Consolidated Financial Statements of

NEWPORT PARTNERS INCOME FUND

Three months and nine months ended September 30, 2007 and 2006
(Unaudited)

NEWPORT PARTNERS INCOME FUND

Consolidated Balance Sheets
(In thousands of dollars)

	September 30, 2007	December 31, 2006
	(unaudited)	(unaudited)
Assets		
Current assets:		
Cash and cash equivalents	$ 10,335	$ 54,616
Cash held in trust (note 10)	31,765	7,027
Accounts receivable	139,783	101,266
Inventories	32,802	33,253
Prepaid expenses	3,602	2,555
Other current assets	24,075	13,790
Current assets of discontinued operations (note 4)	2,817	68,969
	245,179	281,476
Property, plant and equipment	39,362	23,706
Long-term investments	46,689	47,001
Goodwill	291,044	253,344
Intangible assets	326,404	265,390
Other assets	13,661	9,029
Long-lived assets of discontinued operations (note 4)	-	14,403
	$ 962,339	$ 894,349
Liabilities and Unitholders' Equity		
Current liabilities:		
Revolving credit facility	$ 46,016	$ 5,000
Accounts payable and accrued liabilities	130,974	84,737
Deferred revenue	11,761	7,465
Current portion of obligations under capital leases	4,490	4,122
Current liabilities of discontinued operations (note 4)	2,293	54,372
	195,534	155,696
Obligations under capital leases	5,459	3,943
Long-term debt	185,130	170,000
Future tax liability (note 8)	52,167	2,505
Non-controlling interest	127,099	176,196
Convertible debenture	148,874	83,970
Unitholders' equity (note 7)	248,076	302,039
Subsequent events (note 11)		
	$ 962,339	$ 894,349

See accompanying notes to unaudited interim consolidated financial statements.

NEWPORT PARTNERS INCOME FUND

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

	Three months ended September 30		Nine months ended September 30	
	2007	2006	2007	2006
Revenues	$ 149,796	$ 98,930	$ 399,755	$ 254,619
Cost of revenues	105,017	66,245	272,672	172,665
	44,779	32,685	127,083	81,954
Expenses				
Selling, general and administrative	24,850	15,864	71,530	37,322
Amortization of deferred financing charges	-	414	-	1,032
Amortization of intangible assets	9,995	7,299	28,027	18,853
Depreciation	2,421	1,327	6,344	4,301
	37,266	24,904	105,901	61,508
Income before the undernoted	7,513	7,781	21,182	20,446
Income from equity investments	1,472	892	2,988	2,470
Other income	229	383	782	730
Interest expense	8,550	2,555	21,396	6,248
Loss on dilution of ownership interest (notes 3(a) and 7)	808	-	6,872	-
Income (loss) before income taxes	(144)	6,501	(3,316)	17,398
Income tax expense (recovery) - current	(28)	77	(340)	61
Income tax expense (recovery) - future	-	-	39,958	-
Income (loss) from continuing operations before non-controlling interest	(116)	6,424	(42,934)	17,337
Non-controlling interest relating to continuing operations	59	(3,380)	1,553	(10,467)
Income (loss) from continuing operations	(57)	3,044	(41,381)	6,870
Loss from discontinued operations before non-controlling interest	-	(1,100)	(5,227)	(6,863)
Non-controlling interest relating to discontinued operations	-	358	2,220	3,594
Loss from discontinued operations	-	(742)	(3,007)	(3,269)
Net Income (loss) for the period	$ (57)	$ 2,302	$ (44,388)	$ 3,601
Income (loss) per unit (note 5)				
Basic and diluted:				
Continuing operations	0.00	0.08	(1.03)	0.21
Discontinued operations	0.00	(0.02)	(0.08)	(0.10)
Net Income (loss)	0.00	0.06	(1.11)	0.11

See accompanying notes to unaudited interim consolidated financial statements.

