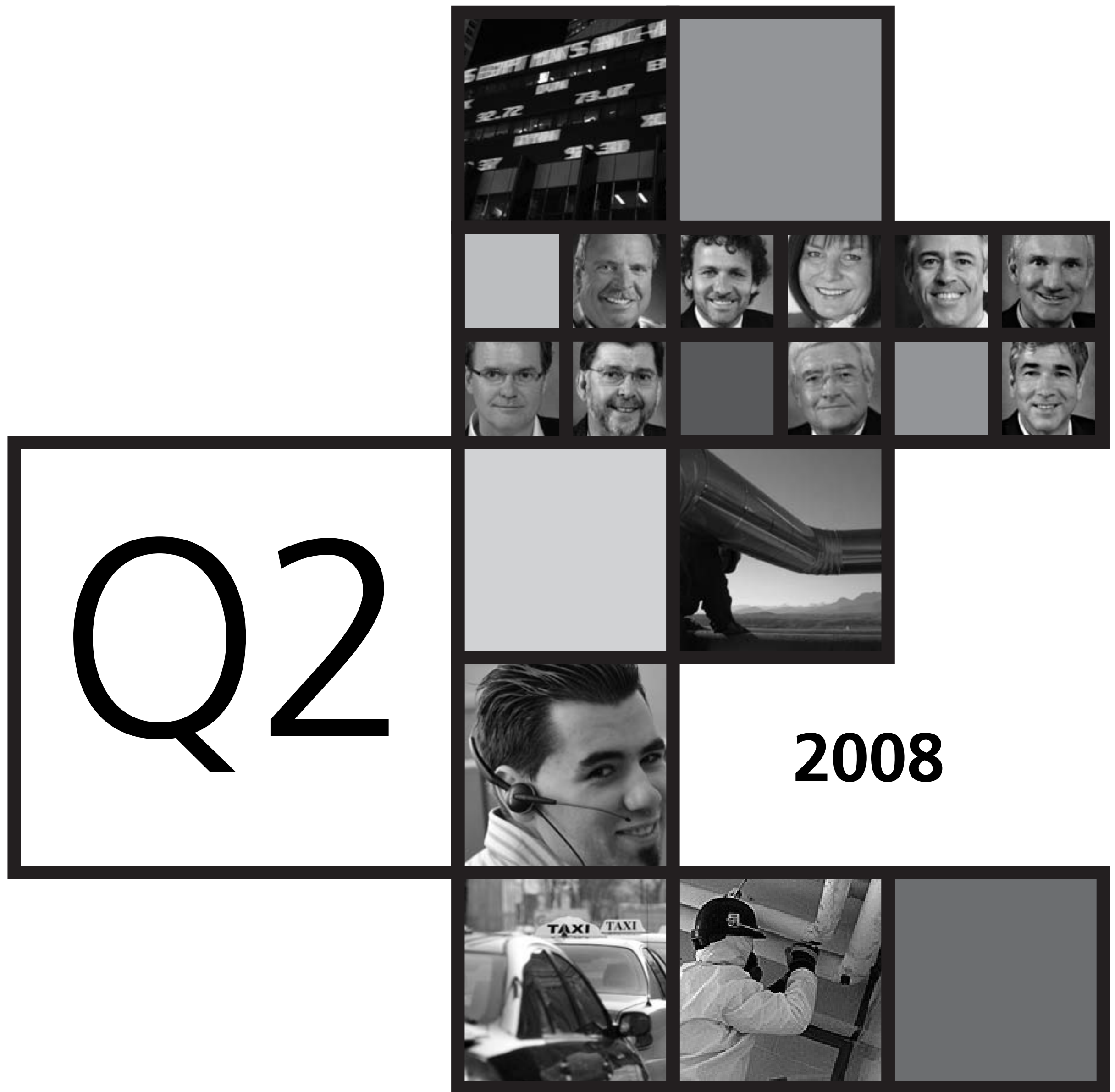
Newport Partners Income Fund
Quarterly Report



Newport Partners
opportunities for entrepreneurs™

PORTFOLIO SUMMARY – BY OPERATING PARTNERSHIP ($000s)

Three months ended June 30, 2008

OPERATING PARTNER	DATE OF INITIAL INVESTMENT	OWNERSHIP INTEREST	INVESTED CAPITAL	Q2 2008 EBITDA	Q2 2008 DISTRIBUTABLE CASH	LTM CASH YIELD FROM THE PORTFOLIO[1]
FINANCIAL SERVICES						
EZEE	Mar. 2004	100%	$ 46,200	$ 1,525	$ 1,438	11.5%
Brompton	Aug. 2005	42%	27,200	792	909	11.0%
ESR	Aug. 2005	80%	56,000	1,932	2,442	16.7%
Morrison Williams	Aug. 2005	80%	42,000	2,028	2,028	19.6%
NP LP	Aug. 2005	100%	20,700	1,085	1,146	21.4%
Hargraft	Apr. 2006	80%	17,800	579	589	6.1%
BMI	Apr. 2007	78%	18,200	608	701	15.9%
MARKETING						
S & E	Oct. 2004	80%	5,700	128	93	6.5%
Gemma	Mar. 2005	80%	28,000	1,459	1,667	22.9%
Capital C	Aug. 2005	67%	23,700	1,442	1,244	22.7%
IC Group	July 2006	80%	11,300	211	206	9.1%
Armstrong	Oct. 2006	80%	20,000	257	320	7.2%
INDUSTRIAL SERVICES						
Golosky (formerly NPC)	Oct. 2004	80%	113,100	7,287	5,696	14.7%
Quantum Murray	Mar. 2006	64%	77,900	5,552	3,660	18.8%
OTHER						
Rlogistics	May 2006	36%	10,000	451	451	14.0%
Peerless	June 2006	90%	36,000	904	807	10.7%
Titan	Sep. 2006	92%	25,200	474	104	7.0%
Gusgo	Oct. 2006	80%	12,500	483	578	19.8%
TOTALS			$ 591,500	$27,197	$ 24,079	15.2%

[1] LTM distributable cash as a percentage of invested capital. For those Operating Partnerships and tuck-in investments which have not been part of the portfolio for the full twelve month period, invested capital is weighted for the time period the investment was owned and the distributable cash used is the actual amount generated from the date of investment.

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 3.

DEAR UNITHOLDERS:

During the second quarter, our portfolio of 18 operating partnerships generated $183.6 million of revenue, $27.2 million of EBITDA and $24.1 million of distributable cash, before corporate segment expenses. On $592 million of invested capital, this portfolio returned a cash yield of 15.2 percent over the twelve-month period ending June 30, 2008, compared to 15.4 percent for the 12-month period ending March 31, 2008.

After corporate costs, the Fund reported adjusted EBITDA of $25.5 million for the three-month period representing a 17 percent increase over the same period last year. The Fund's five largest investments, Golosky (formerly NPC), Quantum Murray, ESR, EZEE and Morrison Williams, which together account for 57 percent of the invested capital, were responsible for generating 67 percent of the Q2 adjusted EBITDA.

Distributable cash was $15.3 million, compared to $14.7 million the prior year period. While revenue and EBITDA increased significantly over the prior year period, the increase in distributable cash was more modest due to higher interest costs reflecting debt servicing on the convertible debenture issue of July 2007 which was used to finance the Golosky acquisition. On per unit basis, distributable cash was $0.21 compared to $0.21 per unit for the same period last year.

These earnings are in line with management's plan for the current fiscal year. I am particularly pleased that the portfolio's returns have remained resilient during this recent period of economic uncertainty as our public equity markets have struggled to adjust to increased global energy and commodity costs, slower US growth, realigned exchange rates and signs of a moderating Ontario economy.

It is worth noting that the two companies that comprise our Industrial Services segment – Golosky Energy Services and Quantum Murray – contributed $12.8 million or 50 percent of adjusted EBITDA. This represents an 83 percent increase over the contribution made by these two companies during the same period last year. There are several factors contributing to this growth. First, the comparative period last year for both companies excludes acquisitions that are now making important contributions to revenue and earnings growth. But more importantly, both of these companies are participating directly in one of the brightest spots in the Canadian economy – infrastructure development.

Through a series of strategic acquisitions, including its May 2007 purchase of Thomson Metals, Quantum Murray is positioned as Canada's largest fully integrated national decommissioning company. In this role, Quantum Murray is taking advantage of the growing demand for the decommissioning, and rehabilitation of major commercial and industrial sites across Canada – from high rise office towers in downtown Toronto to the NORAD DEW line in the high Arctic. Golosky is a growing company based in the centre of one of the world's largest infrastructure projects – the construction, operation and maintenance of the $150 billion Alberta oil sands development.

The growth of the infrastructure market has contributed to the appreciation of our investment in both Quantum Murray and Golosky. At the same time, it has also placed increasing demands on the Fund's supply of working and growth capital. For this reason, we did not make progress on our objective to reduce the debt level of the Fund, which was 2.5 times EBITDA at quarter end. This is too high and it is part of the reason that we are pursuing refinancing alternatives that will benefit Golosky and the Fund.

Such a transaction would benefit Golosky by giving the company access to a lower cost of capital. But it would also benefit some of the other growth companies in our portfolio by freeing up capital in the Fund to support their needs as they continue to expand. Most importantly, such a transaction will also allow the Fund to move forward on the financial objectives that we outlined in our 2007 Annual Report: pay down debt, buy back shares and invest in the continued growth of the top performing companies in the portfolio. It remains our objective to do this in 2008.

Our outlook for the remainder of the fiscal year remains cautiously positive. While we are seeing some effects from the US slowdown in some of our smaller operating partnerships such as Armstrong and IC Group, for the most part, the investments in the portfolio are performing in accordance with the business plans that we reviewed and approved with management for fiscal 2008.

With respect to plans for dealing with the pending changes to Fund's tax structure, management is reviewing the rules governing the conversion of trusts to taxable corporations that were recently released by the federal government. Our analysis of these rules will provide management with a better sense of how different conversion options may apply to the Fund and the impact each of these options could be expected to have on our unitholders.

Finally, I want to acknowledge the contribution that has been made to the Fund over the past three years by Paul Beeston who has retired as a Trustee and member of the board of directors. Paul's efforts on behalf of the Fund's management, employees and Unitholders are greatly appreciated. The Fund's trustees have reviewed the options and concluded that they will look to fill the vacancy at the appropriate time. In the meantime, the Fund is well served by the five remaining independent trustees and its Board of Directors.

Yours truly,

Peter Wallace
President & CEO

MANAGEMENT'S DISCUSSION AND ANALYSIS

August 14, 2008

Prior to our IPO on August 8, 2005, we made our investments in private businesses through NPY, a limited partnership established on February 27, 2004. The Fund holds a 60% indirect interest in NPY and certain financial information of NPY has been included where appropriate.

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

Capitalized terms are defined terms, their meaning is explained in the "Definitions" section located on page 32, and references to "we", "us", "our" or similar terms, refer to Newport Partners Income Fund (NPF or the Fund), unless the context otherwise requires.

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Forward-Looking Information

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

Non-GAAP Measures

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

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

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

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

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

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

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

LTM Cash yield refers to the Fund's annual cash on cash return from an Operating Partnership based on free cash flow to the Fund as a percentage of weighted invested capital. Management believes that cash 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.

