SELECTED FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR NEWPORT PARTNERS INCOME FUND

November 14, 2005

*The following Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited interim consolidated financial statements of Newport Partners Income Fund ("Newport") as at September 30, 2005 and for the 54-day period from the commencement of operations on August 8 to September 30, 2005. This is the first MD&A to include the results of all of its underlying businesses prepared by Newport. Newport is entirely dependent upon the operations of Newport Private Yield LP ("NPY"), therefore, this MD&A should be read in conjunction with the unaudited consolidated financial statements of NPY, as at September 30, 2005, and for the three and nine month periods ended September 30, 2005 and for the three month period ended September 30, 2004 and for the period from February 27, 2004 (date of formation) to September 30, 2004.*

*The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). This MD&A makes reference to certain non-GAAP measures and contains Forward Looking Statements. 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 Statements.

## Overview

Newport's vision is to be the financial partner of choice to entrepreneurial Canada. Newport is in the asset management business and partners with successful entrepreneurs who have proven track records and operate businesses with a history of profitability and consistent cash flows. Newport forms these partnerships by acquiring an ownership interest in the entrepreneur's business with the entrepreneur typically retaining a significant equity interest. As of September 30, 2005 Newport had ownership interests in 11 partnerships operating in four business segments: financial services, marketing, oil & gas services and distribution, with estimated annualized revenues and distributable cash flow in excess of $350 million and $60 million, respectively.

## Partnership Criteria

Newport seeks to partner with successful entrepreneurs who have businesses with the following characteristics:

- management teams committed to their businesses
- annual distributable cash flow of $3-$25 million
- long track records of profitability
- excellent growth potential or consolidation opportunities; and
- preference for mature, successful service, distribution or manufacturing businesses

## Q3 Highlights for Newport

(For the 54-day period from date of commencement of operations on August 8, 2005 to September 30, 2005)

- Announced a 2.7% increase in annual distributions from $0.925 per Unit to $0.95;
- Generated revenue of $61 million and EBITDA of $7.4 million;
- Produced distributable cash flow of $6.9 million;
- Announced three new acquisitions in the quarter and entered into letter of intent to acquire a fourth business for total investment of $33.5 million;
- Increased authorized credit facility to $55 million to provide for an operating and acquisition line;
- Completed the initial public offering of Newport units on August 8, 2005 (the "Offering"), and exercise of the underwriter's over-allotment option, for approximately $214 million; and
- Achieved overall results in line with management expectations.

## Acquisitions & Investments

During the period ended September 30, 2005, Newport executed on its growth strategy by acquiring Kenna Group LP ("Kenna"), and financing the acquisition of two businesses by its operating partners, Jutan Limited Partnership ("Jutan") in September 2005 and EZEE ATM LP ("EZEE"), which closed in October 2005. In addition, Newport committed funds to a letter of intent entered into by NPC Integrity Energy Services Limited Partnership ("NPC") for an acquisition in NPC's business sector. In total, Newport committed $33.5 million to these acquisitions all at accretive valuations. These acquisitions have or will be financed by drawing on the acquisition credit facility.

Newport acquired a 50% ownership interest in Kenna, a Mississauga-based company that provides marketing automation solutions that help companies optimize their investments in marketing, sales and service.

Jutan, Newport's operating partner in the distribution business, purchased 100% of the assets of Sonigem Products Inc. ("Sonigem"), a Markham-based marketer and distributor of a full range of contemporary brand-name consumer audio and video electronics and small appliances.

EZEE, Newport's operating partner in the financial services sector, entered into a definitive agreement to purchase 100% of the assets of Rapid Cash ATM Ltd. ("Rapid Cash"), an Edmonton-based operator of non-financial institution automated teller machines.

NPC, Newport's operating partner in the oil and gas services business, entered into a letter of intent to acquire a company in its industry. This acquisition is expected to close in November.

Corporate Structure – Newport and NPY

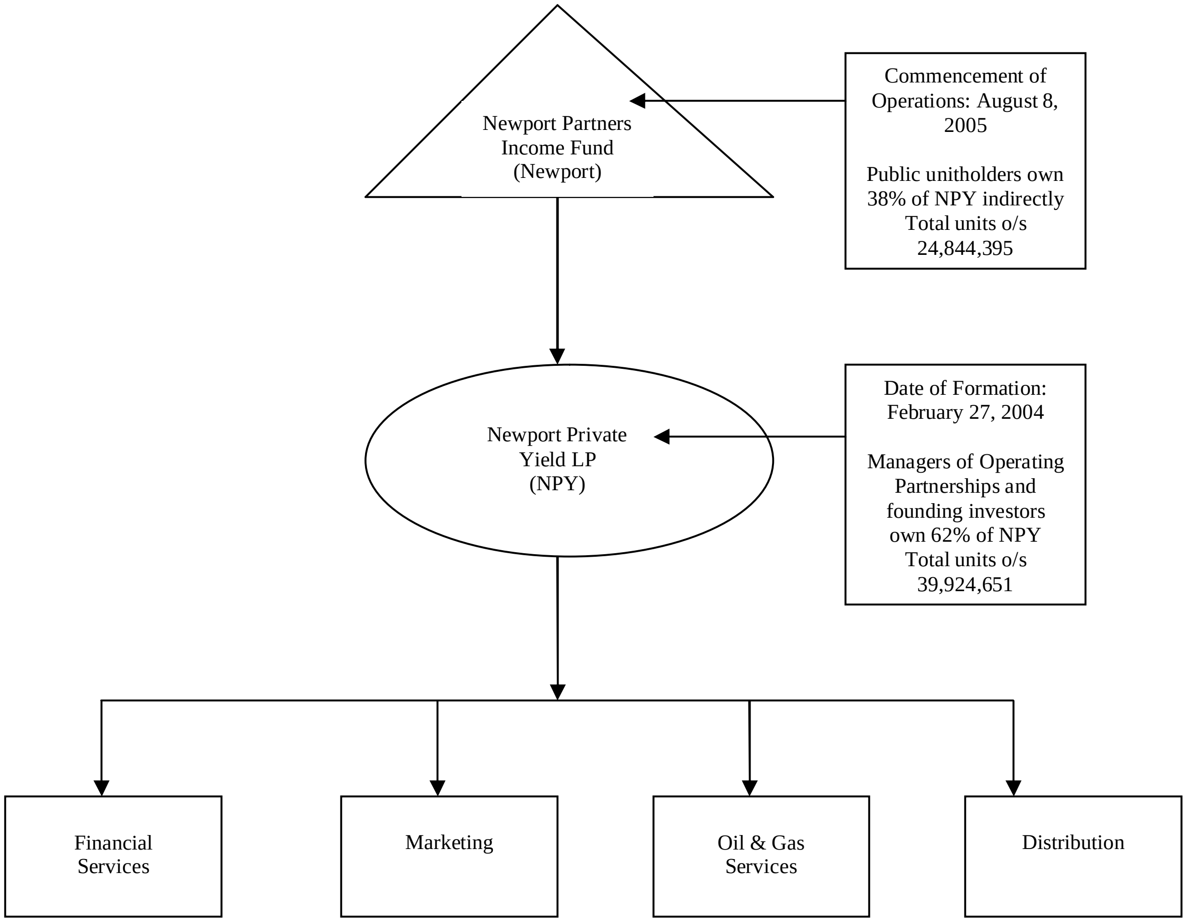
Newport is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario pursuant to a declaration of trust dated May 13, 2005.