NEWPORT PARTNERS INCOME FUND

Consolidated Statements of Unitholders' Equity
(In thousands of dollars, except per unit amounts)
(Unaudited)

	Number of Units	Unitholders' Capital	Equity Component of Convertible Debenture	Deficit	Accumulated Other Comprehensive Income	Contributed Surplus	Total Unitholders' Equity
Balance – January 1, 2007	39,283,565	$ 364,805	$ 664	$ (63,430)	$ -	$ -	$ 302,039
Cumulative impact of adopting new accounting rules (note 2)	-	-	-	-	60	-	60
Units exchanged	3,645,696	22,730	-	-	-	-	22,730
Units purchased under normal course issuer bid	(1,924,572)	(12,948)	-	-	-	1,323	(11,625)
Convertible debenture	-	-	9,186	-	-	-	9,186
Net Loss for the period	-	-	-	(44,388)	-	-	(44,388)
Distributions	-	-	-	(29,926)	-	-	(29,926)
Balance – September 30, 2007	41,004,689	$ 374,587	$ 9,850	$(137,744)	$ 60	$ 1,323	$ 248,076

	Number of Units	Unitholders' Capital	Equity Component of Convertible Debenture	Deficit	Accumulated Other Comprehensive Income	Contributed Surplus	Total Unitholders' Equity
Balance – January 1, 2006	25,766,036	$ 244,565	$ 669	$ (6,494)	$ -	$ -	$ 238,740
Units issued	8,155,000	71,275	-	-	-	-	71,275
Units exchanged	4,161,178	39,053	-	-	-	-	39,053
Convertible debenture conversion	52,631	499	(3)	-	-	-	496
Net Income for the period	-	-	-	3,601	-	-	3,601
Distributions	-	-	-	(23,907)	-	-	(23,907)
Balance –September 30, 2006	38,134,845	$ 355,392	$ 666	$ (26,800)	$ -	$ -	$ 329,258

See accompanying notes to unaudited interim consolidated financial statements.

NEWPORT PARTNERS INCOME FUND

Consolidated Statements of Cash Flows
(In thousands of dollars, except unit amounts)
(Unaudited)

	Three months ended September 30 2007	2006	Nine months ended September 30 2007	2006
Cash provided by (used in):				
Operating activities:				
Income (loss) for the period	$ (57)	$ 2,302	$ (44,388)	$ 3,601
Items not affecting cash:				
Loss from discontinued operations before non-controlling interest	-	1,100	5,227	6,863
Amortization of deferred financing charges	-	414	-	1,032
Amortization of intangible assets	9,995	7,299	28,027	18,853
Depreciation	2,421	1,327	6,344	4,301
Future income tax expense	-	-	39,958	-
Income from equity investments, net of cash received	65	527	1,033	1,403
Non-cash interest expense	986	-	1,804	-
Non-cash compensation expense	1,196	560	2,316	1,680
Loss on dilution of interest in operating partner	808	-	6,872	-
Non-controlling interest	(59)	3,022	(3,773)	6,873
Changes in non-cash working capital	(17,325)	(5,884)	(19,616)	(11,717)
Cash provided by (used in) discontinued operations	(41)	(2,159)	9,372	4,868
	(2,011)	8,508	33,176	37,757
Financing activities:				
Repurchase of units	(6,160)	-	(11,624)	-
Issuance of convertible debt net of costs	76,025	-	76,025	-
Issuance of units	-	-	-	71,275
Distributions to unitholders	(10,195)	(9,385)	(29,926)	(22,846)
Distributions to non-controlling interest	(7,428)	(8,247)	(23,199)	(25,606)
Increase in cash held in trust	(4,297)	(171)	(5,931)	(491)
Increase (decrease) in bank indebtedness	(11,047)	4,006	41,016	3,996
Increase (decrease) in long-term debt	-	(10,889)	20,000	(14)
Increase in acquisition financing facilities	-	26,000	-	62,000
Repayment of capital lease obligations	(801)	(830)	(2,285)	(2,284)
Cash provided by (used in) discontinued operations	-	2,355	(6,920)	(4,062)
	36,097	2,839	57,156	81,968
Investing activities:				
Acquisition of businesses, net of cash acquired	(44,190)	(33,465)	(137,939)	(117,644)
Proceeds on disposal of business	-	-	24,000	-
Purchase of long-term investments	(40)	-	(40)	(6,914)
Purchase of property, plant and equipment	(1,494)	(246)	(4,516)	(1,802)
Purchase of intangibles	(79)	-	(79)	-
Increase in other assets	(12,508)	(1,170)	(13,034)	(1,377)
Cash used in discontinued operations	-	(196)	(839)	(806)
	(58,311)	(35,077)	(132,447)	(128,543)
Decrease in cash and cash equivalents	(24,225)	(23,730)	(42,115)	(8,818)
Cash and cash equivalents, beginning of period - continuing operations	34,519	35,756	54,616	20,844
Cash and cash equivalents, beginning of period - discontinued operations	2,207	-	-	-
Cash and cash equivalents, end of period	12,501	12,026	12,501	12,026
Cash and cash equivalents, end of period - discontinued operations	2,166	-	2,166	-
Cash and cash equivalents, end of period – continuing operations	$ 10,335	$ 12,026	$ 10,335	$ 12,026
Supplemental cash flow information:				
Interest paid	$ 5,850	$ 686	$ 18,168	$ 4,379
Cash acquired upon acquisition	228	552	1,417	6,706
Supplemental disclosure of non-cash financial and investing activities:				
Acquisition of property, plant and equipment through capital leases	223	952	4,125	3,204

See accompanying notes to unaudited interim consolidated financial statements.