LTM EBITDA refers to EBITDA after giving effect to the contribution of all new investments made in the year and still in the portfolio as at the end of the year, as if each investment had been owned by the Fund for the full twelve month period beginning July 1, 2007. LTM EBITDA is a measure that management believes may be useful to investors as it facilitates the analysis of the Fund's financial performance over a full business cycle.

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

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

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

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

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

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

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

VISION AND CORE BUSINESS

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

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

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

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

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

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

STRATEGY

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

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

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

- Investing in well established businesses with leading or niche positions in their respective industries, histories of profitability, growth plans and talented management teams that we know and trust. We also have a preference for businesses with low maintenance capital expenditure requirements.
- Investing a significant equity interest (typically 50–80%) and allowing management to retain an interest in the business. This helps to align management's interests with ours.
- Providing capital and strategic advice to support the growth and performance of the businesses. Day-to-day operations are capably handled by the management teams who run the businesses.
- Investing for income. The Fund seeks to invest in businesses that can distribute most of their surplus cash to unitholders and can grow organically without significant capital. With each investment we make, we expect to receive cash flow from our share of the annual profits of the business, equaling 16–20% of our invested capital. We believe this income-oriented approach reduces risk and enhances return.
- Investing for growth. As the underlying businesses grow organically, they increase in value. Some companies in the portfolio are able to accelerate this growth through acquisition – using capital from the Fund, they become consolidators in their industries to become more dominant in their markets and boost the value of our investment in them.

- Managing risk through diversification and prudent use of leverage. At June 30, 2008, the Fund had a net debt to LTM EBITDA ratio of 2.5 times. That includes about $89 million of working capital advances provided to the 18 Operating Partnerships.

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

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

KEY PERFORMANCE DRIVERS

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

INVESTING ACTIVITIES:

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

FUNDING ACTIVITIES:

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

Some of the Fund's key financial performance indicators and results against those indicators as at June 30, 2008 are set out below:

KEY PERFORMANCE INDICATORS	THREE MONTHS ENDED JUNE 30, 2008	THREE MONTHS ENDED JUNE 30, 2007
Distributable Cash per unit from continuing operations	$0.21	$0.21
Distributable cash per unit	$0.21	$0.17
Corporate costs to weighted invested capital	1.1%	1.4%
	AS AT JUNE 30, 2008	**AS AT MARCH 31, 2008**
Net Asset Value per unit	$5.67	$6.13
Net debt / LTM EBITDA	2.5x	2.5x
LTM Cash yield from the portfolio	15.2%	15.4%

CAPABILITY TO DELIVER RESULTS

LIQUIDITY AND CAPITAL RESOURCES

OPERATING CASH FLOW AND WORKING CAPITAL

Cash provided by operations was $22.3 million for the three months ended June 30, 2008, compared to cash provided of $19.5 million for the three months ended June 30, 2007. The Fund had positive working capital of approximately $57.7 million at June 30, 2008, compared to $45.6 million at June 30, 2007. Standardized distributable cash for the three months ended June 30, 2008 was $19.1 million compared to $17.7 million for the three months ended June 30, 2007. Distributable cash or adjusted distribution base for the three months ended June 30, 2008 was $15.3 million compared to $12.2 million for the three months ended June 30, 2007. Distributions paid in the quarter were $11.7 million compared to $17.7 million in the prior year period. In December 2007 the distribution rate was reduced from $1.00 to $0.65 per unit per annum. We are continuing to monitor the working capital needs of all the businesses and reviewing funding options. Working capital required by the operating partnerships is provided by our credit facility and has historically been at its highest in the first six months of the year. However, the growth at Golosky is resulting in higher than anticipated working capital funding requirements due to continuing increased activity levels and we expect this to continue. In addition, Golosky is also seeing a somewhat longer collection cycle with some of its larger customers which increases the working capital needs which results in higher than anticipated draws on the Fund's revolving credit facility. This longer collection cycle is affecting most businesses in the oil and gas sector, to some degree. At Quantum Murray upfront investment in projects in the Arctic negatively affected cash flow in the quarter. The diversified nature of our portfolio also assists with cash flows and working capital management to a degree. Working capital requirements of some businesses are matched off against other businesses in the portfolio and the overall working capital requirements are affected by additions and dispositions to the portfolio. Going forward, financing will be provided from cash from operations, retained cash from a lowered distribution and potentially from portfolio sales and redeployment of the proceeds.

FINANCING

The Fund has a $320 million Senior Credit Agreement with an affiliate of Fortress, part of a global alternative investment and asset management firm with approximately $34 billion in AUM. The credit facility consists of $245.0 million of available term debt and a $75.0 million revolving facility. The interest rate on the 5 year term facility is equal to the 3-month BA rate plus 3.50% to 4.95% depending on the total senior leverage ratio. The revolving facility carries interest at the BA rate plus 2.50%. The credit facility contains customary positive and negative covenants. As at June 30, 2008 the Fund's total senior leverage ratio was 2.72 times and it was in compliance with all of the covenants in the credit facility. As at June 30, 2008, $42.1 million of the revolving credit facility had been drawn and $210.0 million had been drawn under the term loan.

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

As mentioned above, the working capital needs of the Operating Partnerships are typically higher in the first half of the year and as such the revolving credit facility was not reduced from December 31, 2007 levels as we provided advances to several of our Operating Partnerships, the largest amounts going to Golosky to fund its growth and operating costs. We expect that the advances will be repaid over future quarters which should result in the Fund seeing a reduction in its revolving credit facility balance and an overall reduction in the net debt/LTM EBITDA ratio. The Fund continues to review the working and growth capital needs of all its Operating Partnerships, and in particular Golosky, and is evaluating financing options including third party financing, stand alone facilities, integrated cash management solutions, that could improve balance sheet management and eventually reduce the cost of capital for the Operating Partnerships and the Fund.

CAPITAL EXPENDITURES

The portfolio incurred total capital expenditures (capital lease payments and maintenance capital expenditures) of $2.8 million for the quarter compared with $1.5 million in the prior year period. The current period includes up front capital expenditures relating to projects in the Arctic which will come on stream next year. Total capital expenditures as a percentage of EBITDA are approximately 10.8%. The industrial services segment accounted for 91.6% of the Fund's

total capital expenditures as of June 30, 2008. Overall, we do not expect significant changes to the level of capital expenditures from current levels and these expenses will be funded by cash from operations.

CAPITAL STRUCTURE

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

For 2008 the Fund has set three priorities relating to capital management: reduce debt under the credit facility to 2.25 times Net Debt/LTM EBITDA, buy units under our NCIB program and provide funding for strategic, value-creating acquisitions by our existing Operating Partnerships. Management believes that these activities enhance the value of the Fund.

We expect to make accelerated progress on all three objectives in subsequent quarters.

NON-CAPITAL RESOURCES

INVESTMENT EXPERTISE

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

ENTREPRENEUR NETWORK

Generating 'deal flow' of potential new investments is a critical success factor. Newport Partners has trusted relationships and an extensive network of contacts in the Canadian private business sector. Newport Partners' network is derived from the personal contacts of the principals, the management teams of the Operating Partners and a large client base of entrepreneurial families. This network represents a competitive advantage in generating new investment opportunities for the Fund and has enabled the Fund to build a large and diversified portfolio of 18 businesses. Since inception, the Fund has invested $669.1 million and has disposed of one investment.

INVESTMENT PHILOSOPHY AND CULTURE

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

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

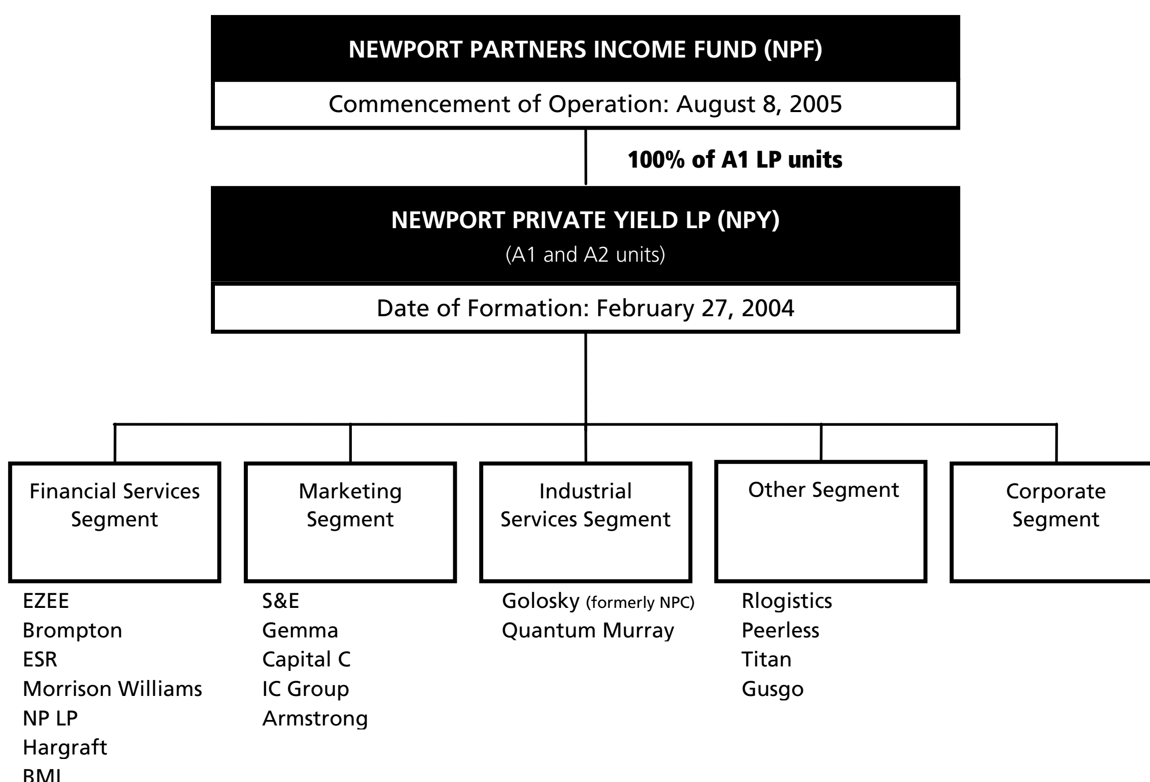
SYSTEMS AND PROCESSES

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

OTHER FACTORS IMPORTANT TO UNDERSTANDING OUR RESULTS

SIMPLIFIED STRUCTURE – NPF AND NPY

NPF is an unincorporated, open-ended, limited purpose trust, which was created to hold an indirect interest in NPY. NPY is a limited partnership formed to invest in securities of private businesses and distribute the available cash flows to the limited partners. Management at the Operating Partnerships, principals and employees of Newport Partners, Trustees of the Fund, and founding investors of NPY own approximately 55.5% of the 71,868,931 Units outstanding.



UNITS OUTSTANDING

TRUST UNITS	EXCHANGEABLE LIMITED PARTNERSHIP UNITS (NPY LP UNITS)	TOTAL
43,297,786	28,571,145	71,868,931

Pursuant to the Exchange Agreement between CT and NPY, 1,930,829 NPY LP units were exchanged for Trust units of the Fund during the six months ended June 30, 2008.

