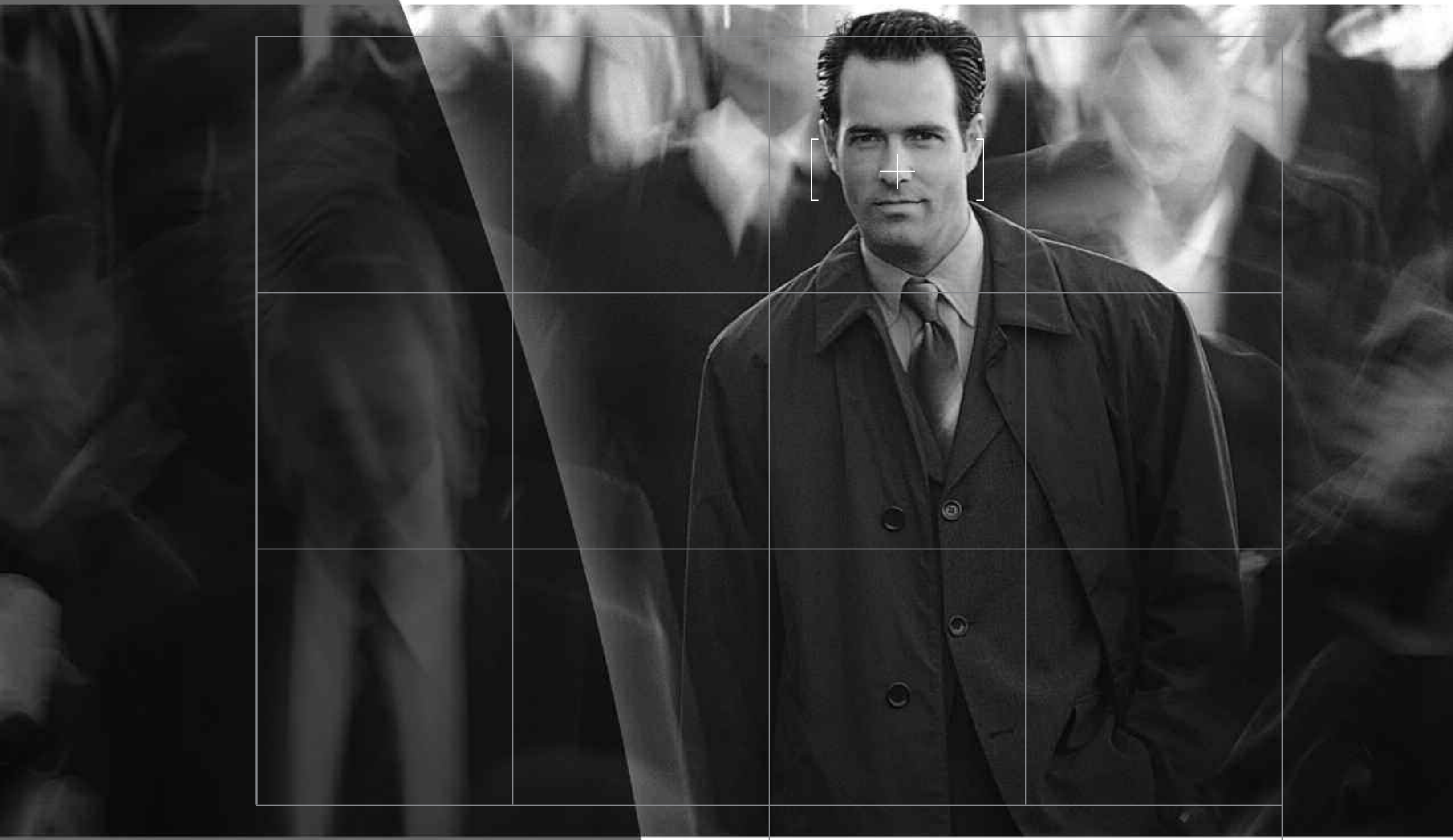

Newport Partners Income Fund

Second Quarter Report 2009 - Revised

Focus

Newport Partners Income Fund™

PORTFOLIO SUMMARY - BY OPERATING PARTNERSHIP ($000s)

Three months ended June 30, 2009

OPERATING PARTNER	DATE OF INITIAL INVESTMENT	OWNERSHIP INTEREST	INVESTED CAPITAL	Q2 2009 EBITDA	Q2 2009 DISTRIBUTABLE CASH	LTM CASH YIELD FROM THE PORTFOLIO[1]
FINANCIAL SERVICES						
Brompton	Aug. 2005	42%	$ 27,200	$ 554	-	2.9%
ESR	Aug. 2005	100%	64,500	3,886	3,836	15.4%
Morrison Williams	Aug. 2005	80%	42,000	1,143	1,143	10.9%
NP LP	Aug. 2005	100%	20,700	716	676	10.7%
Hargraft	Apr. 2006	94%	18,200	(97)	(98)	1.2%
BMI	Apr. 2007	78%	18,200	265	292	9.9%
MARKETING						
S & E	Oct. 2004	80%	5,700	270	261	7.7%
Gemma	Mar. 2005	80%	28,000	1,051	1,028	16.1%
Capital C	Aug. 2005	67%	23,700	1,276	1,118	21.1%
IC Group	Jul. 2006	80%	8,500	648	612	34.3%
Armstrong	Oct. 2006	80%	20,000	219	207	8.1%
INDUSTRIAL SERVICES						
NPC/Golosky	Oct. 2004	80%	113,100	2,120	(192)	5.3%
Quantum Murray	Mar. 2006	64%	77,900	2	(749)	-3.2%
OTHER						
Rlogistics	May 2006	36%	10,000	300	300	13.2%
Peerless	Jun. 2006	90%	36,000	1,442	1,388	15.1%
Titan	Sep. 2006	92%	25,200	147	(78)	5.4%
Gusgo	Oct. 2006	80%	12,500	500	543	17.5%
TOTALS			**$ 551,400**	**$ 14,442**	**$ 10,287**	**8.6%**

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

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 36.

DEAR UNITHOLDERS:

The primary goal set for 2009 has been to restructure our balance sheet, and reduce overall indebtedness. As previously reported, a subsidiary of the Fund has been in default of covenants on its senior credit agreement since the beginning of the year. We have recently announced that we have signed a forbearance agreement with the senior lenders, and in reaching this agreement, we feel that we have taken the first major step in the balance sheet restructuring process.

This agreement ensures that the senior lenders will not exercise their default-related rights and remedies under the senior credit agreement. It also provides the Fund a year and a roadmap to repay the senior debt through a combination of asset sales and re-financings at our investments. The agreement includes repayment milestones, and we recognize that there will be much hard work and heavy lifting involved to successfully execute against this agreement.

Reaching this agreement has been a difficult, time-consuming process. We are hopeful that it provides a solid basis for further restructuring of our balance sheet. A consequence of the default under the senior credit agreement was that we were prohibited from paying interest due on June 30, 2009 on the unsecured subordinated convertible debentures. In addition, our new agreement with the senior lender also disallows debenture interest payments during the forbearance period. It is the view of management of the Fund that time and an alternate structure are needed to maximize the returns to debenture holders. We have begun discussions with major holders of the debentures and are looking to present a restructuring proposal to all holders in short order. Again, these are far from easy discussions, but we believe that they are necessary and need to be completed. Assuming these discussions proceed as planned, it is our intent to then call a meeting of unitholders and debentureholders to deal with restructuring and annual general meeting matters in the next two months.

All of this work on our balance sheet is being undertaken against a backdrop of the worst economic recession in many years with continuing uncertainty and debate as to how long it will last. History has shown that improvements in the equity markets are typically a signal of better economic times ahead. Although price volatility remains, the recent trend appears to be of a strengthening in the equity markets. However, we can report that recent results from our portfolio of investments would indicate no imminent economic improvement. We continue to believe that the outlook for 2009 remains mixed at best.

Our portfolio of investments in 17 private companies produced EBITDA of $10.9 million in the second quarter. While this is an improvement on the first quarter which reflected some one-time losses, it is less than 50% of the EBITDA from the same quarter a year ago. We have seen broad declines across all segments of our portfolio. In our financial services segment, returns from our asset managers, driven by assets under management, although benefiting from recent equity market improvement, remain significantly reduced from a year ago, and in our insurance businesses pricing remains very competitive. Our industrial services segment is challenged on two fronts. Since last fall, industrial demolition projects have been on hold or postponed, resulting in significantly reduced business volumes. Secondly, our oil and gas services businesses have witnessed a very slow maintenance turnaround season due to the deferral of these larger maintenance projects. Our marketing segment continues to perform relatively well although competition and very conservative client spending are causing challenges. Cash interest costs in the quarter increased to $9.7 million from $8.0 million a year ago. The Fund ended the period with distributable cash from continuing operations of ($2.1) million or $(0.03) per unit versus $13.8 million or $0.19 per unit for the same period last year.

With respect to reducing operating costs, we have taken costs out of several of our businesses, and are identifying and implementing further cost savings programs. In implementing these measures, we need to ensure that we maintain the ideal operating capacity especially as customers are often asking for us to deliver more for the same dollars. In each case we are seeking to find the right balance that will optimize near term profitability with long term growth.

This has been a very challenging first half of 2009. The second half will be no different. There is much more work to be done as we look to stabilize the Fund, and also improve operations. On behalf of the board of trustees and directors and the management team, we thank you for your support.

Sincerely,

Dean T. MacDonald

President and CEO

MANAGEMENT'S DISCUSSION AND ANALYSIS

August 11, 2009

This amended and restated Management's Discussion and Analysis ("MD&A"), dated October 21, 2009 relates to the results of operations of Newport Partners Income Fund ("the Fund") and should be read in conjunction with the Fund's amended and restated consolidated financial statements for the period ended June 30, 2009 and notes thereto. Details of the restatement are provided in note 2 to the June 30, 2009 restated consolidated financial statements. The amended and restated consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Statements are subject to the risks and uncertainties identified in the Forward-Looking Information portion of this document.

AMENDMENT AND RESTATEMENT MADE OCTOBER 21, 2009

During the preparation of the June 30, 2009 interim consolidated financial statements, the Fund determined that values used to record the exchange of exchangeable units into trust units had been incorrectly calculated in prior and current periods. As units are exchanged, increasing the Fund's ownership in NPY, value is transferred from non-controlling interest to unitholders' equity on the Fund's balance sheet. Further, for exchangeable units which existed prior to the Fund's IPO, the exchange of these units is calculated as a step acquisition, resulting in the recording of goodwill on the exchange.

The consolidated financial statements have been restated to reflect the re-calculation of these values, which resulted in an increase in goodwill of $3,245 for the three months ended and $3,515 for the six months ended June 30, 2009. The Fund has written off all this additional goodwill associated with its investment in NPY, and $3,245 has been written off in the second quarter of 2009, and $3,515 for the six months ended June 30, 2009. In addition, $1,441 of the loss was allocated to non-controlling interest for the three months ended and $6,080 for the six months ended June 30, 2009.

The following is management's discussion and analysis ("MD&A") of the consolidated results of operations, financial position and cash flows of Newport Partners Income Fund ("NPF" or the "Fund") for the three and six month periods ended June 30, 2009 and June 30, 2008. This MD&A should be read in conjunction with the Fund's unaudited interim consolidated financial statements for the three and six month periods ended June 30, 2009 and June 30, 2008 and the notes thereto, and the audited annual consolidated financial statements for the year ended December 31, 2008 and the notes thereto.

All amounts in this MD&A are in Canadian dollars. The contents of this MD&A have been approved by the Board of Trustees of the Fund, on the recommendation of its Audit Committee. This MD&A is dated August 11, 2009 and is current to that date unless otherwise indicated.

The accompanying unaudited interim consolidated financial statements of the Fund have been prepared by and are the responsibility of management. The Company's new independent auditors, Ernst & Young have been engaged to perform a review of these financial statements. In this first review, in transitioning from previous auditors, the independent auditors have advised the Fund that they have satisfactorily completed their review, except for procedures regarding the accounting for exchangeable units and the resultant allocation of amounts between Unitholders' Equity and Non-Controlling Interest on the opening balance sheet of the Fund as at December 31, 2008. Management of the Fund is working with the independent auditors to resolve this matter. Key performance metrics of the Fund such as revenues, gross margins, EBITDA and distributable cash are unaffected by the accounting for exchangeable units, and the balance sheet as at June 30, 2009 is also not impacted.