Newport Partners Income Fund ("the Fund") is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario pursuant to a declaration of trust dated May 13, 2005 (the "Declaration of Trust").

The Fund has been created to hold, through the Fund's investment in Newport Partners Commercial Trust (the "Commercial Trust"), interests in Newport Private Yield LP ("NPY"), and its general partner, NPY GP Trust. NPY is a limited partnership formed to invest in securities of private businesses, either in limited partnerships or in corporations (collectively the "Operating Partnerships") and distribute the available cash flows to the limited partners. As at September 30, 2007, the Fund indirectly holds all of the A1 LP units of NPY, representing approximately 57% (September 30, 2006 – 52%) of the outstanding LP units.

1. Basis of presentation

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Certain information and note disclosures normally included in the consolidated financial statements prepared in accordance with Canadian generally accepted accounting principles have been condensed to include only the notes related to elements which have significantly changed in the interim period. As a result, these interim consolidated financial statements should be read in conjunction with the Fund's audited consolidated financial statements and notes thereto for the year ended December 31, 2006.

These unaudited interim consolidated financial statements are prepared following accounting policies consistent with the Fund's audited consolidated financial statements and notes thereto for the year ended December 31, 2006, except for changes discussed in note 2.

2. Changes in accounting policies and future accounting standards

The Fund adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Sections 1530, "Comprehensive Income"; 3855, "Financial Instruments – Recognition and Measurement"; 3861, "Financial Instruments – Disclosure and Presentation" on January 1, 2007. The adoption of these new standards resulted in changes in the accounting for financial instruments. The comparative interim consolidated financial statements have not been restated.

(a) Financial assets and financial liabilities

Under the new standards, all financial instruments are classified into one of the following five categories; held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are included on the consolidated balance sheets and are measured at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Held-for-trading financial investments are subsequently measured at fair value and all gains and losses are included in net income in the period in which they arise. Available-for-sale financial instruments are subsequently measured at fair value with revaluation gains and losses included in other comprehensive income until the instrument is derecognized or impaired. As a result of the adoption of these standards, the Fund has classified its cash and cash equivalents as held-for-trading. Long-term investments are classified as available-for-sale investments. Accounts receivable, and long-term note receivables are classified as loans and receivables. Revolving credit facility, accounts payable, long-term debt and capital lease obligations have been classified as other financial liabilities, all of which are measured at amortized cost.

(b) Comprehensive income

On January 1, 2007, the Fund adopted Section 1530 of the CICA Handbook, "Comprehensive Income". It describes reporting and disclosure recommendations with respect to comprehensive income and its components. Comprehensive income is the change in unitholders' equity, which results from transactions and events from sources other than the Fund's unitholders. These transactions and events include unrealized gains and losses resulting from changes in fair value of certain financial instruments classified as available for sale.

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

(c) Investments

The new rules require that the Fund reclassifies its investments as either available-for-sale or held-to-maturity. Available-for-sale investments are measured at fair value with unrealized gains and losses recorded in other comprehensive income until the investment is either sold, or if an unrealized loss is considered other than temporary, the unrealized loss is recorded in income. The criteria for other than temporary impairment remain unchanged. Available-for-sale investments where there is no quoted market price will continue to be recorded at amortized cost. There were no gains or losses recorded in other comprehensive income during the three and nine months ended September 30, 2007.

(d) Effective interest method

Deferred financing charges are included in loan balances and are recognized in interest over the life of the resulting loan. Prior to January 1, 2007, an equal amount of deferred financing charges were recognized each period over the life of the resulting loan. The new rules require that we use the effective interest method to recognize deferred financing charges whereby the amount recognized varies over the life of the loan based on principal outstanding. As at January 1, 2007, the Fund adjusted deferred financing charges to what the balance would have been had the effective interest method always been used to recognize deferred financing charges. The impact was a decrease in debt of $60 and an increase in retained earnings of $60.