FUTURE INCOME TAXES

The Government of Canada's enactment of Bill C-52 in June 2007 implemented provisions that will make public income trusts (formed before October 31, 2006) subject to the payment of an income tax on their earnings commencing in 2011 (or earlier if certain equity capitalization thresholds are exceeded). The impact to the Fund of the enactment of Bill C-52 was that, commencing in the second quarter of 2007, the Fund must from that time forward comply with the CICA's recommendations regarding the accounting for future taxes arising from differences between the tax basis of an asset or liability and its carrying amount on the balance sheet under GAAP. What this means for the Fund is that it must estimate the expected value of its assets and liabilities as of January 1, 2011 and compare this to the estimated tax value for these assets and liabilities and record the difference as non-cash future tax amounts using a tax rate of 29.5%

for 2011 and 28% for 2012 and subsequent years. In general, there are no material differences in the values for operating assets and liabilities such as accounts receivables, inventory and trade payables for the current Operating Partnerships. There are, however, differences[1], for example between the carrying values of definite life intangibles (e.g. customer contracts) and indefinite life intangibles (e.g. brands) that arise as part of the Fund's accounting for its investments in the underlying Operating Partnerships. As one example, under GAAP, the Fund records intangible assets and these assets have a lesser value for tax purposes. In this case, a future tax liability would be recorded. If the Fund was to divest of one or more of its Operating Partnerships for an amount that is greater than the tax carrying value this would give rise to a gain because the proceeds would be greater than the tax value of the assets. The tax would be paid out of the proceeds of the divestiture with no impact on the Fund's operating cash and the future tax liability previously recorded would be reduced accordingly.

The Fund's financial results for the year ended December 31, 2007 included a net future income tax expense of $33.2 million representing the tax-effected temporary differences as at December 31, 2007 expected to reverse after December 31, 2010. The majority of the tax expense was recorded in the second quarter of 2007. It is expected that in subsequent periods, adjustments will be made to the future tax liability amount when new investments are made and also to reflect changes in the accounting and tax values of the Fund's assets based on its current portfolio, and also, to reflect any changes in income tax rates or legislation. The expense recorded had no impact on cash generated by operating activities or on distributable cash. Future income taxes recorded in the second quarter of 2008 were minimal.

The Fund continues to evaluate its alternatives as to the best structure for its unitholders, including consideration of a corporate structure as this may allow us to address the limits placed on our growth by the federal government with the expansion cap included in Bill C-52. We continue to consider all options based on our ongoing review of the legislation as well as certain draft amendments released on July 14, 2008 that, in part, are intended to facilitate a conversion to a corporate structure.

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.

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 in the 2007 audited annual consolidated financial statements and note 2 of the unaudited consolidated financial statements for the three months ended June 30, 2008 as well as in "Accounting Policies –Accounting Standards Implemented by the Fund in 2008" discussed below. NPF and the Operating Partnerships evaluate their estimates and assumptions on a regular basis, based on historical experience and other relevant factors. Included in the consolidated financial statements are estimates used in determining allowance for doubtful accounts, inventory valuation, the useful lives of property, plant and equipment and intangible assets, revenue recognition and other matters. Actual results could differ materially from those estimates and assumptions.

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

Goodwill and Intangible Assets

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values. When the Fund enters into a business combination, the purchase method of accounting is used. Goodwill is assigned as of the date of the business combination to reporting units that are expected to benefit from the business combination.

Goodwill is not amortized and is tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. During the fourth quarter of 2007 the Fund wrote down goodwill associated with its investment in S&E by $1.6 million. The book value of goodwill was $278.3 million at June 30, 2008.

Intangible assets acquired individually or as part of a group of other assets are recognized and measured at cost. Intangible assets acquired in a transaction, including those acquired in business combinations, are recorded at their fair value. Intangible assets with determinable useful lives, such as ATM location contracts, customer relationships and contracts, and management contracts, are amortized over their useful lives and are tested for impairment when there is

an indicator of impairment or annually at a minimum. Intangible assets having an indefinite life, such as brands, are not amortized but instead are tested for impairment on an annual or more frequent basis by comparing their fair value with book value. During the fourth quarter of 2007, the Fund wrote down intangible assets associated with its investment in S&E by $1.4 million. The net book value of intangible assets was $294.6 million at June 30, 2008.

Accounting Policies

The Fund's accounting policies are disclosed in the notes of the 2007 audited annual consolidated financial statements and in the following disclosure of the impact of new accounting standards implemented by the Fund in the first quarter of 2008.

ACCOUNTING STANDARDS IMPLEMENTED BY THE FUND IN 2008

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

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

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

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

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

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

The standard was implemented by the Fund in the first quarter of 2008. There was no difference in the measurement of opening inventory using this new standard and as such there was no adjustment made by the Fund to opening retained earnings.

FUTURE ACCOUNTING STANDARDS

In February 2008, the CICA issued Handbook Section 3064, Goodwill and Intangible Assets effective for interim and annual periods relating to fiscal years beginning on or after October 1, 2008. Section 3064, which replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs, establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. This new standard is effective for the Fund's interim and annual financial statements commencing January, 1, 2009. The Fund is assessing the impact of the new standard on its financial statements.

In February 2008, the Canadian Accounting Standards Board confirmed that the use of International Financial Reporting Standards ("IFRS") will be required for Canadian publicly accountable enterprises for years beginning on or after January 1, 2011. The Fund is currently evaluating the impact of adopting IFRS.

STANDARDIZED DISTRIBUTABLE CASH

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

Productive capacity maintenance is the amount of capital funds required in a period for an enterprise to maintain its ability to generate future cash flow from operating activities at a constant level. The Fund is a diversified portfolio of investments in private Canadian businesses with, in general, fairly small capital requirements. In the current quarter our total maintenance capital expenditures and capital lease payments as a percentage of EBITDA are approximately 10.8%. A discussion of productive capacity maintenance is not particularly relevant for investments in the Financial Services, Marketing and Other Segments as these businesses have relatively small amounts of capital requirements as the businesses are driven primarily by human capital. Our investments in the Industrial Services Segment have the largest capital requirements within the portfolio. As part of the budgeting process the Operating Partnerships are able to anticipate capital needs based on existing back-log and contracts. The capital requirements are funded from cash flows from the businesses and where possible equipment required to maintain productive capacity is leased.

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

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

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

The Fund has term debt under its credit facility of which $170 million is due on December 8, 2011 and $40 million is due May 31, 2012. In addition our convertible debt matures in 2010 and 2012. We believe that long-term debt should always form a part of our capital structure assuming an appropriate cost of capital. As our existing debt approaches maturity we will either replace it with new debt, convert into equity or refinance, if appropriate depending on the state of the capital markets at the time.

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

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	
	2008	**2007**	**2008**	**2007**
NPF Units outstanding	43,298	30,858	43,298	31,291
NPY (representing non-controlling interest) Units outstanding	28,571	39,804	28,571	39,608
Total weighted average Units outstanding[1]	71,869	70,662	71,869	70,899
Total distributions paid and payable	$ 11,686	$ 17,679	$ 23,372	$ 35,502
Distributions per unit	$ 0.16	$ 0.25	$ 0.33	$ 0.50
Cash provided by operations	$ 22,311	$ 19,521	$ 30,856	$ 35,187
Deduct: capital expenditures	(1,646)	(1,115)	(2,806)	(3,022)
Deduct: capital lease payments	(1,562)	(738)	(3,005)	(1,484)
Standardized distributable cash	$ 19,103	$ 17,668	$ 25,045	$ 30,681
Standardized distributable cash per unit	$ 0.27	$ 0.25	$ 0.35	$ 0.43
Total distributions paid and payable	11,686	17,679	23,372	35,502
Cash used to repurchase units	-	1,423	-	5,464
Aggregate cash distributions for the period	$ 11.686	$ 19,102	$ 23,372	$ 40,966
Standardized distributable cash payout ratio[2]	0.61x	1.08x	0.93x	1.34x
Standardized distributable cash	$ 19,103	$ 17,668	$ 25,045	$ 30,681
Cash used in (provided by) discontinued operations	-	201	-	(9,413)
Changes in working capital – continuing operations	(3,943)	(3,423)	(1,971)	2,291
Add: growth capital expenditures	268	327	576	827
Add: priority income per partnership agreement[3]	(168)	(31)	2,764	1,662
Distributable cash from continuing operations	15,260	14,742	26,414	26,048
Distributable cash used by discontinued operations	-	(2,523)	-	(4,864)
Distributable cash (or Adjusted Distribution Base)	$ 15,260	$ 12,219	$ 26,414	$ 21,184
Distributable cash from continuing operations per unit	$ 0.21	$ 0.21	$ 0.37	$ 0.37
Distributable cash used by discontinued operations per unit	-	$ (0.04)	-	$ (0.07)
Distributable cash (or Adjusted Distribution Base) per unit	$ 0.21	$ 0.17	$ 0.37	$ 0.30
Distributable cash (or Adjusted Distribution Base) payout ratio[2]	0.77x	1.56x	0.88x	1.93x
Income (loss) for the period before non-controlling interest[4]	$ 2,596	$ (38,843)	$ (2,186)	$ (48,045)
Excess (shortfall) of standardized distributable cash over distributions paid	7,417	(11)	1,673	(4,821)
Excess (shortfall) of distributions paid over distributable capital (or Adjusted Distribution Base)	3,574	(5,460)	3,042	(14,318)
Excess (shortfall) of income (loss) before non-controlling interest over distributions paid[4]	$ (9,090)	$ (56,522)	$ (25,558)	$ (83,547)

1 Represents weighted average number of units outstanding during the period. The 2007 period was adjusted for C LP units which were subordinated and therefore received no distributions. The subordination period for these units expired on October 1, 2007. On October 1, 2007 the units were redesignated as A2 LP units and from that time are included in the weighted average calculation.
2 Cumulative aggregate cash distributions since inception are $194,925. Cumulative standardized distributable cash and adjusted distribution base from inception are $97,498 and $153,601 respectively, providing cumulative payout ratios of 2.00x and 1.27x respectively.
3 To the extent that in any reporting period, calculated on a cumulative basis, NPF's proportionate share of distributable cash is more or less than its priority amount , an adjustment to distributable cash is made to reflect the actual cash distributions payable to NPF by the Operating Partnerships.
4 Net loss is after deducting amortization and future income taxes.

