the prior year period due to the planned higher employment costs associated with the company's integration strategy and its preparations to take on new business as part of the next stage of its growth. Selling, general and administrative expenses for the six month period ended June 30, 2007 were $16,087 compared with $7,159 in the prior year period.

(IV) DEPRECIATION AND AMORTIZATION

Depreciation and amortization was $2,024 for the three months ended June 30, 2007, compared with $1,693 in the prior year period. Capital C had significantly higher depreciation and amortization expenses over the prior year period. This was anticipated due to increased capital expenditures, in particular computer equipment and leasehold improvements related to its move to new premises and amortization of intangibles related to its acquisition of the business of Adeo in December of 2006. Depreciation and amortization for the six month period ended June 30, 2007 was $4,189 compared with $3,368 in the prior year period.

(V) EBITDA

EBITDA from the Marketing segment was $3,580 – compared with $2,919 of EBITDA produced in the prior year period. This is due to the contributions of investments made during subsequent quarters of 2006 and a significant increase in EBITDA performance from Gemma. EBITDA for the six month period ended June 30, 2007 was $7,488 compared with $5,354 in the prior year period.

(VI) INCOME TAX

As discussed elsewhere, the enactment in June 2007 of Bill C-52 resulted in a requirement to record a future tax expense in June 2007 related to temporary differences, which will reverse after 2010, between the accounting and tax basis of the Fund's net assets. The tax expense relating to the assets of the Marketing segment is $9,222.

(VII) INCOME

The loss for the period was $(7,744) compared to income of $1,257 in 2006. The loss for the six month period ended June 30, 2007 was $(6,062) compared with income of $1,967 in the prior year period.

(VIII) SEASONALITY

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

(IX) OUTLOOK

Gemma's management expects business during the second half of the year to remain strong based on its current contracts and pipeline of new business. Gemma's immediate challenge will be managing the annual turnover of student workers returning to school in September. However, with the steps that it has taken, management believes that this transition will be made successfully.

Capital C management expects the second quarter weakness will be made up by a strong second half of the year. Its core business remains strong and it has begun to execute on new assignments won during the past three months. Management's focus during the third and fourth quarters will be to convert project work into recurring revenues from a more diversified base of clients. Our outlook remains positive.

S&E's strategy of providing consulting services to targeted industry sectors that have a propensity for sports and entertainment marketing is beginning to show results. However, given the long sales cycle of its business, our outlook remains that the company will likely under perform in the short term by an amount immaterial to the Fund. NPF has worked with management on a plan to share services and combine S&E's offices with Armstrong's during the second half of the year or early 2008. This should allow S&E to exploit cross-selling opportunities with Armstrong's customer base as well as reduce operating expenses.

The outlook for IC Group continues to be positive for the second half of the year based on its currently contracted work and new opportunities generated through the roll-out of its pilot enterprise system to a broader customer base.

Armstrong management's current outlook is that its results for the second half of the year will be slightly better than the first half as new business wins from the second quarter, aggressive business development and cost cutting efforts (e.g. SG&A and workforce reduction) are expected to contribute to improved performance.

INDUSTRIAL SERVICES

The Industrial Services segment includes our proportionate share of the results of NPC and Quantum Murray. Financial results for the corresponding period in 2006 include our proportionate share of the results of NPC and Murray from March 1, 2006 (the merger creating Quantum Murray was completed January 3, 2007). Therefore the results are not comparable.

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

SUMMARY INDUSTRIAL SERVICES TABLE ($000s)

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2007	2006	2007	2006
Revenues	$ 64,960	$ 51,263	$ 115,926	$ 93,339
Cost of revenues	(50,465)	(40,408)	(90,205)	(74,566)
Gross profit	14,495	10,855	25,721	18,773
Selling, general and administrative expenses	(7,498)	(5,076)	(14,023)	(8,204)
Depreciation and amortization	(3,577)	(2,441)	(6,524)	(4,184)
Interest expense	(483)	(422)	(904)	(817)
Income tax (expense) recovery	(1,898)	66	(1,738)	66
Income for the period	1,039	2,982	2,532	5,634
Income for the period	1,039	2,982	2,532	5,634
Add:				
Depreciation and amortization	3,577	2,441	6,524	4,184
Interest expense	483	422	904	817
Income tax recovery - current	(164)	(66)	(324)	(66)
Income tax expense - future	2,062	-	2,062	-
EBITDA	$ 6,997	$ 5,779	$ 11,698	$ 10,569