Newport has been created to hold, through its direct investment in Newport Partners Commercial Trust, interests in NPY, and its general partner, NPY GP Trust.

On July 28, 2005, a prospectus (the “Prospectus”) was filed for the Offering pursuant to which Newport issued 21,300,000 trust units on August 8, 2005 at a price of $10 per unit. On closing, pursuant to an exchange agreement, 2,147,843 A2 LP units of NPY were exchanged for trust units. Subsequent to the closing, on August 29, 2005 the over-allotment option was exercised by the underwriters, and a further 1,350,000 trust units were issued for a price of $10 per unit for a total of 22,650,000 units. On August 29, 2005 pursuant to the aforesaid exchange agreement, 46,552 trust units were issued on an exchange of A2 LP units of NPY. On September 30, 2005, 24,844,395 trust units were outstanding. Newport’s ownership of NPY represents a 38% interest. The balance of 62% is held by the limited partners of NPY.

The financial statements of Newport are prepared on a consolidated basis in accordance with GAAP and include 100% of NPY. The net income attributable to the 62% of NPY that Newport does not own is reflected on the income statement and balance sheet as non controlling interest. The financial statements include NPY’s 100% owned subsidiaries and investments in jointly controlled operations on a proportionate consolidation basis. Newport is entirely dependent upon the operations of NPY and the Operating Partnerships; therefore, financial information on NPY has been incorporated into this MD&A.

## Simplified Corporate Structure




## Summary Financial Table – Newport

| Summary Financial Table | (For the 54-Day Period from commencement of operations on August 8, 2005 to September 30, 2005) | | | | |
|---|---|---|---|---|---|
| | Financial Services | Marketing | Oil & Gas Services | Distribution | Total |
| | $000s | | | | |
| Revenue | $7,755 | $9,128 | $13,588 | $30,572 | $61,043 |
| Gross Margin | 4,200 | 2,712 | 2,172 | 3,416 | 12,500 |
| EBITDA | 3,455 | 1,493 | 1,491 | 961 | 7,400 |
| Interest (Expense) / Income | 88 | (2) | (191) | (110) | (215) |
| Capital Expenditures | (52) | (83) | (114) | (5) | (254) |
| Distributable Cash | $3,491 | $1,408 | $1,186 | $846 | $6,931 |

| Distributions / Unit ($000's except per Unit amounts) | Total $ | No. of Units | Per unit |
|---|---|---|---|
| Distributions – NPY ( non Newport) | $5,506 | 39,925 | |
| Distributions – Newport | 3,426 | 24,844 | |
| Total Distributions | $8,932 | 64,769 | $0.138 |

| | | |
|---|---|---|
| Cash used in operating activities | ($13,908) | |
| Add: Changes in non cash working capital | 20,363 | |
| Add: Income from equity investment | 730 | |
| | $7,185 | |
| Less: Capital expenditures | (254) | |
| Distributable cash | $6,931 | $0.107 |

Balance Sheet ($000s)

| | |
|---|---|
| Total Assets | $653,079 |
| Total Goodwill | $264,708 |
| Total Long Term Debt | $2,183 |

## Overview of Financial and Operating Performance of Newport

Revenue for the 54-day period was $61.0 million and EBITDA was $7.4 million. Most of Newport's operating partnerships had strong revenues and earnings during this quarter. Each of Morrison Williams Investment Management LP ("Morrison Williams"), Newport Partners LP ("NP"), Brompton Funds LP ("Brompton") and Capital C Communications LP ("Capital C") had the most profitable quarters in their histories. These results were offset by lower than expected earnings from Jutan Limited Partnership ("Jutan") and EZEE ATM LP ("EZEE").

The financial services segment, comprised of ESR, NP, Morrison Williams, Brompton and EZEE, contributed $3.4 million of EBITDA during the period. This was in line with management expectations. Better than expected results were delivered by Morrison Williams, NP and Brompton as a result of higher assets under management. Anticipated seasonality factors produced lower results as expected at Elliott Special Risks LP ("ESR"). ESR as historically it has generated 65% of its profit during the first six months of the year due to the timing of contingent profit commissions. ESR was not impacted by recent weather catastrophes as it is not a property insurer. Revenues and earnings at EZEE were negatively impacted primarily by a targeted competitive effort against the company's locations in Quebec. EZEE has responded with legal action and simultaneously pursued an early contract renewal program with existing locations. EZEE also expanded its portfolio just after period end with the acquisition of 42 new locations from Edmonton-based Rapid Cash and continues to pursue its consolidation strategy.