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 at page 36, 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 second quarter "2009 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", "cash yield from the portfolio", "corporate costs to weighted invested capital" , ''distributable cash or adjusted distribution base'', ''EBITDA'', ''invested capital'', "LTM EBITDA", "net debt/LTM EBITDA", "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.

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

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. The Fund suspended distributions paid to its unitholders in October 2008 and intends to retain cash to repay debt. Management believes it is therefore a useful financial measure as an indication of the Fund's ability to generate cash and use such cash to repay debt and fund operations. Distributable cash generated by Operating Partnership is also used by management in the calculation of yield which it uses to monitor the performance of the Fund's Operating Partnerships.

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 and believes that in addition to net income or loss and cash provided by operating activities, EBITDA is a useful supplemental measure from which to determine the Fund's ability to generate cash available for debt service, working capital, capital expenditures, income taxes and distributions. The Fund has provided a reconciliation of income to EBITDA in its MD&A.

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.

Standardized distributable cash is defined as the GAAP measure of cash from operating activities after adjusting for capacity expenditures, restrictions on distributions arising from compliance with financial covenants restrictive 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 senior leverage ratio refers to total senior debt plus capital lease obligations plus letters of credit outstanding less NPY's cash balance divided by LTM 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.newportpartnersincomefund.ca.

KEY OBJECTIVES

- Stabilize the Fund's balance sheet and long term capital structure by reducing and restructuring existing debt.
- Focus on reducing operating costs and streamlining operations at investee businesses.
- Strengthen the leadership at investee businesses by adding seasoned industry leaders to boards.

Some of the Fund's key financial highlights as at June 30, 2009, are set out below:

KEY FINANCIAL HIGHLIGHTS	**THREE MONTHS ENDED JUNE 30, 2009 (RESTATED)**	**THREE MONTHS ENDED JUNE 30, 2008 (RESTATED)**
EBITDA from continuing operations	$ 10,896	$ 24,016
Distributable Cash per unit from continuing operations	(0.03)	$0.19
Distributable cash per unit	(0.03)	$0.21
	JUNE 30, 2009	**DECEMBER 31, 2008**
Total assets	$ 598,844	$ 619,042
Revolving credit facility	32,100	27,400
Current portion of long-term debt	210,000	210,000
Convertible debt	154,370	152,683
Unitholder's equity – NPF and NPY	33,020	55,602

CAPABILITY TO DELIVER RESULTS

LIQUIDITY AND CAPITAL RESOURCES

FINANCING

Newport Finance Corp. (the "Borrower"), a subsidiary of the Fund, has a Senior Credit Agreement with a syndicate of lenders ("the Lenders"). Amounts drawn under the Senior Credit Agreement consist of $210 million of term debt and $32 million under the revolving credit facility, and the Fund is current with its regular interest payments.

As previously reported, since December 31, 2008 and continuing at June 30, 2009, the Borrower was not in compliance with certain covenants under the Senior Credit Agreement. This necessitated the reclassification of the term debt of $210 million as a current liability. Consequently, this results in an inclusion of a going concern note in the Fund's consolidated financial statements.

On April 1, 2009 and April 29, 2009, the Borrower received from the Lenders letters confirming the events of default, advising that no future advances would be available to the Borrower from any of the commitments under the Senior Credit Agreement, other than at the sole discretion of the Lenders, and that no other debt could be incurred by the Fund. In addition, the Lenders provided notice to the Borrower that it would be charged default interest at 3% per annum for the period from January 31, 2009. The Fund has accrued default interest expense in the amount of $3.0 million relating to the period January 31, 2009 to June 30, 2009.

The Fund and the Borrower have been in negotiations with the Lenders for some time. On July 21, 2009 the Fund announced that a Forbearance Agreement had been entered into with the Lenders. Under the terms of the Forbearance Agreement, the Lenders have agreed to forbear from exercising their default-related rights and remedies under the Senior Credit Agreement for a period of up to 365 days, which period may be reduced upon the occurrence of certain new defaults (the "Forbearance Period").

The Borrower has agreed to repay the Lenders in full by the end of the Forbearance Period, by realizing minimum net proceeds on disposals of assets and from the proceeds of re-financings of the investee businesses of the Fund by certain agreed-upon dates. The minimum debt repayment targets and agreed upon dates are $70 million by November 10, 2009; $55 million by January 7, 2010 with the balance to be repaid by July 21, 2010. The Fund will be subject to a minimum EBITDA test and to a maximum capital expenditures test during the Forbearance Period beginning in January 2010. Given the terms and conditions attached to this Forbearance Agreement, the Fund has continued to disclose the term debt as a current liability and continued to include a going concern note in the Fund's consolidated financial statements.

The Lenders have agreed that no default interest will accrue or be payable during the Forbearance Period and have agreed to waive certain prepayment fees which would otherwise apply. Default interest for the period from January 31, 2009 to July 21, 2009 will be paid in part from the proceeds of asset sales by November 10, 2009 with the balance at the end of the Forbearance Period.

In addition a fee will be payable to the Lenders in part from the proceeds of asset sales by November 10, 2009 with the balance at the end of the Forbearance Period. The fee is initially 75 basis points of the principal amount outstanding under the Senior Credit Agreement (approximately $1.8 million), but may be reduced to 25 basis points (approximately $0.6 million) upon certain repayment targets being achieved.

In order to provide sufficient working capital during this Forbearance Period, NPH, a subsidiary of the Fund, has arranged for a $20 million subordinated financing facility from an affiliated entity, $5 million of which was advanced on July 21, 2009 in accordance with the Forbearance Agreement. The Fund has also introduced restrictions on discretionary spending, capital expenditures and has augmented its accounts receivable collection focus to preserve and maximize its cash reserves during the Forbearance Period.

As a consequence of the continuing events of default under the Senior Credit Agreement, the Fund was contractually prohibited under the Collateral Covenants Agreement with the Lenders from remitting the June 30, 2009 interest payment on the Unsecured Subordinated Convertible Debentures ("the Debentures") and as of July 15, 2009, the failure to make the interest payment constituted an event of default under the terms of the trust indenture. The Forbearance Agreement does not permit the Fund to make further interest payments during the Forbearance Period.

Under the terms of the trust indenture, the debenture trustee could provide notice to the Fund to declare all principal and interest to become due and payable as a result of the default. Accordingly, after July 15, 2009, the Debentures would be considered a current liability. The Fund has begun discussions with holders of the Debentures with a view to seeking approval from the holders for amendments or restructuring this debt.

OPERATING CASH FLOW AND WORKING CAPITAL

Cash provided by operations was $17.7 million for the three months ended June 30, 2009, compared to cash provided of $23.7 million for the three months ended June 30, 2008. As a result of the reclassification of $210 million of term debt required by GAAP due to covenant breaches, the Fund had working capital of approximately ($138.5) million at June 30, 2009, compared to $57.7 million at June 30, 2008. Before this term debt reclassification, working capital at June 30, 2009 was $71.5 million. Standardized distributable cash for the three months ended June 30, 2009 was $12.6 million compared to $20.8 million for the three months ended June 30, 2008. Distributable cash or adjusted distribution base for the three months ended June 30, 2009 was ($2.1) million compared to $15.3 million for the three months ended June 30, 2008. Given the uncertainty in the financial markets, and as a defensive measure to conserve cash, the Fund announced on October 8, 2008 that it was suspending its distributions following the payment of distributions on October 15, 2008.

Financing will be provided from cash from operations, the subordinated financing facility and from portfolio sales, net of debt repayment.

CAPITAL EXPENDITURES

The portfolio incurred total capital expenditures (capital lease payments and maintenance capital expenditures) of $3.3 million in the three months ended June 30, 2009 compared with $2.8 million in the prior year period to support contracts at NPC/Golosky. The industrial services segment accounted for 72.1% of the Fund's total capital expenditures for the three months ended June 30, 2009. Restrictions and limits on capital expenditure have been put in place by the Fund for the balance of the year.

CAPITAL STRUCTURE

The Fund's capital structure is 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.

NON-CAPITAL RESOURCES

ENTREPRENEUR NETWORK

The Fund has trusted relationships and an extensive network of contacts in the Canadian private business sector. This network is derived from the personal and professional contacts of the principals, and the management teams of the Operating Partners.

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, respond to regulatory and accounting changes and support restructuring initiatives.

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	
	2009 (Restated[4])	**2008**	**2009 (Restated[4])**	**2008**
NPF Units outstanding	62,552	42,936	55,227	42,347
NPY (representing non-controlling interest) Units outstanding	9,079	28,933	16,404	29,522
Total weighted average Units outstanding	71,631	71,869	71,631	71,869
Total distributions paid and payable	$ -	$ 11,686	$ -	$ 23,372
Distributions per unit	$ -	$ 0.16	$ -	$ 0.33
Cash provided by operations	17,735	$ 23,733	15,071	$ 32,749
Deduct: capital expenditures	(3,741)	(1,411)	(5,698)	(2,368)
Deduct: capital lease payments	(1,428)	(1,562)	(2,851)	(3,005)
Standardized distributable cash	$ 12,566	$ 20,760	$ 6,522	$ 27,376
Standardized distributable cash per unit	$ 0.18	$ 0.29	$ 0.09	$ 0.38
Total distributions paid and payable	-	11,686	-	23,372
Cash used to repurchase units	-	-	-	-
Aggregate cash distributions for the period	$ -	$ 11,686	-	$ 23,372
Standardized distributable cash payout ratio[1]	n/a	0.56x	n/a	0.85x
Standardized distributable cash	$ 12,566	$ 20,760	$ 6,522	$ 27,376
Cash used in (provided by) discontinued operations	-	(536)	-	(2,132)
Changes in working capital – continuing operations	(17,283)	(6,266)	(15,504)	(4,333)
Add: growth capital expenditures	2,581	34	3,966	140
Add: priority income per partnership agreement[2]	78	(168)	172	2,764
Distributable cash from continuing operations	(2,058)	13,824	(4,844)	23,816
Distributable cash used by discontinued operations	-	1,436	-	2,598
Distributable cash (or Adjusted Distribution Base)	$ (2,058)	$ 15,260	$ (4,844)	$ 26,414
Distributable cash from continuing operations per unit	$ (0.03)	$ 0.19	$ (0.07)	$ 0.33
Distributable cash used by discontinued operations per unit	-	0.02	-	0.04
Distributable cash (or Adjusted Distribution Base) per unit	$ (0.03)	$ 0.21	$ (0.07)	$ 0.37
Distributable cash (or Adjusted Distribution Base) payout ratio[1]	n/a	0.77x	n/a	0.88x
Income (loss) for the period before non-controlling interest[3]	$(11,979)	$ 1,750	$(26,097)	$ (3,609)
Excess (shortfall) of standardized distributable cash over distributions	12,566	9,074	6,522	4,004
Excess (shortfall) of distributions paid over distributable capital (or Adiusted Distribution Base)	(2,058)	3,574	(4,884)	3,042
Excess (shortfall) of income (loss) before non-controlling interest over distributions paid	$(11,979)	$ (9,936)	$(20,017)	$(26,981)

1 Cumulative aggregate cash distributions since inception are $206,827. Cumulative standardized distributable cash and adjusted distribution base from inception are $125,743 and $160,730, respectively, providing cumulative payout ratios of 1.65x and 1.29x, respectively.
2 To the extent that in any reporting period, calculated on a cumulative basis, NPF's proportionate share of distributable cash is more or less than its priority amount, an adjustment to distributable cash is made to reflect the actual cash distributions payable to NPF by the operating partner.
3 Net loss is after deducting amortization and future income taxes.
4 The consolidated financial statements have been restated to reflect the re-calculation of these values, which resulted in an increase in goodwill of $3,245 for the quarter ended June 30, 2009 and $3,515 for the six months ended. In the fourth quarter of 2008, the Fund had written off all of the goodwill associated with its investment in NPY, and the additional amounts of goodwill of $3,245 and $3,515 for the three and six months ended June 30, 2009 respectively, have both been written off.