Balance Sheet ($000s)

	AS AT JUNE 30, 2008	AS AT DECEMBER 31, 2007
Total assets	$ 933,249	$ 949,236
Revolving credit facility	42,131	47,527
Long-term debt	205,384	204,862
Convertible debt	151,071	149,530
Unitholder's equity – NPF & NPY	338,577	366,830

Summary Financial Table – (segmented) ($000s EXCEPT PER UNIT AMOUNTS)
Three months ended June 30, 2008

	FINANCIAL SERVICES	MARKETING	INDUSTRIAL SERVICES[1]	OTHER	CORPORATE[2]	TOTAL
Revenues	$ 22,641	21,979	119,955	19,055	-	$183,630
Gross profit	10,939	12,348	24,928	5,290	-	53,505
Income (loss) from continuing operations before non-controlling interest	4,094	1,468	4,984	81	(8,031)	2,596
EBITDA	8,549	3,497	12,839	2,312	(1,657)	25,540
Loss on dilution of ownership interest	-	-	-	-	-	-
Adjusted EBITDA[3]	8,549	3,497	12,839	2,312	(1,657)	25,540
Interest (income) expense[4]	(18)	65	515	373	8,202	9,137
Non-cash interest expense	-	-	-	-	(1,054)	(1,054)
Income tax expense (recovery)	(2)	-	6	-	11	15
Maintenance capital expenditures and reserves	(88)	201	1,012	76	3	1,204
Capital lease payments	(31)	33	1,521	39	-	1,562
Compensation expense funded by operating partner[5]	503	249	-	-	-	752
Priority income per partnership agreement[6]	62	83	(429)	116	-	(168)
Distributable cash from continuing operations	$ 9,253	3,530	9,356	1,940	(8,819)	$ 15,260
Distributable cash per unit						**$ 0.21**

Summary Financial Table – (segmented) ($000s EXCEPT PER UNIT AMOUNTS)
Three months ended June 30, 2007

	FINANCIAL SERVICES	MARKETING	INDUSTRIAL SERVICES[1]	OTHER	CORPORATE[2]	TOTAL
Revenues	$ 24,469	21,996	64,960	22,319	-	$133,744
Gross profit	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[3]	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)	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[5]	560	-	-	-	-	560
Priority income per partnership agreement[6]	-	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

1 The Industrial Services segment includes the results of Golosky and Quantum Murray.
2 The results of the Corporate segment include corporate costs and corporate interest expense.
3 Adjusted EBITDA excludes the non-cash gain or loss on changes to ownership interest.
4 NPF advanced approximately $60,000 to NPC (subsequently renamed Golosky) to allow it to complete its investment in the Golosky Group of Companies on July 31, 2007. This long term facility can be converted into equity, if certain future performance criteria are met, and in anticipation of the triggering targets being met, and also in order to remove the financing component from the operating results of NPC, interest expense of NPC, and the Industrial Services segment in this Summary Financial table has been reduced by $1,853 and $3,767 in the three and six months ended June 30, 2008, respectively, and such amounts have been added to the interest expense of the Corporate segment.
5 NPF's agreements with ESR contemplate that certain employee bonuses are paid for by the 20% limited partners. GAAP requires that the bonuses be expensed and therefore reduces EBITDA. Since there is no cash outlay by NPF the expense is added back in arriving at distributable cash. Management of Gemma has the option to receive its distributions as bonuses. Where this option is chosen, an adjustment is required to calculate the distributable cash to the Fund.
6 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 Partnerships.

Summary Financial Table – (segmented) ($000s EXCEPT PER UNIT AMOUNTS)
Six months ended June 30, 2008

	FINANCIAL SERVICES	MARKETING	INDUSTRIAL SERVICES	OTHER	CORPORATE	TOTAL
Revenues	$ 43,310	43,561	217,151	41,340	-	$345,362
Gross profit	20,537	24,349	42,149	11,510	-	98,545
Income (loss) from continuing operations before non-controlling interest	6,434	2,643	4,222	772	(16,257)	(2,186)
EBITDA	15,335	6,730	19,741	5,330	(3,334)	43,802
Loss on dilution of ownership interest	-	-	-	-	-	-
Adjusted EBITDA	15,335	6,730	19,741	5,330	(3,334)	43,802
Interest (income) expense	(60)	168	929	834	16,666	18,537
Non-cash interest expense	-	-	-	-	(2,086)	(2,086)
Income tax expense (recovery)	4	-	6	(3)	11	18
Maintenance capital expenditures and reserves	151	374	1,606	98	3	2,232
Capital lease payments	3	63	2,876	63	-	3,005
Compensation expense funded by operating partner	1,008	546	-	-	-	1,554
Priority income per partnership agreement	111	186	2,241	226	-	2,764
Distributable cash from continuing operations	$ 16,356	6,857	16,565	4,564	(17,928)	$ 26,414
Distributable cash per unit						**$ 0.37**

Summary Financial Table – (segmented) ($000s EXCEPT PER UNIT AMOUNTS)
Six months ended June 30, 2007

	FINANCIAL SERVICES	MARKETING	INDUSTRIAL SERVICES	OTHER	CORPORATE	TOTAL
Revenues	$ 42,907	43,650	115,926	47,476	-	$249,959
Gross profit	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	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)	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	1,120	-	-	-	-	1,120
Priority income per partnership agreement	-	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 results – ($000s)

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2008	**2007**	**2008**	**2007**
Revenues	$ 183,630	$ 133,744	$ 345,362	$ 249,959
Cost of revenues	(130,125)	(88,791)	(246,817)	(167,655)
Gross profit	53,505	44,953	98,545	82,304
Selling, general and administrative expenses	(29,816)	(24,733)	(58,083)	(46,680)
Amortization expense	(10,412)	(9,205)	(20,824)	(18,032)
Depreciation expense[1]	(2,913)	(2,032)	(5,580)	(3,923)
Income from equity investments	962	771	1,494	1,516
Other income	382	356	712	553
Interest expense	(9,137)	(6,488)	(18,537)	(12,846)
Income tax (expense) recovery-current	(15)	158	(18)	312
Income tax (expense) recovery-future	40	(39,958)	105	(39,958)
Loss on dilution of interest in operating partnership	-	(220)	-	(6,064)
Income (loss) from continuing operations	2,596	(36,398)	(2,186)	(42,818)
Income (loss) for the period	2,596	(36,398)	(2,186)	(42,818)
Add:				
Amortization expense	10,412	9,205	20,824	18,032
Depreciation expense[1]	2,936	2,032	5,746	3,923
Amortization of Brompton intangible asset	484	484	968	968
Interest expense	9,137	6,488	18,537	12,846
Income tax expense (recovery)-current	15	(158)	18	(312)
Income tax expense (recovery)-future	(40)	39,958	(105)	39,958
EBITDA	$ 25,540	$ 21,611	$ 43,802	$ 32,597
Loss on dilution of ownership interest in operating partnerships	-	220	-	6,064
Adjusted EBITDA	25,540	21,831	43,802	38,661
Weighted invested capital	$ 591,518	$ 503,171	$ 591,518	$ 486,367

1 Depreciation of $23 relating to production equipment has been included in the cost of revenues for the three months ended June 30, 2008 and $166 for the six months ended June 30, 2008. This presentation reflects the Fund's implementation of the new inventory accounting standard effective January 1, 2008.

SECOND QUARTER AND YEAR-TO-DATE RESULTS

The Fund's portfolio businesses are reported in four operating segments: Financial Services, Marketing, Industrial Services and Other.

Revenues for the three months ended June 30, 2008 were $183,630 compared to $133,744 in the prior year period, an increase of 37%. Revenues for the six months ended June 30, 2008 were $345,362 compared to $249,959 in the prior year period, an increase of 38%. These increases primarily reflect our expanded portfolio and the investments made by our existing Operating Partnerships in 2007.

Gross profit for the three months ended June 30, 2008 was $53,505 compared to $44,953 in the prior year period, an increase of 19%. Gross profit for the six months ended June 30, 2008 was $98,545 compared to $82,304 in the prior year period, an increase of 20%.

Net income for the three months ended June 30, 2008 from continuing operations was $2,596 compared to a net loss of ($36,398) for the same period in 2007. Net loss for the six months ended June 30, 2008 was ($2,186) compared to a net loss of ($42,818) for the same period in 2007. 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 which accounted for the loss. From June 2007, NPF is 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. In the three and six months ended June 30, 2008 the Fund recorded future income tax recoveries of $40 and $105 respectively.

For the three months ended June 30, 2008, these four operating segments produced $27,197 of adjusted EBITDA for the Fund compared to $23,647 in the prior year period. For the six months ended June 30, 2008, these four operating segments produced $47,136 of adjusted EBITDA for the Fund compared to $42,161 in the prior year period. These results are before corporate costs which are included in the Corporate segment (see Segment Operating Results - Corporate).

The five largest contributors to EBITDA in the portfolio for the three months ended June 30, 2008 were Golosky, Morrison Williams, Quantum Murray, ESR and EZEE.

Golosky's maintenance and oil sands operations reported strong revenues, exceeding revenue growth targets. The second quarter is typically strong with the maintenance divisions busy with plant shutdown projects. Activity in the gas sector remains slow consequently impacting the construction divisions. Activity in Golosky's oilsands divisions was high and reflects the increasing business volumes and demand for many of Golosky's services. Golosky's gross margins have improved from the first quarter, reflecting a different business mix. Golosky's comparative results do not include the oilsands operations which were acquired in July 2007.

Morrison Williams' financial results were solid, and were slightly improved over the previous quarter, but reduced from a year ago due to volatile markets which reduced its AUM.

Quantum Murray's revenues were strong in all of its divisions this quarter. In particular, the metals disposal division benefited from higher scrap volumes from the demolition division, coupled with a sharp increase in global metals prices. Gross margins and EBITDA were above expectations, and significantly above the comparative period last year, although a direct comparison is not possible as the metals division was acquired in May 2007.

Despite a continuing soft insurance market, ESR has posted satisfying results. Commission income volumes, although reduced from a year ago, are slightly above expectations. In addition, this quarter benefited from the recording of contingent profit commissions which were received in excess of amounts accrued in 2007.

EZEE reported its best quarter for revenues, with much of the increase coming from organic growth. The quarter also was not impacted to any degree by transition and integration costs relating to earlier acquisitions.

The Fund's second quarter results were impacted by weaker results from Peerless, IC Group and Armstrong.

Peerless is the dominant supplier of military gear for the federal government. Peerless has again suffered from delays in the release of government contracts.

Weaker demand for services, and delays in budget approvals from US customers impacted the performance at Armstrong and IC Group.

See "Second Quarter 2008 Performance Summary – by Operating Partnership" for details of Fund EBITDA and distributable cash by individual Operating Partnerships.

The Fund's Corporate segment includes administrative costs to operate the Fund. Corporate costs were $1,657 for the three months ended June 30, 2008 compared with $1,816 in the prior year period. Total adjusted EBITDA after corporate costs was $25,540 for the three months ended June 30, 2008 compared with $21,831 an increase of 17%. Corporate costs were $3,334 for the six months ended June 30, 2008 compared with $3,500 in the prior year period. Total adjusted EBITDA after corporate costs was $43,802 for the six months ended June 30, 2008 compared with $38,661 an increase of 13%.

The main items which are deducted from EBITDA to arrive at Distributable Cash are interest expense and capital expenditures. During the second quarter, cash interest costs were $8,083, compared with $6,250 in the prior year period. A portion of the increase relates to additional convertible debenture interest expense in the current period. In July 2007, $79,966 of convertible debentures bearing interest of 7% were issued. During the second quarter, the operating segments had maintenance capital expenditures and capital lease payments of $2,766, as compared to $1,526 in the prior year period. The majority of these expenditures were incurred in the industrial services segments. During the six months ended June 30, 2008, cash interest costs were $16,451, compared with $12,028 in the prior year period. During the six months ended June 30, 2008, the operating segments had maintenance capital expenditures and capital lease payments of $5,237 as compared to $3,679 in the prior year period.