The marketing segment, comprised of Gemma Communications LP ("Gemma"), Capital C, Sports & Entertainment Limited Partnership ("S&E") and Kenna Group LP ("Kenna"), contributed $1.5 million of EBITDA during the period exceeding management expectations. The outlook continues to be very positive for this group. Gemma continued its pattern of strong organic growth while Capital C achieved a new higher baseline level of business with the addition of a significant new long-term client contract. S&E's earnings are beginning to return to levels experienced prior to the NHL strike. Kenna, in which Newport purchased an ownership interest on September 14th, is well positioned to capitalize on the demand for marketing automation solutions that help companies optimize their investments in marketing, sales and service

The oil and gas services segment, comprised of NPC Integrity Energy Services Limited Partnership ("NPC"), contributed $1.5 million of EBITDA during the period which was generally in line with management expectations. Revenues generated by NPC during this typically strong period were above plan as a result of high levels of production and development activity in the oil and gas sector overall. NPC is expected to generate revenues and earnings that will exceed management's plan for the year. During the period, NPC entered into a letter of intent to acquire a business in its industry which is expected to close in November 2005. NPC will continue to make accretive acquisitions in the oil and gas services sector that management believes will contribute to the strength and long-term growth of NPC.

The distribution segment, comprised of Jutan, contributed $1.0 million of EBITDA during the period which was below management expectations. Jutan's results were primarily impacted by product shortages of a key distribution arrangement; a labour disruption at the Vancouver port that delayed deliveries and impacted revenues; currency contracts entered into by previous management that negatively impacted gross margin during the period; and increased general and administrative expenses relating to integration of AVS, acquired in April 2005 and Sonigem, acquired on September 30 2005. These factors are expected to be short-term as the currency contracts expire on December 31 2005; production capacity of its key distribution arrangement is increased in Q1 2006 and Jutan management begins to realize on synergies from integration of its three business lines. Seasonality is also a factor at Jutan, as historically it has earned 45 – 50% of its revenues during the final four months of the year.

## Distributable Cash

Third quarter distributable cash flow was $6.9 million or $0.107 per unit. Distributions in the period were $8.9 million or $0.138 per unit. These results are generally in line with Newport's expectations for the period given the seasonality factors impacting cash flows of its two largest operating partners, Jutan and ESR.

## Outlook

Newport's business plan of partnering with successful entrepreneurs is working very well. The 11 businesses are all profitable and many are having record years of profitability. Management remains confident that its distributable cash flow will meet its budget for the year.

While the capital market's uncertainty with respect to the federal government's review of flow through entity tax legislation has depressed prices for income trusts, our strong and competitive financial position, with virtually no long term debt allows us to continue to focus on putting our effort and capital to work behind successful Canadian entrepreneurs.

## Selected Financial and Operating Information - NPY

*Consolidated Financial Information*

The following relates to the operations of NPY.

The consolidated operating results as at September 30, 2005 for NPY include those businesses shown below the following table.

| | Three months ended September 30, 2005 | Three months ended September 30, 2004 | Nine months ended September 30, 2005 | Period from February 27, 2004 (date of inception) to September 30, 2004 |
|---|---|---|---|---|
| | $000s | | | |
| Revenues | $70,210 | $2,722 | $113,579 | $4,140 |
| Cost of Revenues | 55,433 | 2,008 | 89,500 | 2,765 |
| Gross Profit | 14,777 | 714 | 24,079 | 1,375 |
| General and Administrative Expenses | 8,102 | 131 | 12,436 | 444 |
| Performance fee (13) | 44,760 | | 44,760 | |
| Depreciation and Amortization | 4,200 | 513 | 7,377 | 818 |
| Interest on Long Term Debt | 326 | 62 | 710 | 151 |
| Income from Equity Investment | 34 | | 203 | |
| Other Income | 636 | | 636 | |
| Income (loss) for the period | ($41,941) | $8 | ($40,365) | ($38) |
| | | | | |
| Income (loss) for the period | ($41,941) | $8 | ($40,365) | ($38) |
| Depreciation and Amortization | 4,200 | 513 | 7,377 | 818 |
| Interest on Long Term Debt | 326 | 62 | 710 | 151 |
| | | | | |
| EBITDA | ($37,415) | $582 | ($32,278) | $931 |

| | | | | |
|---|---|---|---|---|
| Interests in Operating Partnerships at end of period: | 100% On-Site<br>100% Ezee[2]<br>80% S&E [3]<br>80% NPC[4]<br>80% Gemma[5]<br>80% Jutan[6]<br>80% ESR[7]<br>80% Morrison Williams [8]<br>80% Capital C[9]<br>100% NPI[10]<br>45% Brompton[11]<br>50% Kenna[12] | 100% On-Site<br>49.9% Ezee (1) | 100% On-Site<br>100% Ezee[2]<br>80% S&E [3]<br>80% NPC[4]<br>80% Gemma[5]<br>80% Jutan[6]<br>80% ESR[7]<br>80% Morrison Williams[8]<br>80% Capital C[9]<br>100% NPI[10]<br>45% Brompton[11]<br>50% Kenna[12] | 100% On-Site<br>49.9% Ezee [1] |

(1) Original interest in Ezee of 37.1% on March 3, 2004 increased to 49.9% at June 30, 2004.