(e) Future accounting standards

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

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

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

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

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

The standard is effective for fiscal years beginning on or after January 1, 2008. The difference in the measurement of opening inventory may be applied to the opening of inventory for the period, with an adjustment to opening retained earnings with no prior periods restated, or retrospectively with a restatement to prior periods in accordance with Section 1506, "Accounting Changes".

The standard is applicable to the Fund for the first quarter of 2008. The Fund is currently assessing the implications of this standard to identify differences between the current accounting and the new guidance in the standard. In addition the changes in the inventory cost, the Fund is reviewing the additional presentation and disclosure requirements which will be required in the consolidated financial statements and/or in the accompanying notes.

(In thousands of dollars, except per unit amounts)

3. Business combinations

The following investments made by NPY during the nine months ended September 30, 2007 were accounted for using the purchase method, and the results of the operations have been included in NPY's consolidated interim financial statements since the date of investment. The preliminary estimated fair values of the assets acquired and liabilities assumed for each of the investments are as follows:

Nine months ended September 30, 2007

	(a) Quantum	(b) TRM	(c) Skystone	(d) BMI	(e) Technoda	(f) Big Stone	(g) Nor-Tech	(h) Thomson	(i) Hargraft	(j) Golosky	(k) Cladtech	Total
Date of investment	January 3	January 12	March 13	April 17	April 30	April 30	May 9	May 30	May 31	July 31	August 31	
Percentage acquired	61.7%	100%	64%	77.5%	100%	40%	64%	64.3%	4.7%	64%	64%	
Accounting method	(1)	(2)	(1)	(1)	(2)	(1)	(1)	(1)	(1)	(1)	(1)	
	$	$	$	$	$	$	$	$	$	$	$	$
Assets acquired:												
Current assets	14,300	202	1,822	22,482	56	948	385	4,683	415	15,105	426	60,824
Property, plant and equipment	791	950	494	830	245	238	804	4,187	12	4,452	815	13,818
Goodwill	7,223	2,256	1,316	1,664	144	15	387	798	158	18,031	159	32,151
Intangible assets	19,481	10,226	3,967	15,918	1,200	471	2,285	7,155	788	29,448	476	91,415
	41,795	13,634	7,599	40,894	1,645	1,672	3,861	16,823	1,373	67,036	1,876	198,208
Liabilities assumed:												
Current liabilities	10,596	-	1,299	22,481	-	405	-	2,863	401	17,247	100	55,392
Long-term liabilities	-	-	-	-	-	-	23	-	-	9,819	114	9,956
	10,596	-	1,299	22,481	-	405	23	2,863	401	27,066	214	65,348
Net assets acquired:	31,199	13,634	6,300	18,413	1,645	1,267	3,838	13,960	972	39,970	1,662	132,860
Consideration:												
Cash	17,585	13,444	6,160	18,213	1,600	1,252	2,175	11,712	972	39,540	1,662	114,315
Notes payable	-	-	-	-	-	-	1,600	-	-	-	-	1,600
Units issued by Operating Partner	13,266	-	-	-	-	-	-	2,048	-	-	-	15,314
Transaction costs	348	190	140	200	45	15	63	200	-	430	-	1,631
	31,199	13,634	6,300	18,413	1,645	1,267	3,838	13,960	972	39,970	1,662	132,860

(1) Proportionate consolidation

(2) Consolidation

(a) On January 3, 2007, Murray invested $50,000 for the assets of privately-owned Quantum Environmental Group Inc. ("Quantum"). Under the terms of the transaction, Quantum received $28,500 in cash and $21,500 in units of Murray. Upon closing, NPY has a 61.7% interest in the merged company which has changed its name to Quantum Murray LP. The remaining 38.3% interest is controlled by the management of Quantum Murray LP. To facilitate this transaction, NPY invested an additional $28,500 in Murray. A loss of $5,327 has been recorded as a result of the decrease in ownership of Murray from 80% to 64%. Quantum is a nationally recognized leader in the clean-up and rehabilitation of commercial and industrial sites and facilities.

(b) On January 12, 2007, NPY invested approximately $13,444 in cash into EZEE to allow it to acquire the Canadian ATM business of TRM Corp.

(c) On March 13, 2007, NPY invested an additional $7,700 in NPC to allow NPC to acquire an 80% interest in Skystone LP ("Skystone"). NPY's ownership interest in NPC did not change and as a result $1,540 has been added to goodwill. Skystone is a provider of facilities design and engineering services to the oil and gas sector.