Summary Financial Table – (segmented) ($000s EXCEPT PER UNIT AMOUNTS)
Three months ended June 30, 2009

	FINANCIAL SERVICES	MARKETING	INDUSTRIAL SERVICES[5]	OTHER	CORPORATE[1] (Restated[6])	TOTAL (Restated[6])
Revenues	$ 13,626	$ 22,807	$ 80,132	$ 15,855	$ -	$ 132,420
Gross profit	9,177	11,743	14,452	4,737	-	40,109
Income (loss) from continuing operations before non-controlling interest	2,218	1,328	(2,184)	(398)	(12,943)	(11,979)
EBITDA	6,467	3,464	2,122	2,389	(6,791)	(7,651)
Write-down of goodwill	-	-	-	-	3,245	3,245
Adjusted EBITDA[7]	6,467	3,464	2,122	2,389	(3,546)	10,896
Interest income (expense[2])	21	(43)	(675)	(222)	(9,644)	(10,563)
Non-cash interest expense	-	-	-	-	853	853
Income tax expense current	(6)	-	-	-	(8)	(14)
Maintenance capital expenditures and reserves	(620)	(165)	(1,060)	(35)	-	(1,880)
Capital lease payments	(13)	(30)	(1,328)	(57)	-	(1,428)
Priority income per partnership agreement[4]	-	-	-	78	-	78
Distributable cash from continuing operations	$ 5,849	$ 3,226	$ (941)	$ 2,153	$ (12,345)	$ (2,058)
Distributable cash per unit						$ (0.03)

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

	FINANCIAL SERVICES	MARKETING	INDUSTRIAL SERVICES[5]	OTHER	CORPORATE[1]	TOTAL
Revenues	$ 13,804	$ 21,979	$ 119,955	$ 19,055	-	$174,793
Gross profit	9,200	12,348	28,621	5,290	-	55,459
Income (loss) from continuing operations before non-controlling interest	3,248	1,468	4,984	81	(8,031)	1,750
EBITDA	7,025	3,497	12,839	2,312	(1,657)	24,016
Interest income (expense)	105	(65)	(515)	(373)	(8,202)	(9,050)
Non-cash interest expense	-	-	-	-	1,055	1,055
Income tax (expense) recovery	2	-	(6)	-	(11)	(15)
Maintenance capital expenditures and reserves	89	(201)	(1,012)	(76)	(4)	(1,204)
Capital lease payments	31	(33)	(1,521)	(39)	-	(1,562)
Compensation expense funded by operating partner[3]	503	249	-	-	-	752
Priority income per partnership agreement[4]	62	83	(429)	116	-	(168)
Distributable cash from continuing operations	$ 7,817	$ 3,530	$ 9,356	$ 1,940	($ 8,819)	$ 13,824
Cash provided by discontinued operations						1,436
Distributable cash						15,260
Distributable cash per unit from continuing operations						**0.19**
Cash provided per unit by discontinued operations						0.02
Distributable cash per unit						**$ 0.21**

1 The results of the Corporate segment include corporate costs and corporate interest expense.
2 NPF advanced approximately $60,000 to NPC/Golosky to allow it to complete its investment in Golosky 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/Golosky, interest expense of NPC/Golosky, and the Industrial Services segment in this Summary Financial table has been reduced by $1,502 and $2,989 for the three and six months ended June 30, 2009 ($1,853 and $3,767 for the three and six months ended June 30 2008) and such amount has been added to the interest expense of the Corporate segment.
3 NPF's agreements with certain operating partnerships, contemplate that some bonus expenditures are borne by the minority partner. GAAP requires that the bonuses be expensed and therefore reduces EBITDA. Since there is no cash outlay by NPF the expense is added back in arriving at distributable cash.
4 To the extent that in any reporting period, calculated on a cumulative basis, NPF's proportionate share of distributable cash is more or less than its priority amount, an adjustment to distributable cash is made to reflect the actual cash distributions payable to NPF by the operating partner.
5 The Industrial Services segment includes the results of NPC/Golosky and Quantum Murray.
6 The Corporate segment has been restated to reflect the re-calculation of exchangeable unit values, which resulted in an increase in goodwill of $3,245 at June 30, 2009. In the fourth quarter of 2008, the Fund had written off all of the goodwill associated with its investment in NPY, and the additional amount of goodwill of $3,245 has been written off in the three months ended June 30, 2009. See Note 2 in the consolidated financial statement for further discussion on the restatement.
7 Adjusted EBITDA excludes the write-down of goodwill.

Summary Financial Table – (segmented) ($000s EXCEPT PER UNIT AMOUNTS)
Six months ended June 30, 2009

	FINANCIAL SERVICES	MARKETING	INDUSTRIAL SERVICES	OTHER	CORPORATE (Restated[1])	TOTAL (Restated[1])
Revenues	$ 23,409	$ 45,985	$ 187,306	$ 34,532	-	$ 291,232
Gross profit	14,415	24,169	30,155	10,217	-	78,956
Income (loss) from continuing operations before non-controlling interest	671	3,018	(6,721)	82	(23,147)	(26,097)
EBITDA[2]	8,224	7,285	4,344	4,818	(9,382)	15,289
Write-down of goodwill	-	-	-	-	3,515	3,515
Adjusted EBITDA	8,224	7,285	4,344	4,818	(5,867)	18,804
Interest income (expense)	45	(78)	(1,411)	(472)	(18,699)	(20,615)
Non-cash interest expense	-	-	-	-	1,687	1,687
Income tax expense	(12)	-	-	-	(19)	(31)
Maintenance capital expenditures and reserves	(629)	(378)	(1,414)	(87)	-	(2,508)
Capital lease payments	(14)	(64)	(2,649)	(124)	-	(2,851)
Compensation expense funded by operating partner	498	-	-	-	-	498
Priority income per partnership agreement	20	-	-	152	-	172
Distributable cash from continuing operations	8,132	6,765	(1,130)	4,287	(22,898)	(4,884)
Distributable cash						**$ (4,884)**
Distributable cash per unit from continuing operations						**$ (0.07)**
Distributable cash per unit						$ (0.07)

1 The Corporate segment has been restated to reflect the re-calculation of exchangeable unit values, which resulted in an increase in goodwill of $3,515 at June 30, 2009. In the fourth quarter of 2008, the Fund had written off all of the goodwill associated with its investment in NPY, and the additional amount of goodwill of $3,515 has been written off in the six months ended June 30, 2009. See Note 2 in the consolidated financial statement for further discussion on the restatement.

2 Adjusted EBITDA excludes the write-down of goodwill.

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

	FINANCIAL SERVICES	MARKETING	INDUSTRIAL SERVICES	OTHER	CORPORATE	TOTAL
Revenues	$ 26,502	43,561	217,151	41,340	-	328,554
Gross profit	17,278	24,349	49,175	11,510	-	102,312
Income (loss) from continuing operations before non-controlling interest	5,011	2,643	4,222	772	(16,257)	(3,609)
EBITDA	12,568	6,730	19,741	5,330	(3,334)	41,035
Interest income (expense)	228	(168)	(929)	(834)	(16,666)	(18,369)
Non-cash interest expense	-	-	-	-	(2,086)	(2,086)
Income tax (expense) recovery	(4)	-	(6)	3	(11)	(18)
Maintenance capital expenditures and reserves	150	374	1,606	98	3	2,231
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	$ 13,758	6,857	16,565	4,564	(17,928)	$ 23,816
Cash provided by discontinued operations						2,598
Distributable cash						**26,414**
Distributable cash per unit from continuing operations						**$0.33**
Cash provided per unit by discontinued operations						$0.04
Distributable cash per unit						$0.37

Summary Results – ($000s)

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2009 (Restated[2])	2008	2009 (Restated[2])	2008
Revenues	$132,420	$174,793	$291,232	$328,554
Cost of revenues	(92,311)	(119,334)	(212,276)	(226,242)
Gross profit	40,109	55,459	78,956	102,312
Selling, general and administrative expenses	(30,300)	(33,294)	(61,587)	(64,617)
Amortization expense	(9,519)	(9,960)	(17,810)	(19,920)
Depreciation expense[1]	(3,027)	(2,774)	(6,112)	(5,308)
Income from equity investments	781	962	818	1,494
Other income	-	382	-	712
Interest expense	(10,563)	(9,050)	(20,615)	(18,369)
Write-down of goodwill	(3,245)	-	(3,515)	-
Income tax (expense)-current	(14)	(15)	(31)	(18)
Income tax recovery-future	3,799	40	3,799	105
Income (loss) from continuing operations	(11,979))	1,750	(26,097)	(3,609)
Income (loss) for the period	(11,979)	1,750	(26,097)	(3,609)
Add:				
Amortization expense	9,519	9,960	17,810	19,920
Depreciation expense[1]	3,046	2,797	6,154	5,474
Amortization of Brompton intangible asset	287	484	575	968
Interest expense	10,563	9,050	20,615	18,369
Income tax expense -current	14	15	31	18
Income tax (recovery)-future	(3,799)	(40)	(3,799)	(105)
EBITDA	$7,651	$ 24,016	$15,289	$ 41,035
Write-down of goodwill	3,245	-	3,515	-
Adjusted EBITDA	10,896	24,016	18,804	41,035
Weighted invested capital	$ 551,408	$ 591,518	$ 548,787	$ 591,518

1 Depreciation of $19 was recorded in Cost of revenues for the three months ended June 30, 2009, and $42 for the six month period.

2 The consolidated financial statements have been restated to reflect the re-calculation of these values, which resulted in an increase in goodwill of $3,245 for the quarter ended June 30, 2009 and $3,515 for the six months ended. In the fourth quarter of 2008, the Fund had written off all of the goodwill associated with its investment in NPY, and the additional amounts of goodwill of $3,245 and $3,515 for the three and six months ended June 30, 2009 respectively, have both been written off.

SECOND QUARTER 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, 2009 were $132,420 compared to $174,793 in the prior year period, a decrease of 24.2%.

Gross profit for the three months ended June 30, 2009 was $40,109 compared to $55,459 in the prior year period, a decrease of 27.7%.

For the three months ended June 30, 2009, these four operating segments produced $14,442 of EBITDA for the Fund compared to $ 25,673 in the prior year period. These results are before corporate costs which are included in the Corporate segment (see Segment Operating Results – Corporate below).

The five largest contributors to EBITDA in the portfolio for the three months ended June 30, 2009, were ESR, NPC/Golosky, Morrison Williams, Peerless and Capital C.

ESR's results for the current quarter reflect the increase in ownership of 20% to 100%. ESR's results for the quarter were improved from a year ago. While commission income was only slightly below that of last year, contingent profit commissions were higher. These amounts are based on underwriting results and increasing amounts are recorded in later quarters, or when there is increased certainty over the amounts likely to be received.

NPC/Golosky's maintenance and oil sands operations reported decreased revenues over the same period a year ago. Apart from growth experienced in the three divisions which provide specialized wear technology services which extend the useful life of pipeline used in the oil sands, activity at NPC/Golosky's divisions was reduced across the board. The second quarter is typically a very strong quarter with larger shutdown/turnaround maintenance projects. The size and scope of these projects were significantly reduced from prior years, as many clients are deferring these projects to later in the year or postponing indefinitely. Construction revenues are almost non-existent and maintenance services in both the conventional and oil sands industries have been impacted by reducing margins because of client pricing expectations and increased competition.

Morrison Williams' financial results reflect investment management fees from lower levels of AUM, compared to the same period a year ago. With overhead costs largely fixed, these reduced AUM levels have a significant impact on the bottom line.

Peerless had a solid second quarter, and improved from a year ago. The second quarter started to show the benefits of the two large government contracts won at the end of 2008. Peerless' solid gross margins were maintained through effective cost management despite some one-time production delays at a sub-contractor, and materials procurement issues.

Capital C's revenues were similar to the prior year period. Capital C provides a fully integrated marketing services offering primarily to large packaged goods clients. Capital C has worked hard this quarter to maintain its revenue levels, and reduced spending by some clients has been offset by new business wins.

Despite the economic climate, the Fund's specialty marketing businesses - Gemma, IC Group, Armstrong and S&E - have fared relatively well this quarter. The businesses in the Fund's financial services segment have fared less well and have faced some difficult challenges. Like Morrison Williams, both NP LP and Brompton have been impacted by reduced AUM compared to a year ago, following the significant financial market sell off in the latter part of 2008. Insurance businesses –Hargraft and BMI continued to be hurt by softer insurance markets and continuing intense competition.

Both Quantum Murray and Titan had difficult quarters. The environmental division revenues were slightly above those of a year ago, while both the demolition and metals divisions at Quantum Murray's performed at levels lower than a year ago. All divisions had much lower gross margins reflecting increased competition. Titan has experienced reduced revenue levels across the board. The continuing harsh economic climate in Alberta is particularly impacting drilling, construction and transportation customers of Titan.

See "Second Quarter 2009 Performance Summary – by Operating Partnership" for details of Fund EBITDA and distributable cash by individual Operating Partnerships.