(2) Interest in Ezee increased from 49.9% to 100% at January 31, 2005

(3) Original interest in S&E of 25% on October 1, 2004 increased to 80% on August 8, 2005

(4) Original interest in NPC of 50% on December 1, 2004, increased to 80% on August 8, 2005

(5) Acquired its 80% interest in Gemma on March 29, 2005

(6) Original interest in Jutan of 37.5% acquired on October 1, 2004 was increased to 52.5% on April 30, 2005.Newport accounted for its interest using the equity method. Newport increased its interest to 80% on August 8, 2005 and thereafter has accounted for its investment using the proportionate consolidation method.

(7) Acquired its 80% interest in ESR on August 8. 2005

(8) Acquired its 80% interest in Morrison Williams on August 8. 2005

(9) Acquired its 80% interest in Capital C on August 8. 2005

(10) Acquired its 100% interest in NPI on August 8. 2005

(11) Acquired its 45% interest in Brompton on August 8. 2005, and accounts for its interest using the equity method

(12) Acquired its 50% interest in Kenna on September 15, 2005 and accounts for its interest using the proportionate consolidation method

(13) Performance Fee – When NPY was created in February 2004, the limited partners agreed that a performance fee of 20% of the realized appreciation above 8% of the net assets of the Partnership would be payable to the investment manager, Newport Investment Counsel Inc. The Offering triggered realized appreciation for the limited partners in excess of 8% and as a result the performance fee was earned and payable. On Closing, Newport Investment Counsel Inc. was paid a performance fee of $44.7 million, including GST, which its employees immediately reinvested the full amount, after taxes, of approximately $21.6 million, into Units of the Fund. On August 8, 2005, the Limited Partnership Agreement was amended to eliminate all management, administrative and performance fees. The one-time performance fee has been charged to income in the quarter.

## Segment Operating Results

### *Financial Services*

The financial services segment of NPY includes the results of ESR, a managing general agent and an underwriter of commercial liability insurance; the asset management business, consisting of NP (an asset manager of personal and corporate wealth for entrepreneurs), Morrison Williams (an institutional money manager), and Brompton (a leading Canadian manager of public and private investment funds); the full service automated teller machine business of EZEE and On-Site; and all of the corporate costs related to the operation of NPY. NPY acquired a 37.1% interest in EZEE in

March 2004, increased it to 49.9% in June 2004 and increased it to 100% in January 2005. NPY's 80% interest in Morrison Williams, NP and ESR and 45% interest in Brompton were acquired on August 8, 2005.

Financial Services

| | Three months ended September 30, 2005 | Three months ended September 30, 2004 | Nine months ended September 30, 2005 | Period from February 27, 2004 (date of inception) to September 30, 2004 |
|---|---|---|---|---|
| | $000s | | | |
| Revenues | $9,755 | $2,722 | $17,975 | $4,140 |
| Cost of revenues | 4,903 | 2,008 | 11,518 | 2,765 |
| Gross Profit | 4,852 | 714 | 6,457 | 1,375 |
| General and Administrative Expenses [a] | 2,046 | 132 | 3,827 | 444 |
| Depreciation and amortization | 1,838 | 513 | 3,152 | 818 |
| Interest on long term debt | (91) | 62 | 15 | 151 |
| Income from equity investment | 730 | 0 | 730 | 0 |
| Other income | 70 | 0 | 70 | 0 |
| Income (loss) for the period | $1,859 | $7 | $263 | ($38) |
| | | | | |
| Income (loss) for the period | $1,859 | $7 | $263 | ($38) |
| Depreciation and amortization | 1,838 | 513 | 3,152 | 818 |
| Interest on long term debt | (91) | 62 | 15 | 151 |
| | | | | |
| Normalized EBITDA | $3,606 | $582 | $3,430 | $931 |

[a] The non-recurring performance fee of $44.7 million has been discussed elsewhere in this MD&A. It has been excluded from the financial services segment to illustrate a normalized EBITDA for the period ended September 30, 2005.

## Supplementary Financial Information

| Assets Under Management | Sep 30/05 | Jun 30/05 | Mar 31/05 |
|---|---|---|---|
| | $Millions | | |
| NP | $1,225 | $904 | $885 |
| Morrison Williams | 4,143 | 3,822 | 3,580 |
| Brompton | 2,614 | 2,056 | 2,007 |

Comparisons of the nine month period ended September 2005 to the same period in 2004 have not been provided below as, in 2004, NPY's only investment in this sector was a 49.9% interest in EZEE and a 100% interest in On-Site and such comparison would not be meaningful.

(i) Revenue

Revenue for the three month period ended September 30, 2005 was $9,755 as compared to $2,722 for the same period in 2004. NPY acquired the operations of NP, Morrison Williams and ESR on the closing of the initial public offering on August 8, 2005 and therefore the results to September 30, 2005 above include the results for these entities from the date of acquisition.

ESR's results were consistent with management's expectations. Its business is subject to seasonality and historically, there are fewer insurance renewal dates during the third quarter, from which commission-based revenues are derived. ESR was not directly impacted by recent weather related catastrophes as it is not a property insurer.

Morrison Williams and NP increased revenues as a result of higher assets under management. Morrison Williams and NP had the most profitable quarters of their history.

EZEE's revenue was below management's expectations for the period. Historically, July and August have been the two highest volume transaction months resulting in higher revenues and profits during the third quarter, however, revenues were negatively impacted primarily by a targeted competitive effort against the business locations in Quebec. EZEE has responded with legal action and simultaneously pursued an early contract renewal program with existing locations to strengthen its portfolio and increase customer fidelity in that province. EZEE has also expanded its portfolio with the addition of 42 new locations through the acquisition of Edmonton-based Rapid Cash at the beginning of October.

(ii) Gross Profit

Gross profit for the financial services segment for the three month period ended September 30, 2005 was $4,852 (49.7% gross margin), as compared to $714 (26.2% for the same period in 2004). The higher gross margin was a result of the inclusion of the strong profitability contribution of the asset management and insurance businesses acquired in August 2005. EZEE's performance during this quarter was hampered by industry-wide decreasing gross profit margin percentage and additional expenses related to preserving its portfolio in Quebec.