Distributable cash from continuing operations for the three months ended June 30, 2008 was $15,260 resulting in $0.21 of distributable cash per unit, compared with $14,742 and $0.21 per unit in the prior year period. Distributable cash from continuing operations for the six months ended June 30, 2008 was $26,414 resulting in $0.37 of distributable cash per unit, compared with $26,048 and $0.37 per unit in the prior year period.

SECOND QUARTER PERFORMANCE SUMMARY – BY OPERATING PARTNERSHIPS

OPERATING PARTNERSHIP	EBITDA ($000s)	DISTRIBUTABLE CASH ($000s)	LTM YIELD (%)	COMMENTARY
Financial Services				
EZEE	1,525	1,438	11.5	EZEE reported a strong quarter for revenues, with much of the increase coming from organic growth. The second and third quarter of each year tend to be the seasonally stronger quarters for EZEE. Results from previous quarters have been negatively impacted by transition and integration costs relating to earlier acquisitions. These costs are now largely complete. For the balance of the year, there are further cost savings opportunities from a telecommunication conversion currently underway, and from a third party service cost review which has been implemented and is starting to generate savings.
Brompton	792	909	11.0	During the second quarter, net AUM increased by approximately $130 million primarily as a result of market price appreciation of the value of assets held by the Brompton funds. The market uncertainty over the past 6 months has made launching new closed-end investment funds challenging although Brompton will continue to search for and structure new investment products which can be brought to market when conditions improve.
ESR	1,932	2,442	16.7	The commercial insurance market remains challenging with continuing pressure on premium and volume commission income. As in the first quarter, ESR was able to generate commission revenue slightly above management's expectations, but down from a year ago. Contingent profit commissions, based on insurer underwriting results, are accrued in increasing amounts as the year advances and as there is greater certainty regarding the quantum of final amounts. ESR has performed well through this prolonged soft market. With ESR's focus on client service and retention this trend should continue through the balance of 2008.
Morrison Williams	2,028	2,028	19.6	Revenue for the second quarter of 2008 reflected a 2.7% increase in AUM in the quarter, largely due to the market increase in the period. Although revenues were slightly increased, Morrison Williams still experienced redemptions in mutual funds in the second quarter. Mutual funds represent approximately 20% of revenues and tend to be more volatile with continuing redemptions. Some of the losses were offset by the addition of two new pension clients. Through 2008, the business has operated in a highly volatile financial market. With no near term stability in sight, a sustained increase in AUM this year is unlikely.
NP LP	1,085	1,146	21.4	NP LP's results for the quarter were up slightly from the prior quarter. NP LP continues to be impacted by the volatile capital markets that negatively impact investment management fees. Offsetting this in the quarter were strong corporate advisory fees. NP LP continues to execute on various marketing initiatives and it expects that performance in subsequent quarters will largely pattern results to date and continue to reflect the impact of the downturn in the capital markets.
Hargraft	579	589	6.1	Hargraft's insurance results were in line with expectations. The insurance industry continued in a soft market where premiums are declining as underwriters compete vigorously for market share. The second quarter is typically strong for Hargraft as many customers renew business in this quarter. Also, Hargraft was able to close new business with a significant account which had been deferred from the first quarter. In addition, contingent profit commissions boosted the results this quarter. Hargraft is experiencing higher marketing costs to retain its customers in this soft market. Although Hargraft expects this market to continue for the balance of the year, it anticipates a stronger fourth quarter following its typically weakest third quarter.
BMI	608	701	15.9	The competitive insurance marketplace shows no signs of relenting, and the stated desire of most insurers is to grow their portfolios by continuing to cut rates. As a result, BMI's results have again been impacted by premium and commission reductions. In addition BMI's target transportation markets, being trucking, taxis and car rentals, are all operating in challenging economic environments. A weakening manufacturing sector, high fuel costs, and, in some instances, industry consolidation are all causing downward pressure on premium renewal pricing. BMI, nevertheless, has good customer retention and is focusing on its strength of continuing to provide superior customer service. In addition it is pursuing several business development opportunities which have produced several good prospects which could, if successful, benefit the latter part of this year.
	8,549	**9,253**		

OPERATING PARTNERSHIP	EBITDA ($000s)	DISTRIBUTABLE CASH ($000s)	LTM YIELD (%)	COMMENTARY
Marketing				
S&E	128	93	6.5	S&E's continued focus on comprehensive consulting assignments for existing clients and their attention to cost control has resulted in better than anticipated results. In particular, additional sports advertising and sponsorship revenues from one existing client have benefited this quarter's results. In addition, S&E continues to focus on building its client base and is making good progress in this effort. These business development activities should provide returns in the latter part of the year.
Gemma	1,459	1,667	22.9	The second quarter of 2008 was strong for Gemma and represented the ninth consecutive quarter of EBITDA and net income growth. Despite this growth, continuation of the trend may be difficult in today's economic climate. To counter this, Gemma has been aggressively pursuing new clients to replace any reduced volumes from existing clients. As well as these business development activities, Gemma will also be increasing its inbound call volumes from one client. This is as a result of the excellent operational performance on the existing inbound sales and support program. While Gemma is still generally positive about the balance of the year, a challenging economy is resulting in increased client scrutiny and a longer decision cycle over outsourcing expenditures.
Capital C	1,442	1,244	22.7	Capital C's results for the quarter are sharply higher over last year, and continue the stronger results which began in the second half of 2007. New customer assignments from mid-2007, as well as new business wins in the first half of 2008 have provided good momentum for Capital C. There was no seasonal slow down this quarter, and in fact the results were boosted by calendar year clients for whom annual promotion planning and execution is now in final stages. The third quarter can be seasonally light only because of summer slowdowns due to lack of client availability. However, due to new client activity, Capital C expects high activity levels in the final quarter of the year.
IC Group	211	206	9.1	IC Group's results for the quarter were again disappointing. The majority of IC Group's online promotional revenues have historically been derived from US based customers. Economic challenges in the United States have caused several large core U.S. accounts to be significantly below revenue expectations due to either internal restructuring or continuing budget approval delays. Reduced revenue levels from the US customer base appears unlikely to be a short term issue, and IC Group is focused on generating new sales opportunities as it looks to diversify its revenue base. This is proving to be a time consuming process, and in the meantime, IC Group is monitoring closely its overhead costs.
Armstrong	257	320	7.2	The challenging US economy continues to impact spending by Armstrong's U.S. based clients. While no market share has been lost, revenues from these customers are significantly reduced from a year ago. Gross margins, however, have remained strong and reflect higher fee revenue from integrated marketing solutions. Efforts to replace reduced US based revenues have resulted in a focus on business development activities, in particular the provision of digital services. Armstrong has had some success in securing new clients, and digital services to existing clients have required the investment in additional capacity in this area. Armstrong's business transition to higher fee based services is progressing, and should position Armstrong well when normal marketing expenditure levels return. In the meanwhile, Armstrong is carefully monitoring its over head and discretionary costs.
	3,497	**3,530**		
Industrial Services				
Golosky (formerly NPC)	7,287	5,696	14.7	Golosky reported its highest quarterly revenues to date, bolstered by an active shutdown season in both conventional oil and gas services and oilsands services. Except for divisions with core operations geared to gas construction services, all divisions of Golosky reported a strong quarter. Although gross margins are improved from the first quarter, there is some margin tightening, attributable to incremental labour costs, and higher fuel costs in the trucking divisions. Golosky's oilsands fabrication divisions are operating at full capacity, and generating strong margins. There is stronger evidence that new gas drilling projects are starting up, and Golosky is cautiously optimistic that the last quarter of this year will see all of its divisions operating at full capacity.

OPERATING PARTNERSHIP	EBITDA ($000s)	DISTRIBUTABLE CASH ($000s)	LTM YIELD (%)	COMMENTARY
Quantum Murray	5,552	3,660	18.8	Quantum Murray had a solid quarter with total revenues and EBITDA exceeding budget and well ahead of the seasonally slower first quarter. The demolition division benefited from the start-up of a number of large industrial projects which also contributed to larger scrap volumes. The metals division generated revenues and EBITDA of almost double expected levels due to the increased scrap volumes and record high scrap metal prices. The remediation division performed well with a strong contribution in particular from abatement projects. In addition, the remediation division is preparing for long term projects in Arctic Canada, which will expand the reach and expertise of this division. The outlook for the second half of the year is positive as Quantum Murray's backlog (work-on-hand) and attractive project prospects remain strong.
	12,839	**9,356**		
Other				
Rlogistics	451	451	14.0	Rlogistics is continuing to diversify its product mix and add new retail locations. The outlook for the second half of 2008 remains positive.
Peerless	904	807	10.7	The approval process for federal contracts for work on which Peerless bids is taking much longer than it was 18-24 months ago. While Peerless still enjoys considerable success in winning these contracts, the slower sign off is impacting Peerless' business volumes as its revenues are now spread out over a longer period. However, Peerless has been able to maintain its gross margins, although the less predictable contract cycle can make timely materials procurement more difficult. Peerless continues to carefully manage its administrative costs, as it awaits the awarding of two major contracts which could benefit the balance of the year.
Titan	474	104	7.0	Demand for Titan's drilling products has been low. Activity in the oil and gas sector continues to be slower than expected. Weather in Q2 played a factor in delaying drilling activities and despite the run-up of oil and gas prices, companies continue to delay production, particularly in the gas sector. In response to the decline in revenue, Titan has reduced overhead expenses and staff. The outlook for the remainder of the year is tempered by several factors including the slowdown in the US economy which is still having a negative impact on the forestry industry in Alberta and BC. However, major oil and gas and transportation companies are forecasting increased activity in the latter part of 2008. This would help Titan recapture some of the revenues not achieved in the first half of the year.
Gusgo	483	578	19.8	Gusgo's progress in replacing revenues from U.S. based customers has continued in the second quarter. For most of 2007 Gusgo's financial results reflected lower revenues that were dampened by the strong Canadian dollar, which eliminated business from most of its U.S. based customers. In 2008, constant customer focus, attention to detail and the provision of additional services such as storage has resulted in improved revenues and EBITDA from a year ago. In addition, this quarter's marginal growth over the first quarter is impressive given a challenging economic climate and fluctuating fuel costs.
	2,312	**1,940**		

SUPPLEMENTARY INFORMATION

NPF's share of Pro-forma LTM EBITDA by Operating Partnership

The following table provides a pro-forma analysis of NPF's EBITDA by Operating Partnership, after giving effect to the contribution of all the investments as of June 30, 2008 as if each investment had been owned by NPF for the full twelve month period.

OPERATING PARTNERSHIP	JUNE 30, 2008[1]
Financial Services	
Ezee	$ 6,117
Brompton	3,597
ESR	9,256
Morrison Williams	8,241
NP LP	4,489
Hargraft	1,019
BMI[2]	2,382
Marketing	
S&E	396
Capital C	5,834
Gemma	6,757
IC Group	1,093
Armstrong[2]	1,172
Industrial Services	
Golosky (formerly NPC)	26,254
Quantum Murray[2]	14,838
Other	
Rlogistics	1,579
Peerless	4,639
Titan	3,365
Gusgo[2]	2,007
Total Operating Partnerships	**$ 103,035**
Corporate	(5,837)
Total Continuing Operations	**$ 97,198**

1 Includes EBITDA normalized to remove owner earnings and other adjustments.
2 Refer to priority income chart below. LTM EBITDA amounts do not reflect priority income amounts to which NPF would be entitled should its proportionate share of income be less than the priority income amounts.