The Fund's Corporate segment includes costs to operate the Fund. Corporate costs, excluding interest, were $3,546 for the three months ended June 30, 2009 compared with $1,657 in the prior year period. The increase over the prior year reflects the inclusion of increased salary costs, reflecting additional resources that are focused on the operations of our investments, legal and consulting costs relating to negotiations with the Lenders, and increased general legal costs. Total EBITDA after corporate costs was $7,651 for the three months ended June 30, 2009 compared with $24,016 in the prior year period.

The main items which are deducted from EBITDA to arrive at Distributable Cash are interest expense and capital expenditures. During the current quarter, cash interest costs were $9,710, compared with $7,995 in the prior year period and maintenance capital expenditures and capital lease payments were $3,308, as compared to $2,765 in the prior year period. The majority of these expenditures were incurred in the industrial services segments.

Distributable cash from continuing operations for the three months ended June 30, 2009 was a loss of ($2,058) resulting in ($0.03) of distributable cash per unit, compared with $13,824 and $0.19 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				
Brompton	554	-	2.9%	During the second quarter, net AUM increased by approximately $500 million as a result of assets raised from the exercise of warrants that were outstanding on 4 funds, the closing of Manulife Brompton Advantaged Bond Fund and market appreciation. Brompton is also currently in the market with an additional investment fund offering. Brompton will continue to search for and structure new investment products which can be brought to market.
ESR	3,886	3,836	15.4%	ESR is a managing general agent and provider of specialized commercial insurance services to its clients. The insurance industry continues to operate in a soft market which has impacted commission income levels. There has, however, been some recent improvement in commission income levels which would indicate a firming up of insurance premiums in ESR's business lines. The second quarter also benefited from larger contingent profit commission amounts. These amounts are based on successful underwriting results. There is cautious optimism relating to the insurance market in ESR's target markets, given recent commission income levels.
Morrison Williams	1,143	1,143	10.9%	Morrison Williams provides investment management services to institutional clients. The second quarter results were satisfactory as market conditions improved. Revenue for the second quarter of 2009 reflected a 5.7% increase in AUM in the quarter, largely due to the market rebound. The level of Morrison Williams' earnings is reliant entirely on the success of business development activities, and on stock market levels. Returns from business development activities are expected to be longer term as many prospects are unwilling to make significant changes while the economic uncertainty prevails.
NP LP	716	676	10.7%	NPLP provides investment management, corporate advisory and insurance services to its clients. NP LP had a strong second quarter as the equity markets rebounded and new client business was realized. This resulted in a 15.4% increase in AUM quarter over quarter. Market research and increased levels of marketing activities over the last year are now showing results. The outlook for the balance of the year is cautiously optimistic, but dependent on a stable or improving market.
Hargraft	(97)	(98)	1.2%	Hargraft is an insurance broker specializing in the transportation, manufacturing and construction sectors. Hargraft's transportation clients are reducing fleet sizes and parking vehicles in response to the economy, and this is the primary contributor to Q2 poor performance. Manufacturing clients are similarly impacted by the economy. Hargraft's construction clients being mostly linked to municipal infrastructure contracts are currently stable. Modest premium increases continue across Hargraft accounts in the second quarter, any benefit being eradicated by lower client revenues.
BMI	265	292	9.9%	BMI is an insurance broker providing services primarily to the transportation sector. The second quarter was another challenging one as BMI clients continue to look for ways to cut costs. The transportation sector has been greatly impacted by the recession which has resulted in stiff premium pricing competition as insurers look to retain as much business as possible. In addition, BMI has experienced reduced volumes of business with a significant client who has chosen to restructure its program with another provider. The outlook for the rest of the year is very cautious. A slower economic recovery will lead to further business contractions and closures which will erode BMI's client base. .
	6,467	**5,849**		
Marketing				
S&E	270	261	7.7%	S&E is a provider of sports-related marketing and advertising services. The revenues in the quarter were increased due to media revenues from three major clients, as well as revenues related to programs related to the NHL play offs. Client spending on marketing activities typically come under pressure in tougher economic climates, and as a result the outlook for the balance of the year is mixed. While, currently, larger clients continue to spend above initial expectations, there is increased focus on business development activities to offset the potential of reduced revenues from key clients.

OPERATING PARTNERSHIP	EBITDA ($000S)	DISTRIBUTABLE CASH ($000S)	LTM YIELD (%)	COMMENTARY
Gemma	1,051	1,028	16.1%	Gemma had a challenging second quarter compared to the strong results over the last several quarters. The full impact of the loss of some financial services clients at the end of 2008 was felt during the quarter. Gemma has been successful in replacing a portion of the lost revenue, but at reduced margin levels. Increased operational focus and tight cost control initiatives have helped to offset some of the lost gross margin. As Gemma looks to the second half of the year there is cautious optimism. There have been recent business wins in in-bound business, and new business development activities are well underway, with the expectation that clients will begin to spend more on marketing activities in the last quarter of this year.
Capital C	1,276	1,118	21.1%	Capital C is a provider of fully integrated marketing services. The second quarter results were solid despite the challenging economic climate. Capital C's clients continue to defer marketing spends and apply pressure on pricing to make their marketing expenditures go further. However, Capital C's focus on client development and account consolidation has been successful with many new business wins this quarter. The third quarter tends to be slower due to summer holidays, but there is optimism that the new business accounts will start to make an impact in the last quarter of the year.
IC Group	648	612	34.3%	IC Group is a provider of online promotional and loyalty programs, and a provider of select insurance products. IC Group had a strong quarter as interactive revenues continue to grow, and this more than offset lower insurance commission revenues. Gross margins were lower this quarter due to the inclusion of a higher ratio of prize revenue which has low gross margins. Given work in progress levels, it is anticipated that the rest of the year will remain strong despite the economic downturn. IC Group continues to look at ways of diversifying and expanding its online program client base, and is also renewing its insurance focus with an increase in marketing and allocation of dedicated sales people to stimulate growth in this line of business.
Armstrong	219	207	8.1%	Armstrong provides in-store promotional marketing services. The second quarter was a challenging quarter for Armstrong. The economic climate is resulting in reduced spending from Armstrong's clients especially in the financial services and consumer package goods segments. In addition, work being completed is often at reduced revenue levels as industry-wide price competition is hurting gross margins. While business development efforts with key clients have seen some traction during the quarter, Armstrong is hopeful that projects currently being cancelled or deferred will come back on stream when the economic climate becomes less volatile.
	3,464	**3,226**		
Industrial Services				
NPC/Golosky	2,120	(192)	5.3%	NPC/Golosky provides oil and gas maintenance, construction and wear technology services to both the conventional oil and gas industry and to the oilsands. The second quarter, which is traditionally the strongest quarter, has suffered for two primary reasons. Firstly, the scope and size of maintenance shutdowns/turnarounds in conventional and oilsands operations were significantly reduced over expected and historic levels. Many clients have chosen to defer or postpone these larger projects. Secondly, two major projects have experienced a combination of cost overruns and disputed billings, which have been provided against while resolution with the clients is pursued. As a general comment, the oil and gas service industry continues to operate with reduced volumes and intense pricing pressures. Reducing gross margins has brought increased focus on levels of general and administrative expenses. For the balance of the year, construction and fabrication revenue streams will continue to be low, while maintenance services will remain stable with some shutdowns re-scheduled to later in the year. Wear technologies revenues have been strong and will continue to strengthen in the foreseeable future.

OPERATING PARTNERSHIP	EBITDA ($000S)	DISTRIBUTABLE CASH ($000S)	LTM YIELD (%)	COMMENTARY
Quantum Murray	2	(749)	-3.2%	Quantum Murray is a national provider of demolition, remediation and scrap metal services. Quantum Murray's results for this quarter remain mixed. The Demolition division continues to suffer from the economic downturn and its impact on the construction, auto, steel and petro-chemical industries. As a result, steps to reduce costs and conserve cash have been taken, including personnel layoffs, and reductions of fleet sizes and leasing commitments. Apart from one major project currently underway, the Environmental division is experiencing lower activity levels in B.C. and Ontario and increasing competitive pressures. There is however promising activity and opportunities in the petrochemical sector in Alberta. The Metals division is experiencing lower scrap volumes as a result of the closure of local steel mills and reduced volumes from the Demolition division. Shipments of scrap to the U.S. and overseas have increased in an effort to offset lower domestic sales volumes. While the immediate outlook for all divisions is challenging, a rebound in industrial demolition activity is anticipated in 2010, as a number of larger projects come to market
	2,122	**(941)**		
Other				
Peerless	1,442	1,388	15.1%	Peerless is a supplier of garments to the Canadian military. The second quarter started to show the benefits of the two large government contracts won at the end of 2008. Peerless' solid gross margins were maintained through meticulous cost management. Results for the quarter would have been better but for production delays at a sub-contractor, and materials procurement issues. These issues have now been resolved, and full production is expected to be reached next quarter which will result in an improved second half of the year.
Titan	147	(78)	5.4%	Titan is a distributor of drilling products to the oil and gas industry, and of ground engaging tools to the transportation and construction industries. Titan continues to be harshly impacted by the economic downturn in Alberta. All product lines are down compared to prior year and in addition to lower revenues, there is gross margin compression as clients look for ways to cut costs. Cost cutting measures implemented by Titan have been successful to some extent in mitigating losses and management continues to look for ways to reduce costs. Improvement in revenues is not expected until the oil and gas sector begins to rebound and can then begin to spend on maintenance projects.
Gusgo	500	543	17.5%	Gusgo is a provider of container transportation and storage services. The second quarter results for the most part patterned the previous quarter. The slow economy continues to directly impact the logistics/ trucking business with reduced transportation activity, and slower inventory turnover. However, Gusgo's larger clients provide a solid revenue stream which has allowed Gusgo to weather this activity downturn. Management looks for ways to consolidate business with existing clients who may currently use several logistics providers, and looks for opportunities to attract clients from failed competitors.
RLogistics	300	300	13.2%	RLogistics is a re-seller of closeout, discount and refurbished consumer electronic and household goods in Ontario. RLogistics is coping well in a challenging economic environment, and has mitigated reduced business volumes in some product lines by significantly increasing its breadth of product lines to attract a larger customer base. As a result, it is now less reliant on the highly competitive electronics market place. RLogistics has no plans currently to open any additional locations, and is focused on maximizing profits from existing stores
	2,389	**2,153**		

SEGMENT OPERATING RESULTS

FINANCIAL SERVICES

The Financial Services segment includes our proportionate share of ESR, NP LP, Morrison Williams, Brompton, Hargraft and BMI. Results for ESR for the three months ended June 30, 2009 reflect the increase in ownership of 20% to 100%.

ESR	-	Independent insurance underwriters and specialty managing general agents
Morrison Williams	-	Institutional money manager
NP LP	-	Provider of capital, money management and financial advice to Canadian 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
Brompton	-	Asset manager of public and private investment funds

Summary Financial Table ($000s)

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2009	**2008**	**2009**	**2008**
Revenues	$ 13,626	$ 13,804	$ 23,409	$ 26,502
Cost of revenues	(4,449)	(4,604)	(8,994)	(9,224)
Gross profit	9,177	9,200	14,415	17,278
Selling, general and administrative expenses	(3,507)	(3,534)	(6,993)	(7,100)
Amortization expense	(3,189)	(3,296)	(6,112)	(6,596)
Depreciation expense	(118)	(104)	(229)	(236)
Income from equity investments	510	493	227	710
Other income	-	382	-	712
Interest income	21	105	45	228
Income tax (expense) recovery-current	(6)	2	(12)	(4)
Income tax (expense) recovery-future	(670)	-	(670)	19
Income from continuing operations	2,218	3,248	671	5,011
Income for the period	2,218	3,248	671	5,011
Add:				
Amortization expense	3,189	3,296	6,112	6,596
Depreciation expense	118	104	229	236
Amortization of Brompton intangible asset	287	484	575	968
Interest income	(21)	(105)	(45)	(228)
Income tax expense (recovery)-current	6	(2)	12	4
Income tax expense (recovery)-future	670	-	670	(19)
EBITDA	$ 6,467	$ 7,025	$ 8,224	$ 12,568

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

	JUNE 30, 2009	**MARCH 31, 2009**	**DECEMBER 31, 2008**	**JUNE 30, 2008**
NP LP	$ 974	$ 844	$ 856	$ 1,074
Morrison Williams	2,987	2,827	2,975	4,226
Brompton	1,440	939	1,046	2,336
Total	$ 5,401	$ 4,610	$ 4,877	$ 7,636

(I) REVENUES

Revenue from the Financial Services segment was $13,626 in the quarter, which represents a 1.3% decrease from the $13,804 reported for the same prior year period. For the six month period ended June 30, 2009, revenues for the segment were $23,409 compared with $26,502 in the prior year period.