(iii) Depreciation and Amortization

For the three month period ended September 30, 2005, depreciation and amortization was $1,838 as compared to $513 for the same period in 2004. The increase is as a result of NPY's acquisitions in the financial services segment during this period. This expense relates primarily to the amortization of intangible assets that exists on the balance sheets of the Operating Partnerships as a result of NPY's acquisition of these businesses.

(iv) General and Administrative Expenses

General and administrative expenses for the financial services segment for the three month period ended September 30, 2005 were $2,046, as compared to $132 for the same period in 2004. General and administrative expenses increased as a result of the acquisition of four more businesses in the financial services segment during the period. In addition, the costs of the credit facility and ongoing public company costs are included in the financial services segment.

### (v) EBITDA

EBITDA for the three month period ended September 30, 2005 was $3,606, as compared to $582 for the same period in 2004. In addition to the earnings of the majority owned Operating Partnerships, Newport is entitled to 45% of the earnings of Brompton which totaled $730.

### (vi) Outlook

The financial services segment's results for the third quarter were in line with management's expectations. The outlook continues to be positive for the segment as a whole.

ESR expects a slight decline in commission revenues, due to the current competitive insurance environment, which management expects will be fully offset by an increase in contingent profit commissions, on policies written in 2005, to be received during the first six months of 2006.

The higher assets under management of Morrison Williams, NP and Brompton are expected to contribute to higher EBITDA for the coming year, although all are subject to fluctuations in the market.

Despite a challenging quarter, EZEE management expects operations to stabilize, however management has adjusted its earnings expectations lower for the next twelve months. Improved results may be realized as EZEE continues to pursue its acquisition consolidation strategy as the changing economics of the industry make it more difficult for smaller players to compete.

## Marketing

The marketing segment includes the results of Gemma, Capital C, S&E and Kenna. Gemma is an outsourced contact centre operator which specializes in outbound calling for large corporate customers. Capital C is a fully-integrated marketing services agency that develops innovative marketing programs for clients' products and services. S&E is an alternative advertising company that provides specialized service for campaigns utilizing arena and stadium advertising, mobile media and video billboards. Kenna provides marketing automation solutions that help its clients optimize their investments in marketing, sales and service. NPY acquired 25% of S&E in October 2004 and increased its ownership interest to 80% on August 8, 2005, 80% of Gemma in March 2005, 80% of Capital C on August 8, 2005, and 50% of Kenna on September 14, 2005.

| | Marketing | |
|---|---|---|
| | Three months ended September 30, 2005 | Nine months ended September 30, 2005 |
| | $000s | |
| Revenues | $12,418 | $20,183 |
| Cost of revenues | 8,506 | 13,363 |
| Gross Profit | 3,912 | 6,820 |
| General & Administrative Expenses | 2,170 | 3,439 |
| Depreciation and amortization | 1,037 | 1,876 |
| Interest on long term debt | 4 | 9 |
| Other income | 530 | 530 |
| Income for the period | $1,231 | $2,026 |
| | | |
| Income for the period | $1,231 | $2,026 |
| Depreciation and amortization | 1,037 | 1,876 |
| Interest Expense | 4 | 9 |
| EBITDA | $2,272 | $3,911 |

Comparatives have not been provided given that the acquisitions were only made in 2005.

(i) Revenue

For the three month period ended September 30, 2005, revenues for the marketing segment were $12,418 and for the nine month period ended September 30, 2005, revenues were $20,183. Revenues were positively impacted by strong organic growth experienced by Gemma and the addition of a significant new long-term client contract at Capital C, resulting in a record quarter for that business. In addition, on September 13, 2005, NPY acquired Kenna Group, marginally contributing to the higher revenues in the period. Management believes that revenue comparisons are useful, however, comparisons for gross profit, general and administrative expenses and depreciation and amortization are not useful due to different ownership interests in the four businesses over different time periods.

(ii) Gross Profit

For the three month period ended September 30, 2005, gross profit for the marketing segment was $3,912 and for the nine month period ended September 30, 2005 was $6,820. Gross margin in the periods was 31.5% and 33.8% respectively.

(iii) General and Administrative Expenses

For the three month period ended September 30, 2005, general and administrative expenses for the marketing segment were $2,170, and for the nine month period ended September 30, 2005 were $3,439.

(iv) Depreciation and Amortization

For the three month period ended September 30, 2005, depreciation and amortization for the marketing segment was $1,037 and for the nine month period ended September 30, 2005 was $1,876. This expense relates primarily to the amortization of intangible assets that exist on the balance sheets of the Operating Partnerships and NPY as a result of its acquisitions of these businesses.

(v) EBITDA

For the three month period ended September 30, 2005, EBITDA for the marketing segment was $2,272 and for the nine month period ended September 30, 2005 was $3,911.

(vi) Outlook

The results of the marketing segment were ahead of plan for the third quarter and management's outlook remains positive. Gemma continued its organic growth and demand for its services remains strong. Capital C expects to outperform management's business plan for the year due to a new higher baseline level of business. In order to service the new business, Capital C expects to add employees in the next quarter which will decrease margins slightly. S&E's business is beginning to return to levels previously experienced now that the National Hockey League has resumed play. Kenna is well positioned to capitalize on the demand for new technologies by consumers and marketers.