NPF's Priority Income by Operating Partnership

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

Net Asset Value

The NAV per unit at June 30, 2008 is estimated at $5.67. This represents management's best estimate based on currently available information and is updated quarterly. The NAV is derived by accumulating the estimated fair market value of each of the Operating Partnerships and adjusting for the Fund's senior debt, the market value of convertible debentures and the consolidated cash of the Fund. Management uses discounted multiples based on public company EV/EBITDA comparables and applies these to the LTM EBITDA of the Operating Partnerships to arrive at the estimate of fair market value. Estimates of the fair market value are by their nature subjective as assumptions must be made based on data from comparable businesses.

SEGMENT OPERATING RESULTS

FINANCIAL SERVICES

The Financial Services segment includes our proportionate share of EZEE, ESR, NP LP, Morrison Williams, Brompton, Hargraft and BMI for the three months ended June 30, 2008. Results for the three and six months ended June 30, 2007 do not include a full contribution from BMI as BMI was acquired in April 2007.

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

Summary Financial Table ($000s)

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2008	**2007**	**2008**	**2007**
Revenues	$ 22,641	$ 24,469	$ 43,310	$ 42,907
Cost of revenues	(11,702)	(11,552)	(22,773)	(22,380)
Gross profit	10,939	12,917	20,537	20,527
Selling, general and administrative expenses	(3,749)	(3,668)	(7,592)	(5,994)
Amortization expense	(3,748)	(3,541)	(7,500)	(7,066)
Depreciation expense	(243)	(201)	(508)	(392)
Income from equity investments	493	494	710	1,038
Other income	382	356	712	553
Interest income	18	133	60	212
Income tax (expense) recovery-current	2	(6)	(4)	(12)
Income tax (expense) recovery-future	-	(20,737)	19	(20,737)
Income from continuing operations	4,094	(14,253)	6,434	(11,871)
Income for the period	4,094	(14,253)	6,434	(11,871)
Add:				
Amortization expense	3,748	3,541	7,500	7,066
Depreciation expense	243	201	508	392
Amortization of Brompton intangible asset	484	484	968	968
Interest income	(18)	(133)	(60)	(212)
Income tax expense (recovery)-current	(2)	6	4	12
Income tax expense (recovery)-future	-	20,737	(19)	20,737
EBITDA	$ 8,549	$ 10,583	$ 15,335	$ 17,092

Supplementary Financial Information – AUM ($000,000S)

	JUNE 30, 2008	MARCH 31, 2008	JUNE 30, 2007
NP LP	$ 1,074	$ 1,058	$ 1,191
Morrison Williams	4,226	4,115	4,654
Brompton	2,336	2,209	3,050
Total	$ 7,636	$ 7,382	$ 8,895

(I) REVENUES

Revenue from the Financial Services segment for the three months ended June 30, 2008 was $22,641, compared with $24,469 for the same period in 2007. This decrease is partly due to a reduction in commission income from the insurance investments due to the soft insurance market. In addition, in the comparative period, ESR recorded contingent profit commissions which were received in excess of those accrued at the previous year end. For the six month period ended June 30, 2008, revenues for the segment were $43,310 compared with $42,907 in the prior year period.

Each of our insurance investments has experienced reduced commissions compared to the previous period. Heightened competition in standard markets has resulted in significant downward price pressure. Given the challenging insurance market conditions, the commission revenues earned at all three insurance investments are encouraging, and client

retention has been strong. Contingent profit commissions in the quarter at ESR were lower than a year ago. These profit commissions are dependent on loss claims experienced at the insurers. Investment management fees at Morrison Williams were reduced from the same period last year. AUM is 3.7% lower than at year end, and reflects volatile markets particularly in the last six months.

NP LP's investment management fees were also down from the same period last year due to market conditions. Corporate advisory fee contribution this quarter resulted in total revenues consistent with the prior year period.

Revenues from EZEE's ATM portfolio exceeded those of a year ago, and reflect organic growth as well as last year's acquisitions of quality ATM portfolios from Technoda and STR.

(II) GROSS PROFIT

Gross profit was $10,939, which translated into a 48% gross profit margin. For the three months ended June 30, 2007, the financial services segment produced gross profit of $12,917, which translated into 53% gross profit margin. The margin decrease in the current period reflects the tightening margins in the insurance division operations, due to downward pressure on premiums, as well as lower contingent profit commissions compared to the 2007 period. Gross profit for the six month period ended June 30, 2008 was $20,537 compared with $20,527 in the prior year period.

(III) SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses were $3,749 for the three months ended June 30, 2008 compared with $3,668 in the prior year period. The small increase primarily reflects the addition of BMI in April 2007. Selling, general and administrative expenses as a percentage of revenues were 17%, compared to 15% in 2007. Selling and general administrative expenses for the six month period ended June 30, 2008 were $7,592 compared with $5,994 in the prior year period.

(IV) DEPRECIATION AND AMORTIZATION

Depreciation and amortization was $3,991 for the three months ended June 30, 2008, against $3,742 for the three months ended June 30, 2007. The largest component of this expense is the amortization of intangible assets which are recorded as investments are made in Operating Partnerships. Depreciation and amortization for the six month period ended June 30, 2008 was $8,008 compared with $7,458 in the prior year period. The increase reflects the investment made in BMI in April, 2007.

(V) EBITDA

EBITDA was $8,549 for the three months ended June 30, 2008 compared to $10,583 in the corresponding 2007 period. EBITDA also includes the income from our equity investment in Brompton. EBITDA for the six months ended June 30, 2008 was $15,335 compared with $17,092 in the prior year period.

(VI) INCOME TAX

The enactment in June 2007 of Bill C-52 resulted in a requirement to record a future tax expense in June 2007 related to temporary differences, which will reverse after 2010, between the accounting and tax basis of the Fund's net assets. The tax expense relating to the assets of the Financial Services segment was $20,737. The future tax recovery for the six months ended 2008 was $19.

(VII) INCOME

Income for the second quarter was $4,094 compared to a loss of ($14,253) in the corresponding 2007 period. Income for the six month period ended June 30, 2008 was $6,434 compared with a loss of ($11,871) in the prior year period.

(VIII) SEASONALITY

ESR, Hargraft and BMI have methodologies for estimating the amount of contingent profit commissions to be recorded throughout the year. The result of this is to lessen the impact of seasonality on the businesses.

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

(IX) OUTLOOK

Conditions in the commercial insurance market remain challenging as increased competition continues to put downward pressure on premium pricing in all three of the insurance businesses in the Fund. Client retention has been excellent throughout a difficult industry period and each of these investments is well positioned to benefit from higher premium pricing.

Based on a challenging market environment, Morrison Williams believes it will be difficult to see significant improvement in AUM in the short-term.

NP LP's expanded focus on sales and marketing activity should produce improved results in 2008. Corporate finance advisory engagements are ongoing but the timing and size of fees are not possible to estimate.

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

With the acquisitions made over the past two years, EZEE has gained greater scale and efficiency and is beginning to see the full contribution of these investments.

MARKETING

The Marketing segment includes our proportionate share of the results of S&E, Gemma, Capital C, IC Group and Armstrong.

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 Financial Table ($000s)

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2008	**2007**	**2008**	**2007**
Revenues	$ 21,979	$ 21,996	$ 43,561	$ 43,650
Cost of revenues	(9,631)	(10,089)	(19,212)	(20,075)
Gross profit	12,348	11,907	24,349	23,575
Selling, general and administrative expenses	(8,870)	(8,327)	(17,655)	(16,087)
Amortization expense	(1,595)	(1,644)	(3,186)	(3,293)
Depreciation expense	(369)	(380)	(733)	(896)
Income from equity investments	19	-	36	-
Interest expense	(65)	(78)	(168)	(139)
Income tax expense-future	-	(9,222)	-	(9,222)
Income from continuing operations	1,468	(7,744)	2,643	(6,062)
Income for the period	1,468	(7,744)	2,643	(6,062)
Add:				
Amortization expense	1,595	1,644	3,186	3,293
Depreciation expense	369	380	733	896
Interest expense	65	78	168	139
Income tax expense-future	-	9,222	-	9,222
EBITDA	$ 3,497	$ 3,580	$ 6,730	$ 7,488

(I) REVENUES

Revenues for the Marketing segment were $21,979, compared to $21,996 in the prior year period. The current period reflects strong results from both Gemma and Capital C offset by disappointing revenues at IC Group and Armstrong. Revenues for the six month period ended June 30, 2008 were $43,561 compared with $$43,650 in the prior year period.

Gemma has again reported solid revenues, increased from a year ago. However, the current economic climate has increased the client decision cycle over outsourcing of expenditures which could slow future growth at Gemma. To counter this, Gemma has been aggressively pursuing new clients to replace reduced or delayed volumes. Also, as a result of Gemma's strong operational performance on the existing inbound sales and support program call volumes from one client will be increasing.

Capital C reported excellent revenues in the current period and are increased from a year ago. The business re-positioning of last year, where the decision was made to provide an integrated service offering, is proving to be very successful. The high activity levels of the first quarter continued in the second quarter, partially because of the fuller service offering, and partially because of successful business development initiatives earlier in the cycle.

Armstrong's revenues were below those of the prior year period. Although market share has been maintained, the current economic condition in the US has negatively impacted Armstrong's US revenue stream. Armstrong is attempting to replace this lost revenue through business development activities which have resulted in new digital business services.

S&E's revenues have significantly increased compared to the prior year period. The better than anticipated results are attributable to S&E's new fee based consulting assignments as well as additional sports advertising and sponsorship revenue from one existing client.

IC Group's revenue performance in this quarter was disappointing and significantly lower than revenues achieved in the prior year period. The lower revenues were due primarily to economic challenges in the United States where IC Group derives the majority of its business. IC Group's large core U.S. accounts have reduced their marketing spending, and IC Group is focused on generating new sales opportunities to diversify its revenue base.

(II) GROSS PROFIT

Gross profit for the Marketing segment was $12,348 and gross profit margin was 56%. For the comparative three months ended June 30, 2007, gross profit was $11,907 and gross profit margin was 54%. Gross profit margins at Gemma were materially above management's expectations as it continued to benefit from record levels of facilities utilization. Gross profit margins at Capital C were strong reflecting the value to clients of the new strategic integrated service offerings. Armstrong has been able to maintain its margins partially because of the introduction of new higher margin digital services. IC Group was impacted by lower revenues resulting in a reduction in its gross margins compared to a year go. Gross profit for the six month period ended June 30, 2008 was $24,349 compared with $23,575 in the prior year period.

(III) SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the three months ended June 30, 2008 were $8,870 compared to the same period ended June 30, 2007 of $8,327. These expenses as a percentage of revenues were 40% compared to 38%. This increase was due to lower revenues at IC Group, as well as additional business development costs at both IC Group and Armstrong. Selling, general and administrative expenses for the six month ended June 30, 2008 $17,655 with $16,087 in the prior year period.