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

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

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

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

(h) On May 30, 2007, NPY invested an additional $18,275 in cash in Quantum Murray LP ("Quantum"). Quantum acquired 100% of the assets of Thomson Metals and Disposal ("Thomson") for cash of $18,275 and the issuance of $3,225 units of Quantum. As a result of this transaction, NPY's interest in Quantum has increased to 64.3%, and NPY's goodwill relating to this investment has increased by $2,508.

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

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

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

(j) On July 31, 2007, NPY advanced NPC $60,000 at an interest rate of 12%, to allow NPC to acquire an 80% interest in Golosky LP ("Golosky"). If NPC meets certain milestones by July 31, 2010 a portion of the advance will be discharged by NPY. Golosky is in the oil and gas sector.

(k) On August 30, 2007, NPY advanced NPC $2,599 to allow Golosky LP to acquire an 80% interest in Cladtech. If NPC meets certain milestones a portion of the advance will be discharged by NPY. Cladtech is a manufacturer of chrome carbide overlay.

In addition, NPC will pay to the Golosky Group an amount to a maximum of $6,000 relating to earn-out agreements with two of the eight Golosky businesses. This payment is based on the two businesses meeting certain earnings targets for the period to December 31, 2007. The amount will be paid by January 30, 2008, and is not reflected in these financial statements as the amount of the contingent payment can not be determined.

NPY's purchase and sale agreement with the shareholders of IC Group contains an earn-out provision if certain performance targets are met. IC Group has met these for the first year of the three year provision. As a result, NPY paid $3,334 to these shareholders during the quarter. This amount has been added to goodwill.

The purchase price allocations above reflect management's best estimate at the time of preparing these interim consolidated financial statements and are subject to refinement.

4. Discontinued operations

Management of the Fund, and the principals of SW International Inc. ("SW"), the owners of 20% of the units of RGC LP ("RGC") signed on March 27, 2007, a definitive agreement to sell all of the assets of RGC for an aggregate net consideration of $34,000 for 100% of the assets. The transaction closed on April 30, 2007. A holdback in the amount of $4,000 will be settled within 30 days following October 31, 2007, being six months after closing. Settlement is tied to achieving a target tangible net asset level and is dependent on the collection of accounts receivable and net realizations of inventory of the business sold. RGC's 45% equity investment in RLogistics completed in May, 2006, has not been sold, and the equity income from this investment is included in the Other segment.

(In thousands of dollars, except per unit amounts)

The assets and liabilities of RGC, excluding RLogistics, have been segregated and presented separately as discontinued in the consolidated balance sheets as at September 30, 2007 and December 31, 2006, and the results of operations of RGC have been segregated and presented separately as discontinued in the consolidated statements of income and statements of changes in financial position for the three and nine months ended September 30, 2007 and 2006.

	Three months ended September 30		Nine months ended September 30	
	2007	2006	2007	2006
Revenues	$ -	$ 54,576	$ 42,994	$ 154,473
Net loss	-	(1,100)	(5,227)	(6,863)

	September 30, 2007	December 31, 2006
Current assets:		
Cash	$ 2,166	$ -
Accounts receivable	463	42,283
Inventory	-	25,853
Prepaid expenses	188	833
Current assets of discontinued operations	2,817	68,969
Property, plant and equipment	-	1,475
Intangibles	-	10,571
Goodwill	-	1,908
Other assets	-	449
Long-lived assets of discontinued operations	-	14,403
Current liabilities:		
Bank lines	-	16,290
Accounts payable and accrued liabilities	2,293	35,504
Current portion of long-term debt	-	1,833
Deferred revenue	-	745
Current liabilities of discontinued operations	2,293	54,372
Net assets of discontinued operations	$ 524	$ 29,000

5. Income (Loss) per unit

The potential issuance of units upon the conversion of the convertible debenture has not been taken into account in the computation of fully diluted income per unit as they are anti-dilutive.

6. Convertible debenture

On July 12, 2007, the Fund issued $75,000 principal amount of 7% subordinated unsecured convertible debentures for net proceeds of $71,226 after issue and related costs. On August 8, 2007 the Fund exercised the over-allotment option and issued an additional $4,966 principal amount of 7% subordinated unsecured convertible debentures for net proceeds of $4,799 after issue costs. Following the exercise of the over-allotment issue, a total of $79,966 aggregate principal amount of debentures have been issued for total net proceeds of $76,025. The debentures are convertible into units of the Fund at the option of the holder at any time prior to maturity at a conversion price of $6.90 per unit. The debentures mature on December 31, 2012 at which time they are due and payable. After December 31, 2010 the debentures may be redeemed in whole or in part by the Fund, at the amount outstanding plus accrued and unpaid interest thereon, except that for redemption on or prior to December 31, 2011 the current market price of the units must not be less than 125% of the conversion price.