## Oil and Gas Services

The oil and gas services segment includes the results of NPC. NPC is a fully-integrated provider of midstream production services to the energy industry in western Canada. NPY acquired 50% of NPC in December 2004, and increased its ownership interest to 80% on August 8, 2005.

| | Oil and Gas Services | |
|---|---|---|
| | Three months ended September 30, 2005 | Nine months ended September 30, 2005 |
| | $000s | |
| Revenues | $17,465 | $44,849 |
| Cost of revenues | 14,868 | 37,463 |
| Gross Profit | 2,597 | 7,386 |
| General and Administrative Expenses | 1,396 | 2,680 |
| Depreciation and amortization | 655 | 1,679 |
| Interest on long term debt | 303 | 576 |
| Other income | | |
| Income for the period | $243 | $2,451 |
| Income for the period | $243 | $2,451 |
| Depreciation and amortization | 655 | 1,679 |
| Interest on long term debt | 303 | 576 |
| EBITDA | $1,201 | $4,706 |

No comparative information for September 2004 is provided as the investment was made in December 2004.

(i) Revenue

For the three month period ended September 30, 2005, revenues for the oil and gas services segment were $17,465 and for the nine month period ended September 30, 2005 were $44,849. The revenue generated by NPC during this typically seasonally strong quarter exceeded management's projections as a result of high levels of production and development activity in the oil and gas sector overall.

(ii) Gross Profit

For the three month period ended September 30, 2005, gross profit for the oil and gas services segment was $2,597 and for the nine month period ended September 30, 2005 was $7,386. Gross margin in the periods were 14.9% and 16.5% respectively.

(iii) General and administrative expenses

For the three month period ended September 30, 2005, general and administrative expenses for the oil and gas services segment were $1,396 and for the nine month period ended September 30, 2005 were $2,680. Management bonuses and restructuring charges taken in the third quarter are included in general and administrative expenses and are not expected to recur at these levels.

(iv) Depreciation and Amortization

For the three month period ended September 30, 2005, depreciation and amortization was $655 and for the nine month period ended September 30, 2005 was $1,679. This expense relates primarily to the amortization of intangible assets that exist on the balance sheet of NPC as a result of its acquisition by Newport.

(v) EBITDA

For the three month period ended September 30, 2005, EBITDA for the oil and gas services segment was $1,201 and for the nine month period ended September 30, 2005 was $4,706. EBITDA was in line with management's business plan due to the increased general and administrative expenses.

(vi) Outlook

The results of the oil and gas services segment were in line with management's expectations. While NPC's level of business does not tend to fluctuate significantly with the price of oil, as is the case with exploration and development companies, it has benefited from the surge in activity in the oil and gas sector. NPC expects to exceed its business plan for the year. NPC will continue to make accretive acquisitions in the oil and gas services sector that management believes will contribute to the strength and long-term growth of NPC.

## Distribution

The distribution segment includes the results of Jutan. Jutan is a leading importer, marketer and distributor of electronic products to the retail industry in Canada. NPY's original interest in Jutan of 37.5% was acquired on October 1, 2004 and was increased to 52.5% on April 30, 2005. This business was accounted for under the equity method. NPY increased its interest to 80% on August 8, 2005 and thereafter accounted for its investment on a proportionate consolidation basis. As a result of the equity accounting method used to account for the Jutan investment prior to August 8, 2005, NPY's share of earnings of Jutan until that time are shown as a loss from equity investment. Jutan acquired the operations of Sonigem on September 30, 2005 and, therefore, these financial results do not include Sonigem.

| | Distribution | |
|---|---|---|
| | Three months ended September 30, 2005 | Nine months ended September 30, 2005 |
| | $000s | |
| Revenues | $30,572 | $30,572 |
| Cost of revenues | 27,156 | 27,156 |
| Gross Profit | 3,416 | 3,416 |
| General and Administrative Expenses | 2,490 | 2,490 |
| Depreciation and amortization | 670 | 670 |
| Interest on long term debt | 110 | 110 |
| Loss from equity investment | (696) | (527) |
| Other income | 36 | 36 |
| Loss for the period | ($514) | ($345) |
| | | |
| Loss for the period | ($514) | ($345) |
| Depreciation and amortization | 670 | 670 |
| Interest on long term debt | 110 | 110 |
| EBITDA | $266 | $435 |

No comparative information for September 2004 is provided as the original investment was made in October 2004.

### (i) Revenue

For the three month period ended September 30, 2005, Jutan's revenues were $30,572. Revenue for the three month period was lower than management's expectations. A labour disruption at the Vancouver port, a key shipping corridor relied upon by Jutan for its products in transit from East Asia, delayed deliveries and impacted revenues. Product shortages of a key distribution arrangement negatively impacted revenues. Management's focus over the next twelve months will be on the integration of Sonigem acquired in September 2005 and AVS acquired in April 2005 into the Jutan platform.

(ii) Gross Profit

For the three month period ended September 30, 2005, Jutan's gross profit was $3,416. Gross margin was 11.2%. A large portion of Jutan's purchases are denominated in US dollars and Jutan was unable to fully participate in the strengthening of the Canadian dollar due to currency contracts acquired by previous AVS management. These currency contracts, which expire at the end of 2005, negatively impacted gross margin during the period.

(iii) General and administrative expenses

For the three month period ended September 30, 2005, Jutan's general and administrative expenses were $2,490. Jutan's administrative expenses increased due to integration expenses in the third quarter that are expected to realize cost savings in 2006 and 2007.

(iv) Depreciation and Amortization

For the three month period ended September 30, 2005, Jutan's depreciation and amortization was $670. This expense relates primarily to the amortization of intangible assets that exists on the balance sheets of Jutan as a result of its acquisition by NPY.

(v) EBITDA

For the three month period ended September 30, 2005, Jutan's EBITDA was $266 and for the nine month period ended September 30, 2005 was $435.