Continuing soft insurance markets have affected commission revenues at our three insurance investments, and the financial markets' sell off in the second half of 2008 has negatively impacted AUM compared to a year ago, and therefore, revenues at both Morrison Williams and NP LP.

Each of our insurance investments has experienced reduced commission income compared to the previous period. Heightened competition in standard markets and the need for clients to cut expenditures have resulted in significant downward price pressure. Revenues have decreased as clients consolidate or close operations, seek significant savings on contract renewals, and in some cases, self insure. The second quarter of the year has benefited from significant contingent profit commissions. These profit commissions, primarily earned at ESR, are dependent on loss claims experienced at the insurers, and increasing amounts are recorded in later quarters or when there is increased certainty over the amounts likely to be received.

Investment management fees at Morrison Williams and NP LP were reduced from the same period last year. At Morrison Williams and NP LP, AUM is 29.3% and 9.3% lower, respectively, than a year ago.

(II) GROSS PROFIT

Gross profit was $9,177, which translated into a 67.3% gross profit margin. This compares to gross profit of $9,200 for the prior year period, reflecting a gross profit margin of 66.7%. The margin increase in the current period reflects the higher amount of contingent profit commissions recorded. Gross profit for the six month period ended June 30, 2009 was $14,415 compared with $17,278 in the prior year period.

(III) SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses were $3,507 compared with $3,534 in the prior year period. Selling, general and administrative expenses as a percentage of revenues were 25.7%, compared to 25.6% in 2008. For the six month period ended June 30, 2009, selling, general and administrative expenses were $6,993 compared with $7,100 in the prior year period.

(IV) DEPRECIATION AND AMORTIZATION

Depreciation and amortization was $3,307 compared to $3,400 for the prior year period. 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, 2009 was $6,341 compared to $6,832 in the prior year period.

(V) EBITDA

EBITDA was $6,467 for the period. For the prior year period EBITDA was $7,025. EBITDA also includes the income from our equity investment in Brompton. Income from Brompton was also reduced in the current quarter reflecting the reduction in its AUM. EBITDA for the six months ended June 30, 2009 was $8,224 compared with $12,568 in the prior year period.

(VI) INCOME TAX

Current tax expense for the quarter was $6 compared to a current tax recovery of $2 in the prior year period. Future tax expense for the quarter was $670 compared to $0 in the prior year period. For the six month period ended June 30, 2009, current tax expense and future tax expense was $12 and $670, respectively. For the prior year six month period, there was $4 in current tax expense and a future tax recovery of $19.

Please see a discussion on income taxes in the section on Income Taxes.

(VII) INCOME

Net income for the period was $2,218 compared to net income of $3,248 in the corresponding 2008 period. Net income for the six month period ended June 30, 2009, was $671 compared with $5,011 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 and properly reflect their contribution.

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. The economic climate is also driving clients to reduce expenditures as much as possible. Based on stable or improved financial markets, Morrison Williams believes it will see significant improvement in AUM, but new business will take longer to develop. NP LP believes that these uncertain times provide an opportunity to grow its client base as investors are exploring options for their money management.

Corporate finance advisory engagements are continuing but the timing and size of fees are not possible to estimate

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	
	2009	**2008**	**2009**	**2008**
Revenues	$ 22,807	$ 21,979	$ 45,985	$ 43,561
Cost of revenues	(11,064)	(9,631)	(21,816)	(19,212)
Gross profit	11,743	12,348	24,169	24,349
Selling, general and administrative expenses	(8,250)	(8,870)	(16,875)	(17,655)
Amortization expense	(1,786)	(1,595)	(3,550)	(3,186)
Depreciation expense	(336)	(369)	(668)	(733)
Income (loss) from equity investments	(29)	19	(9)	36
Interest expense	(43)	(65)	(78)	(168)
Income tax recovery -future	29	-	29	-
Income from continuing operations	1,328	1,468	3,018	2,643
Income for the period	1,328	1,468	3,018	2,643
Add:				
Amortization expense	1,786	1,595	3,550	3,186
Depreciation expense	336	369	668	733
Interest expense	43	65	78	168
Income tax (recovery) -future	(29)	-	(29)	-
EBITDA	$ 3,464	$ 3,497	$ 7,285	$ 6,730

MARKETING

(I) REVENUES

Revenues for the Marketing segment were $22,807 in the quarter, compared to $21,979 in the prior year. The marketing segment had a solid quarter despite fierce industry competition and client spending reductions. Revenues for the six month period ended June 30, 2009 were $45,985 compared with $43,561 in the prior year period. The increase for the quarter and on a year to date basis is mostly attributable to IC Group.

IC Group had another successful quarter as core clients continue to spend on interactive and loyalty programs.

Gemma had a challenging quarter compared to prior year's exceptional results. The loss of business from financial services clients in the Fall of 2008 was the key contributor to the decline in revenue.

Armstrong had a satisfactory quarter compared to prior year as client development activities have been successful in offsetting some of the business lost in the prior year as a result of the recession. Due to the volatile market place many of Armstrong's clients are deferring or cancelling programs until the economy recovers.

Capital C's second quarter results were in line with the prior year. Client development and consolidation has allowed Capital C to maintain revenue levels as clients look for ways to maximize their marketing budgets.

S&E had a strong quarter with higher revenues compared to prior year as media revenues from three major clients contributed to the revenue growth.

(II) GROSS PROFIT

Gross profit for the Marketing segment was $11,743 and gross margin was 51.5% in the quarter. In the prior year period, gross profit was $12,348 and gross margin was 56.2%. Gross profit for the six month period ended June 30, 2009 was $24,169 compared with $24,349 in the prior year period.

Gross margins across the Marketing segment are being compressed as clients are looking for ways to maximize their marketing budgets, as well as the impact of increased competition.

(III) SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses were $8,250 compared to $8,870 in the prior year period. These expenses as a percentage of revenues were 36.2% compared to 40.4%. This percentage decrease reflects the cost cutting measures that been implemented across the marketing segment. There has been a focus on resource alignment to mitigate the impact of the gross margin compression. Selling, general and administrative expenses for the six month period ended June 30, 2009 were $16,875 compared to $17,655 in the prior year period.

(IV) DEPRECIATION AND AMORTIZATION

Depreciation and amortization expense was $2,122 for the quarter, compared with $1,964 in the prior year period. For the six month period ended June 30, 2009, depreciation and amortization expense was $4,218 compared to $3,919 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.

(V) EBITDA

EBITDA from the Marketing segment was $3,464 compared with $3,497 of EBITDA produced in the prior year period. EBIDTA for the six month period ended June 30, 2009 was $7,285 compared to $6,730 in the prior year period.

(VI) INCOME TAX

The future tax recovery relating to the assets of the Marketing segment was $29 for the quarter ended June 30, 2009 and $0 for the prior year period. For the six month period ended June 30, 2009, future tax recovery was $29 compared to $0 in the prior year period.

Please see a discussion on income taxes in the section on Income Taxes.

(VII) INCOME

Net income for the quarter was $1,328, compared to $1,468 in the prior year period. Income for the six month period ended June 30, 2009 was $3,018 compared to $2,643 in the prior year period.

(VIII) SEASONALITY

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

(IX) OUTLOOK

With early signs of an improving economy, there is optimism that the second half of the year will see the demand for marketing services increase.

Armstrong is optimistic that as the economy recovers its client base will return to the promotional and marketing program levels seen in previous years.

IC Group's work in progress levels with its larger clients provides reassurance that revenues should remain strong for the remainder of the year.

Gemma's outlook is cautious optimism with a continued focus on client development and retention.

Capital C expects the third quarter to be challenging as the summer months tend to be slower. Management continues to look for ways to diversify its client base.

S&E's outlook is mixed. New business is being sought after and client development is being focused on to mitigate the risk of losing key accounts.

INDUSTRIAL SERVICES

The Industrial Services segment includes our proportionate share of the results of NPC/Golosky and Quantum Murray.

NPC/Golosky	-	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	
	2009	2008	2009	2008
Revenues	$ 80,132	$ 119,955	$ 187,306	$ 217,151
Cost of revenues	(65,680)	(91,334)	(157,151)	(167,976)
Gross profit	14,452	28,621	30,155	49,175
Selling, general and administrative expenses	(12,330)	(15,782)	(25,811)	(29,553)
Amortization expense	(2,105)	(3,362)	(4,210)	(6,723)
Depreciation expense[1]	(2,373)	(2,159)	(4,804)	(4,061)
Interest expense	(2,177)	(2,368)	(4,400)	(4,696)
Income tax (expense) -current	-	(6)	-	(6)
Income tax recovery-future	2,349	40	2,349	86
Income (loss) from continuing operations	(2,184)	4,984	(6,721)	4,222
Income (loss) for the period	(2,184)	4,984	(6,721)	4,222
Add:				
Amortization expense	2,105	3,362	4,210	6,723
Depreciation expense[1]	2,373	2,159	4,804	4,180
Interest expense	2,177	2,368	4,400	4,696
Income tax expense -current	-	6	-	6
Income tax (recovery)-future	(2,349)	(40)	(2,349)	(86)
EBITDA	$ 2,122	$ 12,839	$ 4,344	$ 19,741

	THREE MONTHS ENDED JUNE 30				SIX MONTHS ENDED JUNE 30			
	2009		2008		2009		2008	
	NPC/ GOLOSKY	QUANTUM MURRAY	NPC/ GOLOSKY	QUANTUM MURRAY	NPC/ GOLOSKY	QUANTUM MURRAY	NPC/ GOLOSKY	QUANTUM MURRAY
Revenues	$ 54,693	$25,439	$ 81,067	$ 38,888	$132,470	$ 54,836	$147,698	$ 69,453
Cost of revenues	(45,749)	(19,931)	(64,863)	(26,471)	(112,710)	(44,441)	(118,778)	(49,198)
Gross profit	8,944	5,508	16,204	12,417	19,760	10,395	28,920	20,255
Selling, general and administrative expenses	(6,824)	(5,506)	(8,917)	(6,865)	(14,645)	(11,166)	(16,595)	(12,958)
Amortization expense	(1,323)	(782)	(1,582)	(1,780)	(2,646)	(1,564)	(3,162)	(3,561)
Depreciation expense[1]	(1,540)	(833)	(1,458)	(701)	(3,175)	(1,629)	(2,739)	(1,322)
Interest (expense) income	(2,126)	(51)	(2,262)	(106)	(4,297)	(103)	(4,536)	(160)
Income tax (expense) -current	-	-	(6)	-	-	-	(6)	-
Income tax recovery-future	1,053	1,296	40	-	1,053	1,296	86	-
Income (loss) from continuing	(1,816)	(368)	2,019	2,965	(3,950)	(2,771)	1,968	2,254
Income (loss) for the period	(1,816)	(368)	2,019	2,965	(3,950)	(2,771)	1,968	2,254
Add:								
Amortization expense	1,323	782	1,582	1,780	2,646	1,564	3,162	3,561
Depreciation expense[1]	1,540	833	1,458	701	3,175	1,629	2,858	1,322
Interest expense (income)	2,126	51	2,262	106	4,297	103	4,536	160
Income tax expense-current	-	-	6	-	-	-	6	-
Income tax (recovery)-future	(1,053)	(1,296)	(40)	-	(1,053)	(1,296)	(86)	-
EBITDA	$2,120	$ 2	$ 7,287	$ 5,552	$5,115	$ (771)	$ 12,444	$ 7,297

1 Depreciation of $119 relating to production equipment has been included in cost of revenues in the 2008 period.

(I) REVENUES

Revenues from the Industrial Services segment were $80,132 in the quarter compared with $119,955 in the prior year period. This reflects a 33.2% decrease over the previous year. The revenue decline relates to both the NPC/Golosky and Quantum Murray businesses. Revenues for the six month period ended June 30, 2009 were $187,306 compared to $217,151 in the prior year period.