(IV) DEPRECIATION AND AMORTIZATION

Depreciation and amortization was $1,964 for the three months ended June 30, 2008, compared with $2,024 in the prior year period. The largest component of this expense is the amortization of intangible assets, which are recorded as investments in Operating Partnerships are made. Typically, the level of capital expenditures in this service segment is low. Depreciation and amortization for the six month period ended June 30, 2008 was $3,919 compared to $4,189 in the prior year period.

(V) EBITDA

EBITDA from the Marketing segment was $3,497 compared with $3,580 of EBITDA produced in the prior year period. EBITDA for the six month period ended June 30, 2008 was $6,730 compared with $7,488 in the prior year period.

(VI) INCOME TAXES

The enactment in June 2007 of Bill C-52 resulted in a requirement to record a future tax expense in June 2007 related to temporary differences, which will reverse after 2010, between the accounting and tax basis of the Fund's net assets. The tax expense relating to the assets of the Marketing segment was $9,222. There is no tax provision in the 2008 periods.

(VII) INCOME

Income for the second quarter was $1,468 compared to a loss of ($7,744) in 2007. The income for the six month period ended June 30, 2008 was $2,643 compared to a loss of ($6,062) in the prior year period.

(VIII) SEASONALITY

Seasonality is not typically a material factor for the Marketing segment.

(IX) OUTLOOK

Gemma's outlook is cautiously positive. While it has seen some lengthening of clients' decision cycles, it has new growth opportunities and is also exploring an initiative for shared projects in an offshore call centre.

Capital C's management is positive about the balance of the year, and in particular about the fourth quarter, given the revenue capabilities it believes can be derived from its deeper customer relationships.

S&E is continuing to re-build the company, and has produced improved results which management believes can continue.

IC Group is operating with a lower revenue base than a year ago. While it is seeing business opportunities and a respectable pipeline, there is, given the economic climate, a longer sales cycle before obtaining client commitments. Increased focus on its insurance division could provide greater contribution from this area.

Armstrong's revenues are significantly reduced. While it has seen some new business wins, in order to return to previous levels, it will require more of these, which will not be immediate given today's longer sales cycles. In the meantime, Armstrong is carefully monitoring its costs.

INDUSTRIAL SERVICES

The Industrial Services segment includes our proportionate share of the results of Golosky (formerly NPC) and Quantum Murray. The financial results of Golosky for the three months ended June 30, 2008 include the results of several acquisitions made by Golosky during 2007 which are not included in the results for the three months ended June 30, 2007. Therefore, Golosky's results for 2008 are not comparable to those for 2007. The financial results of Quantum Murray for the three months ended June 30, 2008 include our proportionate share of the results of Quantum Murray. The comparable 2007 financial results do not include the full contribution of Thomson, a significant investment which occurred in May 2007. Therefore, Quantum Murray's results for 2008 are not comparable to those for 2007.

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

Summary Financial Table ($000s)

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2008	**2007**	**2008**	**2007**
Revenues	$ 119,955	$ 64,960	$ 217,151	$ 115,926
Cost of revenues	(95,027)	(50,465)	(175,002)	(90,205)
Gross profit	24,928	14,495	42,149	25,721
Selling, general and administrative expenses	(12,089)	(7,498)	(22,527)	(14,023)
Amortization expense	(3,362)	(2,298)	(6,723)	(4,232)
Depreciation expense[1]	(2,159)	(1,279)	(4,061)	(2,292)
Interest expense	(2,368)	(483)	(4,696)	(904)
Income tax (expense) recovery-current	(6)	164	(6)	324
Income tax (expense) recovery-future	40	(2,062)	86	(2,062)
Income (loss) from continuing operations	4,984	1,039	4,222	2,532
Income (loss) for the period	4,984	1,039	4,222	2,532
Add:				
Amortization expense	3,362	2,298	6,723	4,232
Depreciation expense[1]	2,159	1,279	4,180	2,292
Interest expense	2,368	483	4,696	904
Income tax expense (recovery)-current	6	(164)	6	(324)
Income tax expense (recovery)-future	(40)	2,062	(86)	2,062
EBITDA	$ 12,839	$ 6,997	$ 19,741	$ 11,698

	THREE MONTHS ENDED JUNE 30				SIX MONTHS ENDED JUNE 30			
	2008		2007		2008		2007	
	GOLOSKY	QUANTUM MURRAY	NPC	QUANTUM MURRAY	GOLOSKY	QUANTUM MURRAY	NPC	QUANTUM MURRAY
Revenues	$ 81,067	$ 38,888	$ 39,230	$ 25,730	$ 147,698	$ 69,453	$ 71,270	$ 44,656
Cost of revenues	(68,556)	(26,471)	(32,773)	(17,692)	(125,804)	(49,198)	(59,142)	(31,063)
Gross profit	12,511	12,417	6,457	8,038	21,894	20,255	12,128	13,593
Selling, general and administrative expenses	(5,224)	(6,865)	(3,231)	(4,267)	(9,569)	(12,958)	(6,093)	(7,930)
Amortization expense	(1,582)	(1,780)	(785)	(1,513)	(3,162)	(3,561)	(1,346)	(2,886)
Depreciation expense[1]	(1,458)	(701)	(931)	(348)	(2,739)	(1,322)	(1,669)	(623)
Interest (expense) income	(2,262)	(106)	(494)	11	(4,536)	(160)	(938)	34
Income tax (expense) recovery-current	(6)	-	164	-	(6)	-	324	-
Income tax (expense) recovery-future	40	-	(2,314)	252	86	-	(2,314)	252
Income (loss) from continuing	2,019	2,965	(1,134)	2,173	1,968	2,254	92	2,440
Income (loss) for the period	2,019	2,965	(1,134)	2,173	1,968	2,254	92	2,440
Add:								
Amortization expense	1,582	1,780	785	1,513	3,162	3,561	1,346	2,886
Depreciation expense[1]	1,458	701	931	348	2,858	1,322	1,669	623
Interest expense (income)	2,262	106	494	(11)	4,536	160	938	(34)
Income tax expense (recovery)-current	6	-	(164)	-	6	-	(324)	-
Income tax expense (recovery)-future	(40)	-	2,314	(252)	(86)	-	2,314	(252)
EBITDA	$ 7,287	$ 5,552	$ 3,226	$ 3,771	$ 12,444	$ 7,297	$ 6,035	$ 5,663

1 Depreciation of nil relating to production equipment has been included in cost of revenues for the three months ended June 30, 2008 and $119 for the six months ended June 30, 2008. This presentation reflects the Fund's implementation of the new inventory accounting standard effective January 1, 2008.

(I) REVENUES

Revenues from the Industrial Services segment were $119,955 compared with $64,960 in the prior year period. Revenues for the six month period ended June 30, 2008 were $217,151 compared with $115,926 in the prior year period.

Golosky's revenues in the current period reflect the inclusion of results from the investments in oil sands operations, completed after the second quarter of 2007, and in Nortech, completed in May 2007. Revenues excluding these investments were higher by 19% compared to the prior year period. The organic increase in revenues relates to strong growth in core maintenance services, boosted this quarter by shutdown maintenance projects. Construction operations continue to be affected by limited spending on new gas-related capital projects caused by weak gas prices. Revenues from Nortech were solid in the quarter. Revenues from Golosky's oil sands operations were strong across all its divisions and reflect continued and growing demand in the oilsands area.

Quantum Murray's revenues in the current period include the revenues of Thomson which was acquired in the second quarter of 2007. Quantum Murray's revenues excluding the Thomson investment were higher by 13% compared to the prior year period, reflecting organic growth primarily in the remediation business where abatement projects contributed significantly. The metals division (Thomson) was a strong performer this quarter and benefited from large scrap metal volumes and strong commodity prices, some of which were received from the demolition division.

(II) GROSS PROFIT

Gross profit was $24,928 for the three months ended June 30, 2008 compared with $14,495 in the prior year period. Gross profit margins were 21% compared to 22% in the prior year period. Gross margins were reduced at Golosky from a year ago as Golosky has experienced margin compression in its maintenance work, and reduced revenues from construction assignments which typically return higher margins. In addition, there has been some margin compression in Golosky's trucking divisions with higher fuel costs. At Quantum Murray gross margins are increased from a year ago, and also from the first quarter, because of improved margins in the remediation and demolition business as well as a higher component of scrap metal sales where higher margins have been recorded due to high metal prices. Gross profits for the six month period ended June 30, 2008 was $42,149 compared with $25,721 in the prior year period.

(III) SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses were $12,089 for the three months ended June 30, 2008, compared to $7,498 for the prior period in 2007. These expenses as a percentage of revenues were 10%, compared to 12% in the prior year period. Selling, general and administrative expenses for the six months ended June 30, 2008 was $22,527 compared to $14,023 in the prior year period.

(IV) DEPRECIATION AND AMORTIZATION

Depreciation and amortization was $5,521 for the three months ended June 30, 2008 compared with $3,577 in the prior period in 2007. The largest component of this expense is the amortization of intangible assets, which are recorded as a result of investments made in Operating Partnerships. The increase in the expense over the prior year period primarily reflects the investments in Thomson and Golosky. Capital expenditures were $1,012 compared to $358 in the prior year period. Depreciation and amortization for the six month period ended June 30, 2008 was $10,784 compared to $6,524 in the prior year period.

(V) EBITDA

The Industrial Services segment produced $12,839 of EBITDA compared with $6,997 of EBITDA earned in the prior year period. EBITDA for the six months ended June 30, 2008 was $19,741 compared with $11,698 in the prior year period.

(VI) INCOME TAX

The enactment in June 2007 of Bill C-52 resulted in a requirement to record a future tax expense in June 2007 related to temporary differences, which will reverse after 2010, between the accounting and tax basis of the Fund's net assets. The tax expense relating to the assets of the Industrial Services segment was $1,898. There is future income taxes recovery of $40 recorded in the current quarter.

(VII) INCOME

Income for the second quarter was $4,984 compared to $1,039 in the period 2007. Income for the six months ended was $4,222 compared with $2,532 in the prior year period.

(VIII) SEASONALITY

Golosky'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 Golosky's business.

Quantum Murray's remediation activity can be reduced in the winter months, depending on assignment location and weather. In addition, due to the timing of large contracts, quarterly results can fluctuate.

(IX) OUTLOOK

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

Quantum Murray will benefit from a full 12 months contribution from Thomson in 2008, and demolition and remediation revenues are conservatively estimated to show modest growth over 2007. There is currently a solid pipeline of opportunities, and it is also anticipated that strong scrap metals volume and pricing will continue in the second half of the year.

OTHER

The Other segment includes our proportionate share of the results of Rlogistics, Peerless, Titan and Gusgo.