	THREE MONTHS ENDED JUNE 30				SIX MONTHS ENDED JUNE 30			
	2007		2006		2007		2006	
	NPC	Quantum Murray	NPC	Murray	NPC	Quantum Murray	NPC	Murray
Revenues	$ 39,230	$ 25,730	$ 37,561	$ 13,702	$ 71,270	$ 44,656	$ 76,149	$ 17,190
Cost of revenues	(32,773)	(17,692)	(30,884)	(9,524)	(59,142)	(31,063)	(62,613)	(11,953)
Gross profit	6,457	8,038	6,677	4,178	12,128	13,593	13,536	5,237
Selling, general and administrative expenses	(3,231)	(4,267)	(2,629)	(2,447)	(6,093)	(7,930)	(5,131)	(3,073)
Depreciation and amortization	(1,716)	(1,861)	(1,348)	(1,093)	(3,015)	(3,509)	(2,724)	(1,460)
Other income	-	-	-	-	-	-	-	-
Interest (expense) income	(494)	11	(402)	(20)	(938)	34	(795)	(22)
Income tax recovery - current	164	-	66	-	324	-	66	-
Income tax expense - future	(2,314)	252	-	-	(2,314)	252	-	-
Income (loss) for the period	(1,134)	2,173	2,364	618	92	2,440	4,952	682
Income (loss) for the period	(1,134)	2,173	2,364	618	92	2,440	4,952	682
Add:								
Depreciation and amortization	1,716	1,861	1,348	1,093	3,015	3,509	2,724	1,460
Interest expense (income)	494	(11)	402	20	938	(34)	795	22
Income tax recovery - current	(164)	-	(66)	-	(324)	-	(66)	-
Income tax expense - future	2,314	(252)	-	-	2,314	(252)	-	-
EBITDA	$ 3,226	$ 3,771	$ 4,048	$ 1,731	$ 6,035	$ 5,663	$ 8,405	$ 2,164

(I) REVENUE

Revenue from the Industrial Services segment was $64,960 compared with $51,263 in the prior year period. Revenue for the six month period ended June 30, 2007 was $115,926 compared with $93,339 in the prior year period.

NPC delivered strong performance in spite of a challenging market environment and poor weather conditions. This was led by NPC's plant turnaround operations and its core base maintenance business. During the period, NPC's construction facility operations continued to be negatively impacted by weak gas prices resulting in an industry-wide spending pullback on new capital projects.

As expected, Quantum Murray's revenues showed significant improvement over the first quarter due to the successful completion of project activities that were delayed to the spring. Revenue gains were led by the company's demolition and hazardous materials abatement operations, which showed strong performance across the country. Remediation activities in British Columbia and Alberta were on track with management's expectations while operations in Ontario were soft. Quantum Murray's results include the contribution from Thomson (acquired May 30) for the month of June.

(II) GROSS PROFIT

Gross profit was $14,495 for the three months ended June 30, 2007 – compared with $10,855 of gross profit for the prior year period. Gross profit margins were 22.3% compared to 21.1% in 2006 and reflect the addition of Quantum Murray which has slightly higher gross profit margins. NPC was successful in maintaining gross profit margins despite the challenging market environment. Gross profit for the six month period ended June 30, 2007 was $25,721 compared with $18,773 in the prior year period.

(III) SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses were $7,498 for the three months ended June 30, 2007, compared to $5,076 for the prior period in 2006. These expenses as a percentage of revenue were 11.5%, compared to 9.9% in 2006. The higher selling, general and administration expenses reflect the addition of Quantum Murray and the acquisitions made by NPC. Selling, general and administrative expenses for the six month period ended June 30, 2007 were $14,023 compared with $8,204 in the prior year period.

(IV) DEPRECIATION AND AMORTIZATION

Depreciation and amortization was $3,577 for the three months ended June 30, 2007 compared with $2,441 for the prior period in 2006. The increase primarily reflects the addition of Quantum Murray to the portfolio. Depreciation and amortization for the six month period ended June 30, 2007 was $6,524 compared with $4,184 in the prior year period.