NPC/Golosky's revenues in the current period reflect a very slow shutdown/turnaround maintenance season, compared to the same period a year ago. The second quarter is typically the strongest quarter due to the timing of large annual maintenance projects. Clients this year, looking to save costs in the short term, have in many cases opted to delay these projects to later in the year, or to postpone them indefinitely. This has impacted both the conventional and oilsands parts of the business. This quarter has also suffered because of two projects where cost overruns are being disputed by the clients. In addition, as reported in previous quarters, NPC/Golosky has seen very low activity in its construction divisions, where new projects are non-existent. One revenue growth area at NPC/Golosky is in the divisions providing wear technology services which are designed to extend the useful life of pipeline used in the oil sands.

Quantum Murray's revenues in the current period were also reduced from a year ago. The Demolition division is the largest contributor to the revenue reduction. The Demolition division continues to suffer from the economic downturn and its impact on the construction, auto, steel and petro-chemical industries. Major industrial demolition projects have been shelved or cancelled, and smaller commercial projects are subject to significant price competition. The Environmental division revenues are in line with a year ago, primarily due to work this quarter on new assignments in Alberta and a significant project in Ontario. The Metal division is also experiencing reduced volumes, partially through much lower output from the Demolition division.

(II) GROSS PROFIT

Gross profit was $14,452 in the quarter compared with $28,621 in the prior year period. Gross profit margins were 18.0% compared to 23.9% in the prior year period. Gross profit for the six month period ended June 30, 2009 was $30,155 compared to $49,175 in the prior year period. Gross margins are lower at both NPC/Golosky and Quantum Murray. NPC/Golosky has experienced margin compression in its maintenance work as competition for a reducing amount of work increases.

At Quantum Murray gross margins on large industrial projects have historically been strong. These projects have dried up, and gross margins on smaller commercial projects are coming under pressure due to greater competition. Gross margins in the environmental division were in line with the prior year period.

(III) SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses were $12,330 in the quarter compared to $15,782 in the prior year period. These expenses as a percentage of revenues were 15.4%, compared to 13.2% in the prior year period. Expenses at Quantum Murray have been reduced from a year ago, primarily at the demolition division where headcount and truck fleets have been reduced. Expenses at NPC/Golosky are also reducing and further cost savings initiatives are being explored. For the six month period ended June 30, 2009 selling, general and administrative expenses were $25,811 compared to $29,553 in the prior year period.

(IV) DEPRECIATION AND AMORTIZATION

Depreciation and amortization was $4,478 for the quarter compared with $5,521 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. Capital expenditures were $1,060 compared to $1,012 in the prior year period. Depreciation and amortization expense for the six month period ended June 30, 2009 was $9,014 compared to $10,784 in prior period.

(V) EBITDA

The Industrial Services segment produced $2,122 of EBITDA, compared with $12,839 of EBITDA earned in the prior year period. EBITDA for the six month period ended June 30, 2009 was $4,344 compared to $19,741 in the prior year period.

(VI) INCOME TAX

The future tax recovery relating to the assets of the Industrial Services segment was $2,349 for the quarter compared to a future tax recovery of $40, in the prior year period. For the six month period ended June 30, 2009, future income tax recovery was $2,349 compared to a recovery of $86 in the prior year period.

Current taxes for the quarter and six months ended was $0 compared to $6 in both prior year periods.

Please see a discussion on income taxes in the section on Future Income Taxes.

(VII) INCOME

Net loss for the quarter was ($2,184) compared to net income of $4,984 in the prior year period. The net loss for the six month period ended June 30, 2009 was ($6,721) compared to net income of $4,222 in the prior year period.

(VIII) SEASONALITY

NPC/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 NPC/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

NPC/Golosky's outlook is that there will continue to be strong demand for its specialty wear technology services. Revenues from construction services will be minimal while commodity prices remain depressed, and there will continue to be gross margin compression in its core maintenance operations.

Quantum Murray's outlook for its environmental division is relatively optimistic. A significant remediation project secured in the first quarter will contribute throughout the balance of the year. On the other hand, the demolition division will have a very challenging year. Its revenues are down, large industrial projects have been shelved and it is facing increasing competition and pricing pressure on a reduced quantity of smaller commercial projects. The demolition division will continue to manage and reduce its costs until a more positive economic outlook encourages clients to re-commence industrial demolition projects. The metal division is also impacted by significantly reduced industrial projects as sales from the demolition division and third parties are reduced.

OTHER

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

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
Rlogistics	-	Wholesaler and liquidator of electronic products

Summary Financial Table ($000s)

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2009	**2008**	**2009**	**2008**
Revenues	15,855	$ 19,055	34,532	$ 41,340
Cost of revenues	(11,118)	(13,765)	(24,315)	(29,830)
Gross profit	4,737	5,290	10,217	11,510
Selling, general and administrative expenses	(2,667)	(3,451)	(6,041)	(6,975)
Amortization expense	(2,439)	(1,707)	(3,938)	(3,415)
Depreciation expense[1]	(169)	(128)	(346)	(265)
Income from equity investments	300	450	600	748
Interest expense	(222)	(373)	(472)	(834)
Income tax recovery-current	-	-	-	3
Income tax recovery-future	62	-	62	-
Income from continuing operations	(398)	81	82	772
Income for the period	(398)	81	82	772
Add:				
Amortization expense	2,439	1,707	3,938	3,415
Depreciation expense[1]	188	151	388	312
Interest expense	222	373	472	834
Income tax recovery-current	-	-	-	(3)
Income tax (recovery) -future	(62)	-	(62)	-
EBITDA	$ 2,389	$ 2,312	$ 4,818	$ 5,330

1 In the second quarter depreciation of $19 in 2009 and $23 in 2008 relating to production equipment has been included in cost of revenues. On a year-to-date basis, depreciation of $42 in 2009 and $47 in 2008 has been included in the cost of revenue.

(I) REVENUES

Revenues for the Other segment were $15,855 in the quarter, compared to $19,055 in the prior year period. Revenues for the six month period ended June 30, 2009 were $34,532 compared with $41,340 in the prior year period.

The majority of the decline in revenue relates to Titan. Titan continues to be challenged by the difficult economy in Alberta. All product lines are down from the prior year.

Peerless' revenues were slightly below the prior period due to production delays in two large government contracts. Shipment on these contracts began towards the end of the quarter as production delays were resolved.

Gusgo's revenues were below prior year as the weakened economy directly impacted the logistics/ trucking industry. Gusgo's larger and more stable clients continue to provide a solid revenue stream despite the slow economy.

(II) GROSS PROFIT

Gross profit was $4,737 for the quarter compared with $5,290 for the same quarter last year. Gross profit margins were 29.9%, compared to 27.8% in the prior year period.

With Titan's decline in revenue as well as competitive pressure on margins, gross profit significantly decreased from a year ago.

Peerless had improved gross margins due to production efficiencies in material consumption and favourable material pricing.

Gusgo had improved margins in the quarter compared to the prior period due to the mix of cartage and storage revenue.

For the six month period ended June 30, 2009 gross profit was $10,217 compared to $11,510 in the prior year period.

(III) SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses were $2,667 for the quarter compared with $3,451 in the prior year period. These expenses as a percentage of revenues were 16.8%, compared to 18.1% in the prior year period. The reduction in these expenses was mostly attributable to Titan. Significant costs controls were implemented throughout Titan to offset the decline in revenues. For the six month period ended June 30, 2009 selling, general and administration expenses were $6,041 compared to $6,975 in the prior year period.

(IV) DEPRECIATION AND AMORTIZATION

Depreciation and amortization was $2,608 for the quarter compared to $1,835 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 expense for the six month period ended June 30, 2009 was $4,284 compared to $3,680 in the prior year period.

(V) EBITDA

EBITDA for this segment was $2,389 compared with $2,312 in the prior year period. EBITDA includes the income from our equity investment in Rlogistics of $300 for the quarter compared to $450 in the prior year period. EBITDA for the six month period ended June 30, 2009 was $4,818 compared to $5,330 in the prior year period.

(VI) INCOME TAXES

The future tax recovery relating to the assets of Other segment was $62 for the quarter and six months ended June 30, 2009 compared to $0 in the prior year periods.

For a description of these changes see Income Taxes below.

(VII) INCOME

Net loss for the quarter was ($398) compared to net income of $81 in the prior year period. The variance relates to the lower revenues as discussed above. For the six month period ended June 30, 2009 there was a net income of $82 compared to a net income of $772 in the prior year period.

(VIII) SEASONALITY

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

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

Seasonality is not typically a material factor for Gusgo.

(IX) OUTLOOK

Peerless expects a strong second half of the year as full production and shipment on two large government contracts is reached.

Titan anticipates that the rest of the year will be challenging while the Alberta economy remains soft. Titan's distribution business is dependent on construction and drilling activity in Alberta which has not shown signs of recovery in the near future.

Gusgo's outlook is mixed as the transportation industry needs the economy to recover to stimulate business. Gusgo's core client base does however ensure that Gusgo will continue to have stable revenue streams.

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	
	2009 (Restated[1])	2008	2009 (Restated[1])	2008
Selling, general and administrative expenses	(3,546)	($ 1,657)	(5,867)	($ 3,334)
Depreciation expense	(31)	(14)	(65)	(13)
Interest expense	(8,142)	(6,349)	(15,710)	(12,899)
Write-down of goodwill	(3,245)	-	(3,515)	-
Income tax expense – current	(8)	(11)	(19)	(11)
Income tax recovery -future	2,029	-	2,029	-
Loss for the period	(12,943)	(8,031)	(23,147)	(16,257)
Loss for the period	(12,943)	(8,031)	(23,147)	(16,257)
Add:				
Depreciation expense	31	14	65	13
Interest expense	8,142	6,349	15,710	12,899
Income tax expense - current	8	11	19	11
Income tax (recovery) -future	(2,029)	-	(2,029)	-
EBITDA	(6,791)	(1,657)	(9,382)	(3,334)
Write-down of goodwill	3,245	-	3,515	-
Adjusted EBITDA	(3,546)	(1,657)	(5,867)	(3,334)

1 The Corporate segment has been restated to reflect the re-calculation of exchangeable unit values, which resulted in an increase in goodwill of $3,515 for the three months ended June 30, 2009. In the fourth quarter of 2008, the Fund had written off all of the goodwill associated with its investment in NPY, and the additional amount of goodwill of $3,245 for the three months ended and $3,515 has been written off in the six months ended June 30, 2009. See Note 2 in the consolidated financial statement for further discussion on the restatement.

(I) SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses were $3,546 for the quarter, compared to $1,657 in the prior year. The increase over the prior year period reflects increased salary and travel costs, as a result of additional resources brought on to focus on improving operations of our investments, legal and consulting costs relating to negotiations with the Lender, and increased general legal costs. Selling, general and administration expenses for the six month period ended June 30, 2009 were $5,867 compared to $3,334 in the prior year period.

(II) INTEREST EXPENSE

Interest expense of $8,142 for the quarter relates to the Senior Credit Agreement and the Debentures. The Fund has accrued interest expense on the Debenture but is contractually prohibited from paying it. This compares to $6,349 in the prior year period. The increase in interest expense over the prior year period reflects the inclusion of default interest for the period April 1 2009 to June 30, 2009. Interest expense for the six month period ended June 30, 2009 was $15,710 compared to $12,899 in the prior year period.

(III) INCOME TAX EXPENSE

The future tax recovery relating to assets of the Corporate segment was $2,029 for the quarter compared to a future tax expense of $0 in prior year period. Current tax expense for the quarter was $8 compared to $11 in the prior year period. For the six month period ended June 30, 2009, current tax expense was $19 and future tax recovery was $2,029. This is compared to $11 current taxes and $0 future tax expense in the prior six month period.

For a description of these changes see Income Taxes below.

(IV) LOSS

The loss for the quarter was $12,943 compared to $8,031 in the prior year period. The variance relates to higher operational and legal costs, and default interest recorded for the period April 1, 2009 to June 30, 2009. The loss for the six month period ended June 30, 2009 was $23,147 compared to $16,257 in the prior year period.

(V) OUTLOOK

Selling, general and administrative expenses in the next quarter and for the balance of 2009 are expected to remain at levels above those of 2008 as higher operational and restructuring costs continue to be incurred. The Fund's level of interest expense will be dependent upon the outcome of its efforts to restructure its balance sheet.

DISCONTINUED OPERATIONS

On September 30, 2008, the Fund sold 100% of the assets of its investment in EZEE.

The following table shows the revenue and net income from discontinued operations for the three and six months ended June 30, 2008.