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 Financial Table ($000s)

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2008	2007	2008	2007
Revenues	$ 19,055	$ 22,319	$ 41,340	$ 47,476
Cost of revenues	(13,765)	(16,685)	(29,830)	(34,995)
Gross profit	5,290	5,634	11,510	12,481
Selling, general and administrative expenses	(3,451)	(3,424)	(6,975)	(7,076)
Amortization expense	(1,707)	(1,722)	(3,415)	(3,441)
Depreciation expense[1]	(128)	(172)	(265)	(343)
Income from equity investments	450	277	748	478
Interest expense	(373)	(610)	(834)	(1,205)
Income tax recovery-current	-	-	3	-
Income tax expense-future	-	(7,908)	-	(7,908)
Income from continuing operations	81	(7,925)	772	(7,014)
Income for the period	81	(7,925)	772	(7,014)
Add:				
Amortization expense	1,707	1,722	3,415	3,441
Depreciation expense[1]	151	172	312	343
Interest expense	373	610	834	1,205
Income tax recovery-current	-	-	(3)	-
Income tax expense-future	-	7,908	-	7,908
EBITDA	$ 2,312	$ 2,487	$ 5,330	$ 5,883

1 Depreciation of $23 relating to production equipment has been included in cost of revenues for the three months ended June 30, 2008 and $47 for the six months ended June 30, 2008.

(I) REVENUES

Revenues from this segment were $19,055 for the three months ended June 30, 2008 compared with $22,319 in the prior year period. Revenues for the six months period ended June 30, 2008 were $41,340 compared with $47,476 in the prior year period.

Peerless' revenues were lower than in the prior year period. As reported in recent quarters, Peerless is experiencing delayed decisions on contracts and this trend is persisting. The result is that Peerless' sales and production cycle is lengthened and is beyond the control of Peerless.

Titan's revenues were below those of the prior year period. The slowdown in the exploration and drilling gas sector in Alberta has resulted in reduced sales of its products to the oil and gas and transportation industries. Wet weather in the second quarter also negatively impacted sales of Titan's construction products.

Gusgo's revenues for the quarter were higher than in the prior year period. Gusgo has been successful in replacing revenues from US based customers, partly by selling additional services to its existing customer base.

(II) GROSS PROFIT

Gross profit was $5,290 for the three months ended June 30, 2008 and gross profit margins were 28%, compared with $5,634 and 25% respectively for the same prior year period. Despite the reduced revenues in this segment, gross profit margins were improved at Peerless and Gusgo due to production efficiencies and higher margin services respectively. Gross profit for the six month period ended June 30, 2008 was $11,510 compared with $12,481 in the prior year period.

(III) SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses were $3,451 for the three months ended June 30, 2008 compared with $3,424 in the prior year period. These expenses as a percentage of revenues were 18%, compared to 15% in the prior year period, and reflect the non-variable nature of a significant portion of these expenses. Selling, general and administrative expenses for the six month period ended June 30, 2008 were $6,975 compared with $7,076 in the prior period.

(IV) DEPRECIATION AND AMORTIZATION

Depreciation and amortization was $1,835 for the quarter compared to $1,894 in the prior year period. The largest component of this expense is the amortization of intangible assets, which are recorded as a result of investments made in Operating Partnerships. Depreciation and amortization for the six months ended June 30, 2008 was $3,680 compared to $3,784 in the prior year period.

(V) EBITDA

EBITDA for this segment was $2,312 compared with $2,487 in the prior year period. The variance is directly related to the reduced revenues in the quarter compared to last year. EBITDA includes the income from our equity investment in Rlogistics of $450 for the quarter compared to $277 in the prior year period. EBITDA for the six month period ended June 30, 2008 was $5,330, compared to $5,883 in the prior year period.

(VI) INCOME TAXES

The enactment in June 2007 of Bill C-52 resulted in a requirement to record a future tax expense in June 2007 related to temporary differences, which will reverse after 2010, between the accounting and tax basis of the Fund's net assets. The tax expense relating to the assets of the Other segment was $7,908. There is no future tax provision in the 2008 periods.

(VII) INCOME

Income for the second quarter was $81 compared to a loss of ($7,925) in the prior year period. Income/loss for the six month period ended June 30, 2008 was $772 compared to a loss of ($7,014) 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

The size and timing of Peerless' revenues are largely dependent upon the awarding of contracts by the federal government. There is uncertainty surrounding the timing of these contracts and there are delays currently being experienced. Peerless' management continues to anticipate that it should benefit during the next two years from the standard industry cycle, which includes years when significant refresh contracts are awarded.

Titan management foresees a continued impact on its operations from two sources: i) the slow down in the U.S. economy that is negatively impacting Titan's business targeted at the forestry sector in Alberta and B.C. and ii) maturity in the levels of oil and gas and transportation activity is affecting Titan's sales. Titan has postponed capital expenditures, and will continue to monitor expenses. Titan's management is cautiously optimistic that the recent increases in gas prices may positively impact sales levels, however, they do not expect significant improvement in the short term.

Gusgo management continues to focus on expanding its opportunities in Canada and is expecting the second half of 2008 to largely pattern the first.

Rlogistics' outlook continues to be positive as the company levers its operations around the newly installed accounting and distribution systems which has increased efficiencies, and new store openings.

CORPORATE

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

Summary Financial Table ($000s)

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2008	**2007**	**2008**	**2007**
Selling, general and administrative expenses	$ (1,657)	$ (1,816)	$ (3,334)	$ (3,500)
Depreciation expense	(14)	-	(13)	-
Interest expense	(6,349)	(5,450)	(12,899)	(10,810)
Income tax expense-future	(11)	(29)	(11)	(29)
Loss on dilution of interest in operating partnership	-	(220)	-	(6,064)
Loss for the period	(8,031)	(7,515)	(16,257)	(20,403)
Loss for the period	(8,031)	(7,515)	(16,257)	(20,403)
Add:				
Depreciation expense	14	-	13	-
Interest expense	6,349	5,450	12,899	10,810
Income tax expense-future	11	29	11	29
EBITDA	(1,657)	(2,036)	(3,334)	(9,564)
Loss on dilution of ownership interest	-	220	-	6,064
Adjusted EBITDA	$(1,657)	$ (1,816)	$(3,334)	$ (3,500)

(I) SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses were $1,657 for the second quarter, compared to $1,816 to the prior year period. Expenses for the quarter were in line with expectations and represent compensation, audit and regulatory costs. The Fund monitors its expenses as a percentage of weighted invested capital and seeks to maintain the ratio at 1.5 % or lower. In the quarter the ratio was 1.1% compared to 1.4% for the same quarter in 2007.

(II) INTEREST EXPENSE

Interest expense of $6,349 for the second quarter relates to the credit facility and the convertible debentures. This compares to $5,450 in the prior year period. The increase in interest expense over the prior year period primarily reflects the additional interest expense associated with the $79,966 convertible debentures issued in July 2007 with an interest rate of 7%.

(III) LOSS

The net loss for the second quarter was ($8,031) compared to a loss of ($7,515) in the prior year period. For the six month period ended June 30, 2008 the loss was ($16,257) compared to ($20,403) for the prior year period. Included in the loss for the six months ended June 30, 2007 are dilution losses relating to the re-organization of Quantum Murray

and the impact of NCIB repurchases during the period. Adjusting for this dilution, the variance in the two periods relate primarily to additional interest expense discussed above.

(IV) OUTLOOK

Selling, general and administrative expenses for the second half of 2008 are expected to be at similar levels to the first half of the year. The Fund is targeting a reduction in 2008 in its borrowing levels to less than 2.25x EBITDA, and this, coupled with lower interest rates, should result in lower levels of interest expense in 2008 on our credit facility.

EIGHT QUARTER SUMMARY – ($000S EXCEPT PER UNIT AMOUNTS)

	2008 Q2	2008 Q1	2007 Q4	2007 Q3	2007 Q2	2007 Q1	2006 Q4	2006 Q3
Revenues	183,630	161,732	164,934	149,796	133,744	116,215	111,483	98,930
Gross profit	53,505	45,040	49,124	44,779	44,953	37,351	41,009	32,685
Income (loss) from continuing operations	2,596	(4,782)	3,302	(116)	(36,398)	(6,420)	3,273	6,424
Net income (loss)	1,560	(2,760)	892	(57)	(21,773)	(4,988)	(26,946)	2,302
Adjusted EBITDA from continuing operations	25,540	18,262	23,559	22,114	21,831	16,830	20,786	18,579
Income (loss) per unit from continuing operations	0.04	(0.07)	0.03	0.00	(0.51)	(0.09)	0.13	0.08
Income (loss) per unit	0.04	(0.07)	0.03	0.00	(0.54)	(0.13)	(0.80)	0.06

ADDITIONAL INFORMATION

TRANSACTIONS WITH RELATED PARTIES

OWNERSHIP

As of June 30, 2008, directors, officers and employees and entities related to the Fund beneficially hold an aggregate of 23,010,138 NPY and NPF units or 32% on a fully diluted basis.

TRANSACTIONS

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

An employee loan was made to an executive of EZEE in 2006 in the amount of $250 of which $221 is outstanding. In accordance with the terms and conditions of the loan, the loan was used to purchase units in NPY.

Employee loans were made in 2007 in the aggregate amount of $2,399 of which $2,299 remains outstanding at June 30, 2008. In accordance with the terms and conditions of the loans, the loans were used to purchase units of NPF and are full recourse loans secured by the Units and carry interest at prime.

OFF BALANCE SHEET ITEMS

The Fund had $4,587 of letters of credit outstanding at June 30, 2008. The letters of credit are predominantly to secure cash management services provided by Royal Bank of Canada and as security for programs in the Marketing and Industrial Services segment.

THIRD QUARTER OUTLOOK

Our outlook for the remainder of the fiscal year remains cautiously positive. We expect third quarter to be weaker with fourth quarter being very strong. While we are seeing some effects from the U.S. slowdown in some of our smaller operating partnerships (Armstrong, IC Group), for the most part, the investments in the portfolio are performing in accordance with the business plans that we reviewed and approved with management for fiscal 2008.

RISK FACTORS

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

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

DISCLOSURE CONTROLS & PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

DISCLOSURE CONTROLS AND PROCEDURES

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

NPF's management, including its CEO and CFO, have evaluated the effectiveness of the Fund's disclosure controls and procedures as at June 30, 2008 and have concluded that those disclosure controls and procedures were effective to ensure that information required to be disclosed by the Fund in its corporate filings is recorded, processed, summarized and reported within the required time period for the quarter then ended.

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

ADDITIONAL INFORMATION

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

DEFINITIONS

"A2 LP Units" – means the Class A LP Units of NPY designated as Series 2;

"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 Corp., an Ontario corporation;

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

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

"CEO" – means Chief Executive Officer;

"CFO" – means Chief Financial Officer;

"CICA" – means Canadian Institute of Chartered Accountants;

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

"CSA" – means Canadian Securities Administrators;

"CT" – means Newport Partners Commercial Trust;

"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 plus debt and convertible debentures, less cash and cash equivalents;

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

"Ezee" – means Ezee ATM LP, 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" or "NPC" – means NPC Integrity Energy Services Limited Partnership, a limited partnership formed under the laws of Alberta, carrying on business as "Golosky Energy Services";

"Golosky Group of Companies" – means eight (8) operating entities acquired by NPC July 31, 2007;

"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;

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

“NCIB” – means Normal Course Issuer Bid;

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

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

“Nortech” – means Nor-Tech Systems LP, 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;

“NPY LP Units” – means units of NPY;

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

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

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

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

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

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

“Technoda” – means Systems Electroinique Technoda Inc., which sold 100% of its ATM assets to Ezee on April 30, 2007;

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

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

“Units” – means trust units of the Fund.