The convertible units are classified as debt, net of the fair value of the conversion feature which has been classified as unitholders' equity. This resulted in $70,780 being classified as debt and $9,186 being classified as equity. Issue costs are being amortized over the term of the debentures, and the debt portion will accrete up to the principal balance at maturity.

7. Unitholders' Equity

Holders of A2 LP units of NPY have the right to exchange their units into trust units. During the three and nine months ended September 30, 2007, 1,177,671 and 3,645,696 A2 LP units were exchanged respectively. As 1,176,171 and 1,898,617 (for the three and nine months ended September 30, 2007) of these units of NPY were outstanding prior to the IPO, the conversion of these units was calculated as a step acquisition using the original carrying value of these units.

On December 8, 2006, the Fund received approval from the TSX for a Normal Course Issuer Bid to purchase for cancellation, through the facilities of the TSX, up to 1,924,572 of its units, representing 5% of its then issued and outstanding units. For the three and nine months ended September 30, 2007 the Fund purchased 1,057,072 and 1,924,572 units for cancellation respectively. At the same time, the Fund cancelled the same number of units of NPY and recorded a loss on dilution of its ownership interest of $808 and $1,545 respectively ($461 and $864 respectively net of non-controlling interest).

The Fund intends to make distributions to its unitholders, based upon net cash receipts of the Fund. The Fund's intention is for unitholders of record on the last business day of each month to receive distributions on the 15th day of the following month. The actual amount distributed in respect of the units will be made at the sole discretion of the trustees.

For the three months and nine months ended September 30, 2007 total distributions paid and payable were $10,195 and $29,926 respectively (2006 - $9,376 and $23,907 respectively).

8. Tax

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

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

9. Segmented information

NPY has six reportable operating segments, each of which has separate operational management and management reporting information. All of NPY's operations, assets and employees are located in Canada. The financial services segment incorporates investment management, institutional money management, wealth management, specialty insurance underwriting, and the servicing of ATMs. The marketing segment represents the investment in non-traditional marketing operations that acquires rights in media, publications and television, and an investment in an integrated direct marketing company with its primary focus on inbound and outbound teleservices, an investment in a fully integrated marketing services agency and investments in two promotional solutions marketing firms. The industrial services segment includes two reportable segments and represents the investments in fully integrated providers of mid-stream production services to the energy industry and in a provider of demolition contract and remediation services. The other segment incorporates a manufacturer of protective outerwear, a distributor and manufacturer of heavy equipment, a container transportation business and a reverse logistics provider. The corporate segment represents head office administrative and financing costs incurred by the Fund. The accounting polices of the segments are the same as those described in the summary of significant accounting polices in note one and in the notes to the audited consolidated financial statements for the year ended December 31, 2006. NPY utilizes earnings before interest, taxes, depreciation and amortization ("EBITDA") as a performance measure for its operating partners and segment results, and accordingly a reconciliation from net income to EBITDA is included herein.

(In thousands of dollars, except per unit amounts)

Three months ended September 30, 2007	Financial Services	Marketing	Industrial Services		Other	Corporate	Total
			NPC	Murray			
Revenue	$ 20,559	$ 20,803	$ 52,064	$34,249	$ 22,121	$ -	$149,796
Cost of revenue	11,012	9,978	43,554	24,018	16,455	-	105,017
	9,547	10,825	8,510	10,231	5,666	-	44,779
Expenses							
Selling, general and administrative	3,653	7,623	3,707	5,338	3,301	1,228	24,850
Amortization of intangible assets	3,774	1,647	1,064	1,791	1,719	-	9,995
Depreciation	248	343	1,109	543	178	-	2,421
	7,675	9,613	5,880	7,672	5,198	1,228	37,266
Income (loss) before the undernoted	1,872	1,212	2,630	2,559	468	(1,228)	7,513
Income from equity investment	1,145	-	-	-	327	-	1,472
Other income	229	-	-	-	-	-	229
Interest (income) expense	59	75	1,498	20	639	6,259	8,550
Loss on dilution of ownership interest	-	-	-	-	-	808	808
Income tax recovery - current	(11)	-	(17)	-	-	-	(28)
Income (loss) from continuing operations	$ 3,198	$ 1,137	$ 1,149	$2,539	$ 156	$ (8,295)	$ (116)
Add back:							
Interest (income) expense	59	75	1,498	20	639	6,259	8,550
Depreciation and amortization	4,022	1,990	2,173	2,334	1,897	-	12,416
Amortization of Brompton intangible asset (i)	484	-	-	-	-	-	484
Income tax recovery - current	(11)	-	(17)	-	-	-	(28)
EBITDA	$ 7,752	$ 3,202	$ 4,803	$4,893	$ 2,692	$ (2,036)	$ 21,306
Goodwill acquired	45	-	10,191	200	-	-	10,436
Expenditures for property, plant and equipment	415	338	569	80	92	-	1,494
Total assets (ii)	379,428	118,481	163,905	108,386	109,912	82,227	962,339
Total goodwill	186,469	38,628	30,363	19,612	15,972	-	291,044