	Three months ended June 30, 2008	Six months ended June 30, 2008
Revenues	$ 8,837	$ 16,808
Net income after non-controlling interest	$ 448	$ 781

SUBSEQUENT EVENTS

(i) On July 21, 2009 the Fund announced that a Forbearance Agreement had been entered into with the Lenders. Under the terms of the Forbearance Agreement, the Lenders have agreed not to enforce their default related rights and remedies under the Senior Credit Agreement for a period of up to 365 days.

The Forbearance agreement includes the following key covenants:

- The Borrower has agreed to repay the Lenders in full by the end of the Forbearance Period, by realizing minimum net proceeds on disposals of assets and from the proceeds of re-financings of the investee businesses of the Fund by certain agreed-upon dates. The minimum debt repayment targets and agreed upon dates are $70 million by November 10, 2009; $55 million by January 7, 2010 with the balance to be repaid by July 21, 2010.
- The Fund will arrange for a special purpose entity to provide working capital to NPH through a $20 million subordinated financing facility.
- From January 31, 2010 the Fund will be subject to a minimum EBITDA test, and to a maximum capital expenditures test.

Assuming that the Borrower is in compliance with the Forbearance Agreement, the Lenders have also agreed that no default interest will accrue or be payable during the Forbearance Period and have agreed to waive certain prepayment fees which would otherwise continue to apply. Default interest up until the beginning of the Forbearance Period will be paid at the end of the Forbearance Period.

A forbearance fee will be payable to the Lenders, payment of such fee to be deferred until the termination of the Forbearance Period. The fee is initially 75 basis points of the principal amount outstanding under the Senior Credit Facility, but may be reduced to 25 basis points upon certain repayment targets being achieved.

By reason of the continuing events of default under the Senior Credit Agreement, the Fund was prohibited under the Collateral Covenant Agreement from making the June 30, 2009 interest payment on the Debentures. As of July 15, 2009, the failure to make the interest payment constitutes an event of default under the terms of the trust indenture. The Forbearance Agreement does not permit the Fund to make further interest payments during the Forbearance Period Agreement.

The Fund has begun discussions with holders of the Debentures with a view to seeking approval to amendments or restructuring of this debt.

(ii) In the third quarter of 2009, the Fund expects to finalize and settle with the vendors of IC Group the final payment of a three year earn-out pension, pursuant to the original purchase and sale agreement dated July 2006. As at June 30, 2009, the Fund has accrued its best estimate of $2,400, and recorded the same amount as an increase to goodwill.

THIRD QUARTER OUTLOOK

The Fund's recent management efforts have been focused on securing a Forbearance Agreement with the Lenders. With that in place, management will continue with balance sheet restructuring efforts as it begins to execute against the debt reduction milestones in the Forbearance Agreement, and will also seek agreement with debenture holders on amendments or restructuring of the convertible debt. As always, the Fund's management will look to providing assistance to the operating partners. As we look at operations, the marketing segment still appears to be faring relatively well while there are challenges in all other segments. The balance of the year will be difficult for the insurance investments operating in a soft insurance market, and the investment managers operating with much lower asset levels. The wider economic and credit market difficulties have caused significantly reduced activity levels in our two largest investments of NPC/Golosky and Quantum Murray. This will impact the third quarter, and also both Titan and Gusgo are experiencing reduced volumes due to local economic conditions.

ADDITIONAL INFORMATION

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.

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.

Strategy

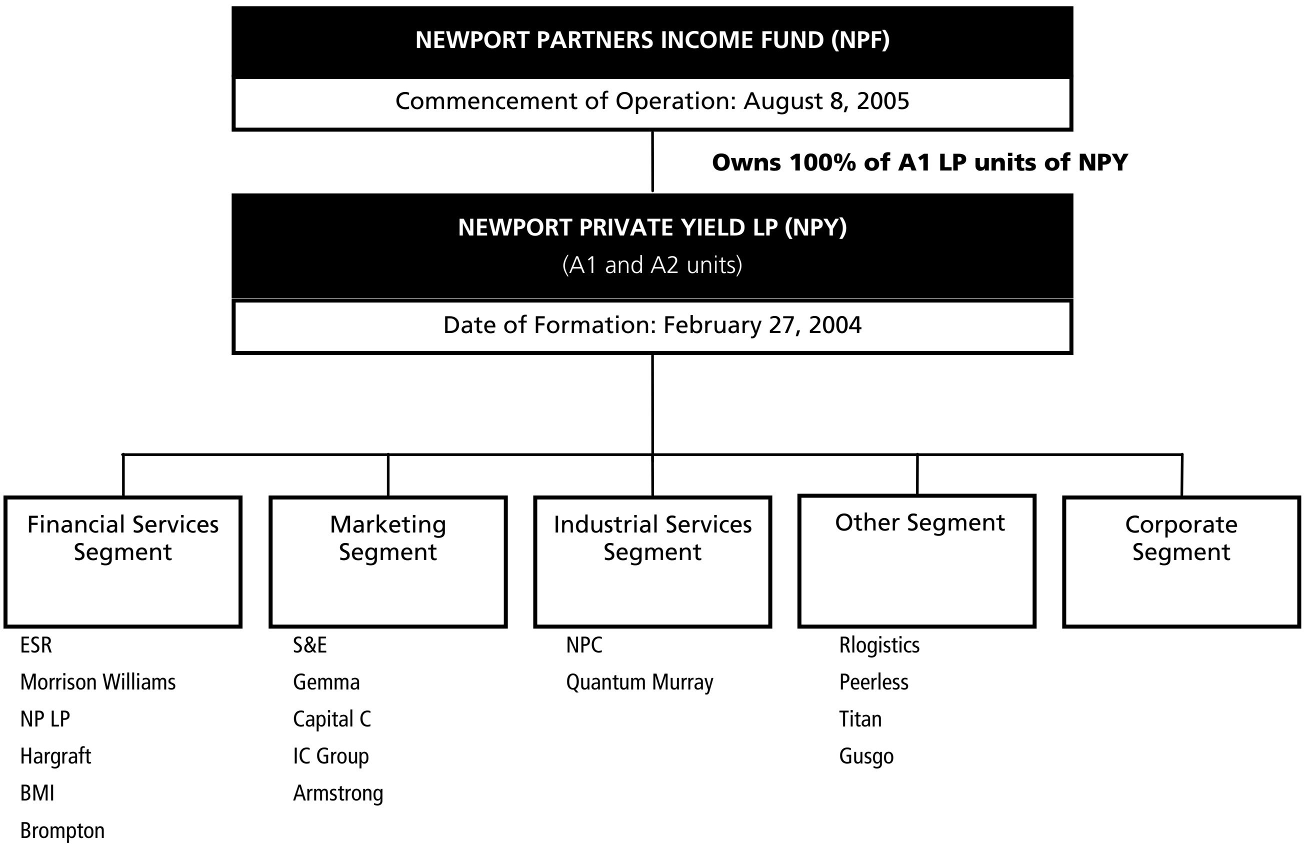
The Fund's business and **investment strategy** is based on:

- Investing in well established businesses with leading or niche positions in their respective industries, histories of profitability, growth plans and talented management teams.
- 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, strategic financial advice and operational support to facilitate the growth and performance of the businesses.

Investing for long term returns. The Fund seeks to invest in business that generate cash flows and can grow organically without significant capital. Some companies in the portfolio have been able to accelerate this growth through acquisition – using capital from the Fund, they can become consolidators in their industries, become more dominant in their markets and boost the value of our investment.

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. Management at the Operating Partnerships, principals and employees of Newport Partners, Trustees of the Fund, and founding investors of NPY own approximately 52.9% of the 71,631,431 Units outstanding.



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

On January 20, 2009, the Fund received approval from the TSX for a Normal Course Issuer Bid to purchase for cancellation through the facilities of the TSX, up to 2,327,194 units through to January 22, 2010, representing 5% of its then-issued and outstanding units. No units have been purchased for cancellation.

UNITS OUTSTANDING AS AT JUNE 30, 2009

TRUST UNITS	EXCHANGEABLE LIMITED PARTNERSHIP UNITS (NPY LP UNITS)	TOTAL
70,755,315	876,116	71,631,431

Pursuant to the Exchange Agreement between CT and NPY, 22,004,694 and 24,214,585 NPY LP units were exchanged for Trust units of the Fund during the three and six months ended June 30, 2009, respectively. During the quarter the majority of the remaining NPY LP units were exchanged for Trust units in order to simplify a conversion, in due course, to a corporation. The balance of the NPY LP units will be exchanged in the third quarter.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

NPF prepares its consolidated 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 2008 audited annual consolidated financial statements, as well as in "Accounting Policies –Accounting Standards Implemented by the Fund in 2009" 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. The book value of goodwill was $100.3 million at June 30, 2009.

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 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. 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. The net book value of intangible assets was $175.4 million at June 30, 2009.

GOODWILL AND INTANGIBLE WRITE-DOWNS

During the third and fourth quarters of 2008, the Fund reviewed the carrying value of all of its investments. The original investment carrying value is based upon the consideration paid by the Fund for each investment. The consideration paid is typically based on a multiple of earnings of the business being acquired. Further, this consideration is allocated to the tangible and intangible assets of the business acquired based on estimates of fair value at the time of acquisition, with any excess being allocated to goodwill. The Fund determined that the fair value of certain investments was lower than the carrying value. As a result, the Fund recorded a goodwill impairment charge of $87.4 million. In assessing whether there was an impairment, the Fund estimated the fair value of its investments based on current or expected earnings multiples consistent with publicly available multiples of comparable businesses as well as compared the aggregate fair value of its investments with the Fund's market capitalization at December 31, 2008. The Fund made certain assumptions for the estimated earnings of the businesses and earnings multiples. These assumptions may differ or change quickly depending on economic conditions or other events. Therefore, it is possible that future changes in assumptions may negatively impact future valuations of its investments and goodwill which would result in further impairment of goodwill.

At the time of the initial public offering of the Fund, net proceeds raised were indirectly invested into NPY giving the Fund an initial indirect ownership of 35% of NPY. The Fund's ownership interest has increased to 99% as at June 30, 2009 (65% as at December 31, 2008) through both an additional indirect investment in June 2006, following a public issue of units of the Fund, and also through the exchange by unitholders of units of NPY into units of the Fund. The investments made in NPY, and unit exchanges, resulted in goodwill of $85.9 million at the Fund, as the consideration paid for units of NPY at the time of the indirect investments exceeded the fair value of the underlying net assets acquired through those investments. The Fund has determined that the goodwill created on these initial transactions is impaired and therefore has been written off.

During the review of its carrying value of its investments, the Fund also performed an impairment test of its intangible assets, whereby the carrying amount of intangible assets was compared to the discounted future cash flows expected from their use. Impairment tests involve a significant degree of judgement, as expectations concerning future cash flows and the selection of an appropriate discount rate are subject to considerable risks and uncertainties. The Fund concluded that an impairment had occurred and, consequently, the Fund reduced the carrying value of intangible assets by $56.3 million with respect to customer relationships and $18.9 million with respect to brands.

For the three and six months ended June 30, 2009, management has determined that there were no indicators of further impairment.

LONG-TERM INVESTMENTS

Investments over which the Fund is able to exercise significant influence are accounted for under the equity method. Under the equity method, the original cost of investment is adjusted for the Fund's share of post-acquisition earnings or losses, less distributions in the case of investments in partnerships and dividends in the case of investments in companies. Investments are written down when there is evidence that a decline in value that is other than temporary has occurred. The Fund reviews all of its investments for possible impairment on an annual basis, or more frequently if there is an event which in the view of management would trigger an earlier review. As a result of revenue attrition and a weaker demand for its product suite, it was determined that the Fund's investment in Brompton was impaired, and accordingly a write-down of $29 million was recorded in 2008. The net book value of long-term investments was $16.9 million as at June 30, 2009.

INCOME TAXES

As a result of the Fund suspending distributions in late 2008, it is expected that in subsequent periods in 2009, the Fund will be subject to current income taxes on its undistributed taxable income. At June 30, 2009, a tax recovery has been recorded to reflect current period losses. This recovery is partly offset by a future tax expense resulting from the increase in ownership of NPY by the Fund. The Fund's taxable income will be compiled by results from operating partnerships and reflect CRA pronouncements and reassessments.