(V) EBITDA

The Industrial Services segment produced $6,997 of EBITDA – compared with $5,779 of EBITDA earned in the prior year period. EBITDA for the six month period ended June 30, 2007 was $11,698 compared with $10,569 in the prior year period.

(VI) INCOME TAX

As discussed elsewhere, the enactment in June 2007 of Bill C-52 resulted in a requirement to record a future tax expense in June 2007 related to temporary differences, which will reverse after 2010, between the accounting and tax basis of the Fund's net assets. The tax expense relating to the assets of the Industrial Services segment is $2,062.

(VII) INCOME

Income for the period was $1,039 compared to $2,982 in the period 2006. Income for the six month period ended June 30, 2007 was $2,532 compared with $5,634 in the prior year period.

(VIII) SEASONALITY

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

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

(IX) OUTLOOK

NPC has a diversified operational base that provides recurring revenues from ongoing base maintenance work performed at lower margins combined with annual facility turnarounds and higher-margin construction facility projects. Currently NPC management sees no indication of an improvement in the market conditions that impact its gas levered construction operations. The outlook remains that organic growth in 2007 will likely be negative, however, the tuck-in acquisitions made in the first six months of the year and the completion of the Golosky investment (see *Subsequent Events* section) should more than offset.

For fiscal 2007, Quantum Murray will continue its focus on cross-selling opportunities from its integrated operations and increasing revenues in the remediation business, which tend to be derived from large scale projects, the timing of which can be unpredictable. Quantum Murray enters the second half of the year with a strong revenue backlog of contracted business and the outlook remains that financial results will be in line with the previous year.

OTHER

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

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

SUMMARY OTHER TABLE ($000s)

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2007	**2006**	**2007**	**2006**
Revenues	$ 22,319	$ 1,624	$ 47,476	$ 1,624
Cost of revenues	(16,685)	(1,279)	(34,995)	(1,279)
Gross profit	5,634	345	12,481	345
Selling, general and administrative expenses	(3,424)	(50)	(7,076)	(50)
Depreciation and amortization expense	(1,894)	-	(3,784)	-
Income from equity investments	277	153	478	153
Interest expense	(610)	-	(1,205)	-
Income tax expense - future	(7,908)	-	(7,908)	-
Income (loss) for the period	(7,925)	448	(7,014)	448
Income (loss) for the period	(7,925)	448	(7,014)	448
Add:				
Depreciation and amortization expense	1,894	-	3,784	-
Interest expense	610	-	1,205	-
Income tax expense - future	7,908	-	7,908	-
EBITDA	$ 2,487	$ 448	$ 5,883	$ 448

(I) REVENUE

Revenue from this segment was $22,319 for the three months ended June 30, 2007 compared with $1,624 in the prior year period. Revenue for the six month period ended June 30, 2007 was $47,476 compared with $1,624 in the prior year period.

Peerless' revenues were in line with the first quarter. This was below management's expectations as sales of its fire retardant wear fell short of expectations and contracts with Peerless' largest customer, the Canadian government were slightly reduced.

Titan is currently challenged by a difficult market environment in which reduced exploration and drilling activity in Alberta is having a negative impact on sales of its products to the oil and gas and transportation industries. As a result, revenues were significantly reduced compared to the prior year period and the first quarter of this year.

Gusgo's revenues were negatively impacted by reduced traffic volumes due to the CN rail strike, which has caused customers to seek alternatives to the Canadian rail system. The transportation industry has also been negatively affected by congestion at the Vancouver port, which has reduced the amount of container traffic and in some cases diverted shipments to U.S. ports and carriers.

(II) GROSS PROFIT

Gross profit was $5,634 for the three months ended June 30, 2007 and gross profit margins were 25.2%. Gross profit for the six month period ended June 30, 2007 was $12,481 compared with $345 in the prior year period.

(III) SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses were $3,424 for the three months ended June 30, 2007. Selling, general and administrative expenses for the six month period ended June 30, 2007 were $7,076 compared with $50 in the prior year period.

(IV) DEPRECIATION AND AMORTIZATION

Depreciation and amortization was $1,894 for the three months ended June 30, 2007. Depreciation and amortization for the six month period ended June 30, 2007 was $3,784.