(vi) Outlook

The results of the distribution segment are below management's expectations for the quarter. Looking ahead, management expects the product shortage to continue into the fourth quarter, but believes that margins may be improved overall as a result of a higher-margin sales mix. Production capacity of its key distribution arrangement is being added in the first quarter of 2006 that will increase supply and have a positive impact on Jutan's revenue. It is anticipated that efficiencies will begin to be realized in 2006 and more substantially in 2007, as management continues the process of integrating the three companies. These initiatives are expected to re-align the businesses with our expectations. The electronics distribution business is highly competitive, but Newport believes that it has a most capable management team to lead the business, and the required depth and scale to be a leader in the industry.

## Partners' Equity

Prior to August 8, 2005, NPY was authorized to issue an unlimited number of limited partnership units and raise capital from time to time by selling limited partnership units. From inception to August 7, 2005 NPY issued a total of 9,541,016 limited partnership units. On the initial public offering, the issued and outstanding LP units were split on a 2.3276 to one basis and redesignated as 22,206,450 A2 LP units

On August 8, 2005 and concurrent with the closing of the Offering a number of transactions occurred including roll up acquisitions for which limited partnership units were issued as consideration and a split of the limited partnership units on a 2.3276 basis. The following table summarizes the issued and outstanding limited partnership units as at September 30, 2005:

Units Outstanding

| | A2 | B1 | B2 | B3 | B4 | C | Total |
|---|---|---|---|---|---|---|---|
| Pre Offering Limited Partners (net of redemptions) | 18,394,479 | | | | | | |
| NP | 3,817,264 | 1,536,216 | | | | 2,327,600 | |
| NPC | 1,467,690 | | | | | | |
| S&E | 184,860 | | | 320,045 | | | |
| Jutan | 2,514,160 | | | | | | |
| ESR | 2,740,536 | | | | | | |
| Morrison | 2,674,332 | | | | 1,303,456 | | |
| Capital C | 1,126,302 | | | | | | |
| Brompton | 674,538 | | 843,173 | | | | |
| Total | 33,594,161 | 1,536,216 | 843,173 | 320,045 | 1,303,456 | 2,327,600 | 39,924,651 |

Pursuant to the Partnership Agreement and subsequent to August 8, 2005, NPY is authorized to issue various classes and series of units, for such consideration and on such terms and conditions as may be determined by the General Partner.

Each LP unit has economic rights that are equivalent in all material respects, except that:

(i) Class A2 LP units are exchangeable for units at the option of the holder on a one-for-one basis (subject to customary anti-dilution protections) at any time, unless the exchange would jeopardize Newport's status as a "mutual fund trust" under the Income Tax Act;

(ii) Class B LP units and Class C LP units are automatically exchanged into Class A2 LP units on a one-for-one basis following the applicable Class B subordination and Class C subordination end date;

(iii) distributions on the Class B LP units may be subordinated;

(iv) distributions on the Class C LP units will be subordinated;

(v) LP units automatically become exchangeable into units upon the satisfaction of certain conditions and in certain circumstances; and

(vi) each of the A2 LP units, Class B LP units and Class C LP units are accompanied by a Special Voting unit which entitles the holder thereof to receive notice of, to attend and to vote at all meetings of unitholders of Newport.

Newport's management and the entrepreneurs who manage the Operating Partnerships have a retained interest of approximately 54% ownership of NPY. Including the units issued prior to the initial public offering, those issued concurrent with the initial public offering for acquisitions, those issued on the Offering, and the reinvestment of the after tax amount of the performance fee, the total units outstanding as at September 30, 2005 are 64,536,286.

## 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 Newport 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. NPY's goodwill was $207 million at September 30, 2005 based on management's preliminary estimates.

Goodwill is not amortized and is tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. As at September 30, 2005, there were no indicators of impairment in the carrying value of goodwill.

Intangible assets acquired individually or as part of a group of other assets are recognized and measured at cost. Intangible assets acquired in a transaction, including those acquired in business combinations, are recorded at their fair value. Intangible assets with determinable useful lives, such as automated teller machines, location contracts, customer relationships and contracts, and management contracts, are amortized over their useful lives and are tested for impairment annually. Intangible assets having an indefinite life, such as brands, are not amortized but instead are tested for impairment on an annual or more frequent basis by comparing their fair value with book value. As at September 30, 2005, there were no indicators of impairment in the carrying value of NPY's intangible assets. The net book value of intangible assets was $207 million at September 30, 2005 based on management's preliminary estimates.

## Liquidity and Capital Resources

*Operating Cash Flow*

Cash used in operations was $51.2 million for the three months ended September 30, 2005 compared to $206,000 for the same period last year. In the current quarter a $44.7 million one time performance fee arising from the Offering and funded by the Offering was charged to earnings. Cash used in operations after adjusting for the performance fee was $6.5 million.

*Working Capital*

NPY had positive working capital of approximately $19.2 million at September 30, 2005 (excluding the drawn acquisition line of $26.5 million which is used to fund long term investments) compared to a deficiency of $2.2 million at December 31, 2004. Management believes that, based on its expectations of operating activities, that it will have sufficient available working capital. In addition, management continues to review alternative sources of attractive financing for its working capital needs.

*Financing*

On August 8, 2005 Newport consolidated the banking facilities and repaid all the term debt of all Operating Partnerships excluding Jutan and Brompton. The credit facility has two components, an operating facility to be used to fund the working capital requirements of the Operating Partnerships and an acquisition facility to be used to fund acquisitions. The total facility is authorized to a level of $55 million as at September 30, 2005, and $26.5 million has been drawn on the acquisition facility and $17 million on the operating facility. It is currently management's intention to reduce the acquisition facility through a capital issuance when the acquisition facility reaches sufficient size. Given the nature and seasonality of its business, Jutan has its own dedicated credit facility consisting of an operating demand line, foreign exchange contracts and letters of credit and guarantees.