(i) The amortization of the intangible asset related to the investment in Brompton is included in income from equity investment.

(ii) Discontinued operations previously part of the distribution segment are included in the corporate segment.

(In thousands of dollars, except per unit amounts)

Three months ended September 30, 2006	Financial Services	Marketing	Industrial Services		Other	Corporat	Total
			NPC	Murray			
Revenue	$ 18,279	$ 18,603	$ 30,873	$ 15,897	$ 15,278	$ -	$ 98,930
Cost of revenue	7,905	9,529	25,567	11,088	12,156	-	66,245
	10,374	9,074	5,306	4,809	3,122	-	32,685
Expenses							
Selling, general and administrative	2,165	5,514	2,749	2,851	1,388	1,197	15,864
Amortization of deferred financing charges	-	-	-	-	-	414	414
Amortization of intangible assets	3,523	1,422	548	819	987	-	7,299
Depreciation	173	355	517	244	38	-	1,327
	5,861	7,291	3,814	3,914	2,413	1,611	24,904
Income (loss) before the undernoted	4,513	1,783	1,492	895	709	(1,611)	7,781
Income from equity investment	581	-	-	-	311	-	892
Other income	383	-	-	-	-	-	383
Interest (income) expense	(50)	125	387	(1)	342	1,752	2,555
Income tax expense (recovery) - current	10	1	66	-	-	-	77
Income (loss) from continuing operations	$ 5,517	$ 1,657	$ 1,039	$ 896	$ 678	$ (3,363)	$ 6,424
Add back:							
Interest (income) expense	(50)	125	387	(1)	342	1,752	2,555
Depreciation and amortization	3,696	1,777	1,065	1,063	1,025	414	9,040
Amortization of Brompton intangible asset (i)	484	-	-	-	-	-	484
Income tax expense (recovery) - current	10	1	66	-	-	-	77
EBITDA	$ 9,657	$ 3,560	$ 2,557	$ 1,958	$ 2,045	$ (1,197)	$ 18,580
Goodwill acquired	-	3,002	-	-	7,080	-	10,082
Expenditures for property, plant and equipment	110	-	50	22	64	-	246
As at December 31, 2006							
Total assets (ii)	341,485	118,641	74,981	44,338	119,467	195,437	894,349
Total goodwill	183,263	33,985	14,136	6,051	15,909	-	253,344

(i) The amortization of the intangible asset related to the investment in Brompton is included in income from equity investment.

(ii) Discontinued operations previously part of the distribution segment are included in the corporate segment.

(In thousands of dollars, except per unit amounts)