(V) EBITDA

EBITDA for this segment was $2,487 as revenue performance affected the bottom line compared with $448 in the prior year period. Income from NPF's equity interest in RLogistics was $277 for the period compared to $153 in the prior period. This investment continued to meet our expectations for the quarter. Slightly lower than expected revenues were offset by disciplined cost management. EBITDA for the six month period ended June 30, 2007 was $5,883 compared with $448 in the prior year period. RLogisitics' contribution for the six month period ended June 30, 2007 was $478 compared with $153 in the prior period.

(VI) INCOME TAX

As discussed elsewhere, the enactment in June 2007 of Bill C-52 resulted in a requirement to record a future tax expense in June 2007 related to temporary differences, which will reverse after 2010, between the accounting and tax basis of the Fund's net assets. The tax expense relating to the assets of the Other segment is $7,908.

(VII) INCOME

The loss for the period was $(7,925) compared to the income of $448 in the prior period. Loss for the six month period ended June 30, 2007 was $(7,014) compared with income of $448 in the prior year period.

(VIII) SEASONALITY

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

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

Seasonality is not typically a material factor for Gusgo.

(IX) OUTLOOK

Peerless is the dominant supplier of military gear for the federal government, however, the size and timing of its contracts can be difficult to predict, generally occurring in three to four year cycles. Management's outlook is that fiscal 2007 will likely be a weaker year in the cycle.

Titan management does not foresee an improvement in the market environment in the near term and has implemented an expense reduction plan including staff reductions and a hiring freeze. It does not expect to recoup the shortfall in the second half of the year and we expect this investment to underperform in the short term.

Gusgo's management expects lower revenues and profitability in fiscal 2007 with a gradual return of this business over the next twelve months and sustainable growth opportunities in the medium term as worldwide container trade continues to grow. In addition, potential traffic increase from planned new routing from Asia to Montreal, via Europe, is a positive market development as Gusgo specializes in the Toronto-Montreal-USA transportation triangle. NPF has a priority on $2,400 of distributable cash from Gusgo in fiscal 2007.

The outlook for RLogistics remains positive given the planned opening of three new retail locations by the end of the year.

CORPORATE

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

SUMMARY CORPORATE TABLE ($000s)

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2007	2006	2007	2006
Selling, general and administrative expenses	$ (1,816)	$ (1,195)	$ (3,500)	$ (2,177)
Amortization of deferred financing charges	-	(322)	-	(618)
Interest expense	(5,450)	(1,719)	(10,810)	(2,932)
Income tax expense - future	(29)	-	(29)	-
Loss on dilution of ownership interest	(220)	-	(6,064)	-
Loss for the period	(7,515)	(3,236)	(20,403)	(5,727)
Loss for the period	(7,515)	(3,236)	(20,403)	(5,727)
Add:				
Amortization of deferred financing charges	-	322	-	618
Interest expense	5,450	1,719	10,810	2,932
Income tax expense - future	29	-	29	-
EBITDA	$ (2,036)	$ (1,195)	$ (9,564)	$ (2,177)
Loss on dilution of ownership interest	220	-	6,064	-
Adjusted EBITDA	$ (1,816)	$ (1,195)	$ (3,500)	$ (2,177)

(I) SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses were $1,816 for the three months ended June 30, 2007. This compares to $1,195 for 2006. Expenses for 2007 were in line with expectations and the increase over 2006 reflects the growth of the business and increase in resources in the financial and legal departments as well as additional regulatory compliance costs.

(II) INTEREST EXPENSE

Interest expense of $5,450 represents expense primarily relating to the credit facility and the convertible debentures. The credit facility consists of three components: a $75,000 revolving credit facility with a five year maturity; a $170,000 five-year term loan; and a $75,000 DDTL that the Fund may access during the next two years. The interest rate on the revolving credit facility is BA plus 2.50% and the term loan and DDTL are priced off LIBOR, and depending on leverage levels, the additional margin is between 3.50% and 4.95%.

(III) INCOME TAX

As discussed elsewhere, the enactment in June 2007 of Bill C-52 resulted in a requirement to record a future tax expense in June 2007 related to temporary differences, which will reverse after 2010, between the accounting and tax basis of the Fund's net assets. The tax expense relating to the assets of the Corporate segment is $29.