Although the Fund, its subsidiaries including the Operating Partnerships and their subsidiaries are of the view that all expenses to be claimed by them in the determination of their respective incomes under the Income Tax Act ("Tax Act") is reasonable and deductible in accordance with the applicable provisions of the Tax Act, and that the allocation of partnership income for purposes of the Tax Act between the holders of LP Units and the Commercial Trust is reasonable, there can be no assurance that the Tax Act or the interpretation of the Tax Act will not change, or that CRA will agree with the expenses claimed or such allocation. If CRA successfully challenges the deductibility of such expenses or the allocation of such income, NPY's allocation of taxable income to the Commercial Trust, and indirectly the taxable income of the Fund and the Unitholders of the Fund, and taxable income of the Operating Partnerships and their subsidiaries, may change.

Interest on the CT Notes held by the Fund accrues at the Fund level for income tax purposes whether or not actually paid. The Declaration of Trust provides that an amount equal to the taxable income of the Fund will be distributed each year to Unitholders in order to reduce the Fund's taxable income to zero. If sufficient cash is not available, such distributions will be in the form of Units. Unitholders will generally be required to include an amount equal to the fair market value of those Units into their taxable income, in circumstances where they do not receive a cash distribution.

The acquisitions of Operating Partnerships involved various structuring events to complete the transactions in a tax effective manner. These transactions involved interpretations of the Tax Act which could, if interpreted differently, result in additional tax liabilities.

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 or if the Fund converts to corporate form). 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 the applicable estimated tax rate of 29.5% and 28% for 2011 and 2012, respectively, and subsequent years. In general, there are no material differences in the values for operating assets and liabilities such as accounts receivable, inventory and trade payables for the 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 related to acquisitions and these assets, typically, have a lesser value for tax purposes depending on the manner in which the acquisition was structured. In this case, a future tax liability would be recorded for the difference. 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 current tax liability, if any, would be paid out of the proceeds of the divestiture with no impact on the Fund's operating cash flow and the future tax liability previously recorded with respect to the divested Operating Partnership would be reduced accordingly.

Prior to the decision to suspend distributions, no future taxes were recorded on those differences expected to reverse between 2008 and 2010. Accordingly, the reduction in the future tax liability related to the write-down of intangible assets during 2008 was offset by the recording of future tax liability related to differences that are expected to reverse between 2008-2010 and for which there were no future tax liability recorded as at the end of 2007.

The recording of a future tax expense/recovery has no impact on cash generated by operating activities or on distributable cash.

The Fund has evaluated its alternatives as to the best structure for its unitholders, and has determined that the most appropriate action is 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.

ACCOUNTING POLICIES

The Fund's accounting policies are disclosed in the notes of the 2008 audited annual consolidated financial statements and in the following disclosure regarding the impact of new accounting standards implemented by the Fund in the 2009.

ACCOUNTING STANDARDS IMPLEMENTED BY THE FUND IN 2009

CHANGES IN ACCOUNTING POLICIES

The Fund adopted the Canadian Institute of Chartered Accountants (CICA), Section 3064 "Goodwill and Intangible Assets", and EIC 173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities".

(a) Goodwill and Intangible Assets

In February 2008, the CICA issued Handbook Section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. The new section is effective for years beginning on or after October 1, 2008. The adoption of this standard did not have a material impact on the interim consolidated financial statements.

(b) Credit Risk and Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA issued EIC 173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities, which clarifies that the credit risk should be taken into account in determining the fair value of derivative instruments. EIC 173 is to be applied retrospectively without restatement of prior periods to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after the date of issuance of EIC 173. The adoption by the Fund of EIC 173 effective January 1, 2009, did not have a material impact on the interim consolidated financial statements.

FUTURE ACCOUNTING STANDARDS

INTERNATIONAL FINANCIAL REPORTING STANDARDS

In 2008, the Canadian Accounting Standards Board (AcSB) confirmed that publicly accountable enterprises will be required to adopt International Financial Reporting Standards ("IFRS"), for interim and annual reporting purposes, beginning on or after January 1, 2011. The adoption date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Fund for its year ended December 31, 2010, and of the opening balance sheet as at January 1, 2010.

The Fund began planning the transition from current Canadian GAAP to IFRS, in 2008, by establishing a project plan and a project team. The project team is led by a senior finance member that will provide overall project governance, management and support. Members also will include representatives from various areas of the Fund, as necessary as well as representatives from the operating partnerships. The Fund is also reviewing the use of external advisors that would be engaged to assist in the IFRS conversion project.

A quarterly report is made to the Audit Committee of the Fund and we anticipate that in 2009 the Audit Committee will play a more active and increasing role in the project.

The project plan consists of three phases: the initial assessment, detailed assessment and design, and implementation.

The Fund is in the process of completing the initial assessment phase, which will include the development of a detailed timeline, the completion of a high-level review of the major differences between current Canadian GAAP and IFRS, and an initial evaluation of IFRS 1 transition exemptions. IFRS 1 provides guidance for first time adopters of IFRS. The initial assessment phase will also include education and training sessions for project team members and discussions with the Fund's external auditors and advisors. The Fund expects to complete the initial assessment phase in the third quarter of 2009.

The detailed assessment and design phase involves completing a comprehensive analysis of the impact of the IFRS differences identified in the initial assessment phase.

During the implementation phase, the Fund will implement the identified changes to business processes, financial systems, accounting policies, disclosure controls and internal controls over financial reporting.

The Fund continues to assess the financial reporting impacts of converting to IFRS and, at this time, the impact on future financial position and results of operations is not reasonably determinable or estimable.

In January 2009, the CICA issued Handbook Section 1582, Business Combinations, which replaces the existing standards. This section establishes the standards for the accounting of business combinations, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. This standard is equivalent to the International Financial Reporting Standards on business combinations. This standard is applied prospectively to business combinations with acquisition dates on or after January 1, 2011. Earlier adoption is permitted. The Fund is currently evaluating the impact of adopting this standard on its consolidated financial statements.

In January 2009, the CICA issued Handbook Section 1602, Non-controlling interests, which establishes standards for the accounting of non-controlling interests of a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. This standard is equivalent to the International Financial Reporting Standards on consolidated and separate financial statements. This standard is effective for 2011. Earlier adoption is permitted. The Fund is currently evaluating the impact of adopting this standard on its consolidated financial statements.

In January 2009, the CICA issued Handbook Section 1601, Consolidated Financial Statements, which replaces the existing standards. This section establishes the standards for preparing consolidated financial statements and is effective for 2011. Earlier adoption is permitted. The Fund is currently evaluating the impact of adopting this standard on its consolidated financial statements.

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 six months ended June 30, 2009, our total maintenance capital expenditures and capital lease payments as a percentage of EBITDA is approximately 28.5%. 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 backlog and contracts. The capital requirements are funded from cash flows from the businesses and where possible equipment required to maintain productive capacity is leased.

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 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. Due to uncertainty in the financial markets, the Fund suspended payment of distributions made on its units subsequent to the distribution payment made on October 15, 2008.

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. 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.

As discussed above, the Fund suspended distributions in October 2008 and our intent is not to resume the distributions until economic conditions improve and our debt levels are reduced. The Fund has recently signed a Forbearance Agreement with the Lenders as a result of covenant breaches under the Senior Credit Agreement. During the Forbearance Period, the Fund is restricted from making any distribution payments.

TRANSACTIONS WITH RELATED PARTIES

OWNERSHIP

As of June 30, 2009, directors, officers and employees and entities related to the Fund beneficially hold an aggregate of 14,609,473 NPY and NPF units or 20% 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 are due on demand.

Included in Other Assets are advances of $30,415 (2008 – $26,875) made to the Operating Partnerships.

Employee loans made to employees of the Fund and its subsidiary NPLP were outstanding in the amount of $4,100 (2008 – $2,299). The amount in 2008 includes $221 loaned to an employee of EZEE. This amount was repaid in 2008. In accordance with the terms and condition of the loans, the loans are interest bearing and were used to purchase units of the Fund and are secured by units.

Cost of sales includes $630 of trade expenses paid to related parties of Quantum Murray, primarily for environmental disposal services.

OFF BALANCE SHEET ITEMS

The Fund had $5,840 of letters of credit outstanding at June 30, 2009. 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, Industrial Services and Other segments.

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

	2009 Q2 (Restated[1])	2009 Q1 (Restated[1])	2008 Q4 (Restated[1])	2008 Q3	2008 Q2	2008 Q1	2007 Q4	2007 Q3
Revenues	132,420	158,812	174,568	166,644	174,793	153,761	156,314	141,104
Gross profit	40,109	38,847	46,572	43,405	55,459	46,853	51,912	44,097
Income (loss) from continuing operations	(11,979)	(14,118)	(247,724)	(40,128)	1,750	(5,359)	3,514	(1,069)
Net income (loss)	(10,538)	(9,479)	(194,959)	(28,250)	1,560	(2,760)	892	(57)
Adjusted EBITDA from continuing operations	10,896	7,906	16,187	15,512	24,016	17,019	22,158	20,509
Income (loss) per unit from continuing operations	(0.17)	(0.19)	4.51	(0.56)	0.03	(0.07)	0.04	(0.02)
Income (loss) per unit	(0.17)	(0.19)	4.51	(0.64)	0.04	(0.07)	0.03	0.00

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

	2009 Q2	2009 Q1	2008 Q4	2008 Q3	2008 Q2	2008 Q1	2007 Q4	2007 Q3
Previously Reported								
Goodwill	100,339	98,231	94,362	243,336	278,337	280,561	256,669	291,044
NCI	-	-	-	60,706	87,169	96,525	107,466	109,529
Unitholders' Equity	32,531	41,754	55,602	219,460	251,408	252,663	259,364	265,646
Total Assets/Liabilities	598,844	616,656	619,042	817,698	933,249	934,585	949,236	962,339
As Restated								
Goodwill	100,339	98,231	94,362	265,942	274,462*	273,556*	271,593*	279,933*
Non-controlling Interest	489	9,870	15,649	76,629	101,298	108,923	118,295	118,717
Unitholders' Equity	32,531	31,884	39,953	226,143	258,091	257,899	263,460	269,752
Total Assets/Liabilities	598,844	616,656	619,042	840,304	954,061	952,219	964,160	975,633

* Also includes an adjustment to goodwill related to EZEE, which has been reclassified as discontinued operations.

1 The consolidated financial statements have been restated to reflect the re-calculation of exchangeable unit values, which resulted in an increase in goodwill of $3,245 for the three months ended June 30, 2009. In the fourth quarter of 2008, the Fund had written off all of the goodwill associated with its investment in NPY, and the additional amount of goodwill of $3,245 has been written off in the second quarter of 2009. See Note 2 in the consolidated financial statements for further discussion of the restatement.

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 30, 2009 for a discussion of Risk Factors particular to the Operating Partnerships and the Fund.

DISCLOSURE CONTROLS & PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

National 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.

National 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.

NPF's management, including its CEO and CFO, have evaluated the effectiveness of the Fund's disclosure controls and procedures as at June 30, 2009 and have concluded that those disclosure controls and procedures were not 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 interim period then ended as a result of the weakness in internal controls over financial reporting. A material weakness in the effectiveness of internal control over financial reporting relating to the review procedures over the accounting for exchangeable securities issued by subsidiaries of income trusts resulted in incorrect values being used to record the exchanges as at June 30, 2009. The Fund has restated the consolidated financial statements for the three and six months ended June 30, 2009 as well as the years ended December 31, 2008 and 2007 and each of the quarters in fiscal 2008 and 2007. Management determined that incorrect values were used due to an internal control weakness which has been identified subsequent to quarter end, and has enhanced the review process in order to eliminate the weakness. 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.

ADDITIONAL INFORMATION

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

DEFINITIONS

"Agent" means DB Newport LLC, as agent on behalf of the Lenders under the Senior Credit Agreement;

"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"– 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., a corporation incorporated under the laws of Ontario;

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

"CEO" – means Chief Executive Officer;

"CICA" – means Canadian Institute of Chartered Accountants;

"Collateral Covenant Agreement" – means the collateral covenant agreement, dated December 7, 2006, between the Fund and the Agent;

"Convertible Debentures" or "Debentures" – means collectively the two series of unsecured, subordinated, convertible debentures of the Fund, due December 31, 2010 and December 31, 2012, respectively;

"CT" – means Commercial Trust;

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

"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;

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

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

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

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

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

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

"LTM" – means Last Twelve Months;

"Lenders" – means the various persons from time to time acting as lenders under the Senior Credit Agreement;

"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;

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

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

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

"NPH" – means Newport Partners Holdings LP, a limited partnership formed under the laws of Ontario;

"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;

"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;

"TSX" – means Toronto Stock Exchange; and

"Units" – means trust units of the Fund.