Nine months ended September 30, 2007	Financial Services	Marketing	Industrial Services NPC	Industrial Services Murray	Other	Corporate	Total
Revenue	$ 63,465	$ 64,453	$123,334	$ 78,905	$ 69,598	$ -	$399,755
Cost of revenue	33,392	30,053	102,696	55,081	51,450	-	272,672
	30,073	34,400	20,638	23,824	18,148	-	127,083
Expenses							
Selling, general and administrative	9,646	23,710	9,800	13,268	10,378	4,728	71,530
Amortization of intangible assets	10,843	4,939	2,407	4,677	5,161	-	28,027
Depreciation	641	1,239	2,778	1,166	520	-	6,344
	21,130	29,888	14,985	19,111	16,059	4,728	105,901
Income (loss) before the undernoted	8,943	4,512	5,653	4,713	2,089	(4,728)	21,182
Income from equity investment	2,183	-	-	-	805	-	2,988
Other income	782	-	-	-	-	-	782
Interest (income) expense	(153)	214	2,436	(14)	1,844	17,069	21,396
Loss on dilution of ownership interest	-	-	-	-	-	6,872	6,872
Income tax recovery - current	-	-	(340)	-	-	-	(340)
Income tax expense (recovery) – future	20,737	9,222	2,313	(252)	7,908	30	39,958
Income (loss) from continuing operations	$(8,676)	$ (4,924)	$ 1,244	$ 4,979	$ (6,858)	$(28,699)	$(42,934)
Add back:							
Interest (income) expense	(153)	214	2,436	(14)	1,844	17,069	21,396
Depreciation and amortization	11,484	6,178	5,185	5,843	5,681	-	34,371
Amortization of Brompton intangible asset (i)	1,452	-	-	-	-	-	1,452
Income tax recovery - current	-	-	(340)	-	-	-	(340)
Income tax expense (recovery) – future	20,737	9,222	2,313	(252)	7,908	30	39,958
EBITDA	$ 24,844	$ 10,690	$ 10,838	$ 10,556	$ 8,575	$(11,600)	$ 53,903
Goodwill acquired	4,222	-	11,318	8,021	-	-	23,561
Expenditures for property, plant and equipment	586	1,901	1,096	667	266	-	4,516
Total assets (ii)	379,428	118,481	163,905	108,386	109,912	82,227	962,339
Total goodwill	186,469	38,628	30,363	19,612	15,972	-	291,044

(i) The amortization of the intangible asset related to the investment in Brompton is included in income from equity investment.

(ii) Discontinued operations previously part of the distribution segment are included in the corporate segment.

(In thousands of dollars, except per unit amounts)

Nine months ended September 30, 2006	Financial Services	Marketing	Industrial Services NPC	Industrial Services Murray	Other	Corporate	Total
Revenue	$ 50,428	$ 47,181	$ 107,021	$ 33,087	$ 16,902	$ -	$ 254,619
Cost of revenue	22,415	25,595	88,179	23,041	13,435	-	172,665
	28,013	21,586	18,842	10,046	3,467	-	81,954
Expenses							
Selling, general and administrative	6,034	12,673	7,881	5,924	1,438	3,372	37,322
Amortization of deferred financing charges	-	-	-	-	-	1,032	1,032
Amortization of intangible assets	10,204	4,108	1,645	1,909	987	-	18,853
Depreciation	470	1,037	2,144	612	38	-	4,301
	16,708	17,818	11,670	8,445	2,463	4,404	61,508
Income (loss) before the undernoted	11,305	3,768	7,172	1,601	1,004	(4,404)	20,446
Income from equity investment	2,006	-	-	-	464	-	2,470
Other income	730	-	-	-	-	-	730
Interest (income) expense	(152)	169	1,182	21	342	4,686	6,248
Income tax expense (recovery) - current	85	(24)	-	-	-	-	61
Income (loss) from continuing operations	$ 14,108	$ 3,623	$ 5,990	$ 1,580	$ 1,126	$ (9,090)	$ 17,337
Add back:							
Interest (income) expense	(152)	169	1,182	21	342	4,686	6,248
Depreciation and amortization	10,674	5,145	3,789	2,521	1,025	1,032	24,186
Amortization of Brompton intangible asset (i)	1,551	-	-	-	-	-	1,551
Income tax expense (recovery) - current	85	(24)	-	-	-	-	61
EBITDA	$ 26,266	$ 8,913	$ 10,961	$ 4,122	$ 2,493	$ (3,372)	$ 49,383
Goodwill acquired	11,155	3,002	542	4,495	7,909	-	27,103
Expenditures for property, plant and equipment	607	462	588	80	65	-	1,802
As at December 31, 2006							
Total assets (ii)	341,485	118,641	74,981	44,338	119,467	195,437	894,349
Total goodwill	183,263	33,985	14,136	6,051	15,909	-	253,344

i) The amortization of the intangible asset related to the investment in Brompton is included in income from equity investment.

(ii) Discontinued operations previously part of the distribution segment are included in the corporate segment.

10. Trust accounts

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

11. Subsequent events

On October 15, 2007, NPY invested approximately $1,939 cash into NPC to allow it to acquire a 77.55% interest in Accel Testing Inc. ("Accel"). NPY's ownership interest in NPC did not change. Accel provides oil and gas production testing services.

On October 31, 2007, NPY invested approximately $600 cash into Quantum Murray to allow it to acquire the assets of Echelon Emergency Response & Training Inc. ("Echelon"). Echelon provides emergency response and training services to clients in Ontario.

12. Comparative figures

The 2006 comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2007 unaudited interim consolidated financial statements.