(IV) INCOME

The loss for the period was $7,515 compared to $3,236 in 2006. Included in the loss for the period are dilution losses relating to the impact of our NCIB repurchases during the period. For the six month period ended June 30, 2007, the loss was $20,403 compared to $5,727 in 2006. The six month period ended June 30, 2007 includes dilution losses relating to our NCIB as well as the reorganization of Quantum Murray in the first quarter.

In the reorganization transaction, NPF reduced its ownership interest in the operating partnership but received an increased priority amount. NPF wishes to incent all operating partnerships to bring forward acquisition opportunities that will be accretive to unitholders and strategically enhance the business. In exchange for this, NPF may reduce its ownership interest in favour of the management of the operating partnership. In this way management shares in the growth of the overall business over time without an immediate cash outflow that would result if NPF paid a bonus, referral fee or other form of compensation. NPF believes that this form of non-cash compensation enhances unitholder value and continues to align management's interest with that of the Fund.

DISCONTINUED OPERATIONS

CONDENSED INCOME STATEMENT INFORMATION ($000s)

	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)

On April 30, 2007, RGC completed the sale of substantially all of its assets for gross proceeds of $34,000 with $4,000 of this amount being held back until October 31, 2007 and being subject to a net tangible asset adjustment based on the final values of inventory and accounts receivable included in the sale transaction. Given the uncertainty of the final amount of sale proceeds, NPF at this time has only recorded its share of proceeds received, which amounted to $24,000. RGC is in the process of liquidating its remaining assets and settling liabilities, and these remaining balances are included on the balance sheet of NPF as current assets and current liabilities of discontinued operations.

BALANCE SHEET INFORMATION ($000s)

	AS AT JUNE 30, 2007	AS AT DECEMBER 31, 2006
Current assets of discontinued operations	$ 3,337	$ 68,969
Long-lived assets of discontinued operations	-	14,403
Current liabilities of discontinued operations	2,813	54,372
Net assets of discontinued operations	$ 524	$ 29,000

ADDITIONAL INFORMATION

TRANSACTIONS WITH RELATED PARTIES

OWNERSHIP

As of June 30, 2007, directors, officers and employees of the general partner and entities related to NPY hold an aggregate of 24,785,606 NPY and NPF units or 34% on a fully diluted basis.

TRANSACTIONS

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

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

Employee loans were made by NPY in the aggregate amount of $2,113 of which $2,067 remains outstanding at June 30, 2007. In accordance with the terms and conditions of the loans, the loans were used to purchase units of NPF and are full recourse loans secured by the units and carry interest at prime.

OFF BALANCE SHEET ITEMS

NPY has $6,267 of letters of credit outstanding at June 30, 2007. The letters of credit are predominantly to secure cash management services provided by Royal Bank of Canada as well as bonding facilities provided by Aviva Insurance Company of Canada.

SUBSEQUENT EVENTS

FINANCING

On July 12, 2007, the Fund issued $75,000 principal amount of 7% subordinated unsecured convertible debentures for net proceeds of $72,000. On August 8, 2007, the Fund announced that the syndicate of underwriters had exercised $4,970 of the over-allotment option in connection with the offering. This resulted in NPF raising total gross proceeds of $79,970. 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.

NEW INVESTMENTS (DOLLAR AMOUNTS IN $000s)

SEGMENT	DATE	INVESTMENT	CAPITAL INVESTED
Industrial Services	31-July-07	**NPC** acquired an 80% interest in Golosky, a provider of products and services to a broad range of customers in the oil & gas, pulp & paper and construction industries in northern Alberta.	$ 60,000
Total			$ 60,000

Industrial Services

On July 31, 2007, the Fund's operating partner, NPC, successfully completed its previously announced investment of $60,000 for an 80% interest in Edmonton-based Golosky, a diversified group of well established companies that provide products and services to a broad range of customers in the oil & gas, pulp & 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. If Golosky meets certain performance criteria, NPC is obliged to pay up to an additional $5,900 for its investment.