## Contractual Obligations

a) NPY is committed to payments under operating leases for equipment and office premises through 2014 in the total amount of approximately $13,661. The minimum annual payments, exclusive of operating costs under these lease arrangements, are as follows:

| | $000s |
|---|---|
| 2005 | $ 907 |
| 2006 | 3,316 |
| 2007 | 3,054 |
| 2008 | 2,357 |
| 2009 | 1,715 |
| Thereafter | 2,313 |

b) The acquisition of On-Site includes contingent consideration payable in the form of 232,760 Class A2 NPY partnership units.

## Related Parties

*Ownership*

Directors, officers and employees of the general partner of, and entities related to, NPY participated, directly and indirectly, in the private placement offerings and hold an aggregate of 3,266,340 partnership units at September 30, 2005. In addition, concurrent with the Offering and the related acquisition agreements, directors, officers and employees of the Operating Partnerships received directly or indirectly units of NPY. The total units issued were 35,462,101 of which 13,060,107 were redeemed on Closing. As at September 30, 2005, 24,796,512 units were held by this related group. The total percentage of the issued and outstanding units owned by parties related to NPY was 38.4% as at September 30, 2005.

## Critical Accounting Estimates

The preparation of financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known. Accordingly, actual results could differ from these estimates.

In Newport's Prospectus dated July 28, 2005 ( the "Prospectus"), the accounting policies and estimates that are critical to the understanding of Newport's business operations and results of operations for the three and nine months ended September 30, 2005 are identified. There are no changes to the critical accounting policies of the Operating Partnerships, Newport or NPY.

## Risk Factors

The results of operations, business prospects and financial condition of Newport are subject to a number of risks and uncertainties, and are affected by a number of factors outside of the control of management of Newport.

The significant risks and uncertainties are summarized in the Prospectus. The only significant change to these risks and uncertainties is as follows:

*Possible Changes to Income Tax Treatment of Income Trusts*

On September 8, 2005, the federal Department of Finance released a consultation paper and launched public consultations on tax and other issues related to publicly listed flow-through entities ("FTEs"), including income funds. The focus of the paper is to, among other things, assess whether the tax system should be modified. In the consultation paper, the Department of Finance identified three possible policy responses to issues relating to FTEs: (i) limiting deductibility of interest expense by operating entities, (ii) taxing FTEs in a manner similar to corporations, or (iii) making the tax system more neutral with respect to all forms of business organization by better integrating the personal and corporate tax system. The Department of Finance indicated that this was not an exhaustive list of the possible policy responses. It is possible that no changes will be made to the Canadian tax system as a result of the consultation paper and the public consultations. In addition, if changes are made to the Canadian tax system to implement a particular policy response, it cannot be determined at this time whether or how such changes will affect the holding by a particular holder of units of the Fund.

## Non-GAAP Measures

The terms "EBITDA", "Distributable Cash Flow" and "Distributable Cash Flow per Unit" (collectively the "Non-GAAP Measures") are financial measures used in this report that are not standard measures under Canadian GAAP. Newport's method of calculating Non-GAAP Measures may differ from the methods used by other issuers. Therefore, Newport's Non-GAAP Measures, as presented in this MD&A, may not be comparable to similar measures presented by other issuers.

EBITDA refers to net earnings of Newport and NPY determined in accordance with generally accepted accounting principles, before depreciation and amortization, net of gain or loss on disposal of capital assets, interest expense and income tax expense. Management believes that EBITDA is a useful supplemental measure of performance and is the primary basis on which management assesses financial performance and cash available for debt service, working capital, capital expenditures, income taxes and distributions

Distributable Cash Flow is not a standard measure under GAAP and is generally used by Canadian income funds as an indicator of financial performance. The method of calculating Newport's Distributable Cash Flow may differ from similar computations as reported by other similar entities and, accordingly, may not be comparable to distributable cash flow as reported by such entities. Newport's method of calculating Distributable Cash Flow is disclosed in the Summary Financial Table. Management believes that Distributable Cash Flow and Distributable Cash Flow Per Unit are useful supplemental measures that provide investors with information on cash available for distribution.

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 Newport's or NPY's 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 of Newport and NPY as at September 30, 2005.

## Forward Looking Statements

This MD&A contains certain forward-looking statements. These statements relate to future events or future performance and reflect management's expectations and assumptions regarding the growth, results of operations, performance and business prospects and opportunities of Newport and the operating partnerships in which it holds an ownership interest (the "Operating Partnerships"). Such forward-looking statements reflect management's current beliefs and are based on information currently available to management of the Newport and the Operating Partnerships. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue" or the negative of these terms or other similar expressions concerning matters that are not historical facts. In particular, statements regarding the future operating results and economic performance of Newport and the Operating Partnerships are forward-looking statements. A number of factors could cause actual events or results to differ materially from the events and results discussed in the forward-looking statements. In evaluating these statements, prospective purchasers 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. Although the forward-looking statements are based on what management of Newport 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 these forward-looking statements, and management's assumptions may prove to be incorrect. These forward-looking statements are made as of the date of this MD&A, and Newport does not assume any obligation to update or revise them to reflect new events or circumstances.

## Management's Responsibility for the MD&A

Management is responsible for the information disclosed in the MD&A including responsibility for the existence of appropriate information systems, procedures and controls to ensure that the information used internally by management and disclosed externally is complete and reliable in all material respects.

The Board of Trustees and the Board of Directors of the General Partner annually appoints an audit committee comprised of Trustees and members who are not employees of Newport or NPY. This committee meets regularly with management and the auditors to review significant accounting, reporting and internal control matters. The auditors have unrestricted access to the audit committee. The audit committee reviews the financial statements, the report of the unitholders auditors, and the MD & A and submits its report to the board of trustees and the Board of Directors for formal approval.

## Notice Regarding Auditor Involvement with Interim Financial Statements

The interim financial statements of Newport and NPY have not been subjected to a review by the external auditors.

More information on Newport can be found at Newport's website www.newportpartners.ca and at www.sedar.com.