Founded in 1984 by Doug Golosky, Golosky supplies a range of products and services including plant shut down maintenance, field maintenance, pipe fabrication and assembly, pressure vessel manufacturing, modular fabrication, highly-skilled welding, chromium carbide overlay, wear resistance plates, machining and repair and transportation supply services to a broad customer base of major

energy producers. For the twelve month period ended March 31, 2007, revenues were $160,000 and EBITDA was $19,400. Based on its 80% interest in NPC, the Fund's share of Golosky's EBITDA is 64%. Golosky's maintenance capital expenditures are typically 15% of EBITDA.

To fund the investment, NPF is providing financing to NPC by way of a loan structure with a 12% coupon rate. NPF's expected yield on the investment is 18–20% based on interest income on the loan and NPF's share of NPC's increased cash flow from Golosky. The lending structure contains a provision for conversion to equity after a period of three years based on NPC meeting certain performance measures.

The investment provides NPC with an expanded service offering and cross selling opportunities, expansion into Alberta's oil sands, access to new customers, and an expanded labour force.

OUTLOOK

Year-to-date results from Continuing Operations were in line with our expectations and our outlook remains largely unchanged from that which we provided in our annual and first quarter reports: We continue to expect the existing portfolio will produce flat to slightly negative organic growth in fiscal 2007.

However, the impact of Discontinued Operations on the Fund's distributable cash was ($0.07) per unit for the first six months – which is higher than we anticipated at the beginning of year. With the divestiture of RGC now completed, we believe we can begin to accelerate the rate at which we expect to close the gap between our distributions and our distributable cash.

We have achieved and exceeded our objective of making $100 to $150 million of new investments. Year-to-date, we have invested $154.1 million in new and existing holdings.

For the twelve month period ended June 30, 2007, the Fund's share of the LTM EBITDA produced by its holdings as of the date of this report was $115.5 million.

Upon the closing of NPC's investment in Golosky on July 31, 2007, and the closing of the convertible debenture on July 12, 2007, the Fund's estimated net debt to LTM EBITDA is 2.27 times.

We have both the opportunity and the capacity to continue to make additional investments that have the potential to create value for the Fund's unitholders.

RISK FACTORS – NPF

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

The specific risks associated with the Funds' newest investments made in the quarter are discussed in the AIF dated March 29, 2007. In addition, a full discussion of additional Risk Factors can be found in the short form prospectus dated July 3, 2007.

DISCLOSURE CONTROLS & PROCEDURES

Our disclosure controls and procedures are designed to provide reasonable assurance that all relevant information required to be disclosed by us is recorded, processed, summarized and reported within the time periods specified in the securities legislation so that the information is accumulated and communicated to management, including the President & CEO and CFO, to allow timely decisions regarding required disclosure. Based on an evaluation of NPF's disclosure controls and procedures, NPF's President and CEO and CFO have concluded that these disclosures controls and procedures operated effectively as at June 30, 2007 to ensure that all material information relating to NPF has been made known to them.

Internal control over financial reporting, designed by management, has the objective of providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP. No changes were made to our internal control over financial reporting for the most recent interim period ended June 30, 2007, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ADDITIONAL INFORMATION

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

DEFINITIONS

"Adeo" – means Adeo Communications Corporation;

"AIF" – means Annual Information Form;

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

"AUM" – means Assets Under Management;

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

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

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

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

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

"CEO" – means Chief Executive Officer;

"CICA" – means Canadian Institute of Chartered Accountants;

"CFO" – means Chief Financial Officer;

"DDTL" – means Delayed-draw Term Loan;

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

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

"EZEE" – mean Ezee ATM LP/On-site LP, each a limited partnership formed under the laws of Ontario;

"Fortress" – means Fortress Credit Corp.;

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

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

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

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

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

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

"IPO" – means Initial Public Offering;

"LTM" – means Last Twelve Months;

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

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

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

"NCIB" – means Normal Course Issuer Bid;

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

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

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

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

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

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

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

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

"Quantum" – means Quantum Environmental Group Inc.;

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

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

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

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

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

"Technoda" – means Les Systemes Electroniques Technoda Inc.;

"Thomson" – means Thomson Metals and Disposal LP;

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

"TRM" – means TRM Corp.;

"TSX" – means Toronto Stock Exchange; and

"Units" – means trust units of the Fund.