PORTFOLIO SUMMARY – BY OPERATING PARTNERSHIP ($000s)

Three months ended September 30, 2007

OPERATING PARTNER	DATE OF INITIAL INVESTMENT	OWNERSHIP INTEREST	INVESTED CAPITAL	Q3 2007 EBITDA	Q3 2007 DISTRIBUTABLE CASH	LTM DISTRIBUTABLE CASH YIELD[1]
FINANCIAL SERVICES						
EZEE	Mar. 2004	100%	$ 45,200	$ 1,749	$ 1,522	10.5%
Brompton	Aug. 2005	45%	27,200	1,319	899	14.1%
ESR	Aug. 2005	80%	56,000	1,487	2,176	18.7%
Morrison Williams	Aug. 2005	80%	42,000	2,114	2,114	20.0%
NP LP	Aug. 2005	100%	20,700	1,038	1,029	23.1%
Hargraft	Apr. 2006	80%	17,800	-379	-355	12.7%
BMI	Apr. 2007	78%	18,200	424	495	15.3%
MARKETING						
S & E	Oct. 2004	80%	5,700	-38	-62	9.8%
Gemma	Mar. 2005	80%	28,000	1,309	1,852	19.4%
Capital C	Aug. 2005	67%	23,700	1,054	908	15.6%
IC Group	July 2006	80%	11,300	572	564	24.9%
Armstrong	Oct. 2006	80%	20,000	305	397	12.8%
INDUSTRIAL SERVICES						
NPC	Oct. 2004	80%	111,200	4,803	3,220	15.4%
Quantum Murray	Mar. 2006	64%	77,300	4,893	4,527	21.5%
OTHER						
RLogistics	May 2006	36%	10,000	327	327	13.1%
Peerless	June 2006	90%	36,000	1,208	899	13.3%
Titan	Sep. 2006	88%	25,200	509	66	8.2%
Gusgo	Oct. 2006	80%	12,500	648	811	19.2%
Totals			$ 588,000	$ 23,342	$ 21,389	16.4%

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

These are non-GAAP measures, which do not have any standard meaning and therefore are unlikely to be comparable to similar measures presented by other issuers – see Non-GAAP Measures and Forward Looking Information. Definitions are provided on page 4.

DEAR FELLOW UNITHOLDERS:

Newport Partners Income Fund (NPF) was set up to invest in successful Canadian private businesses. Specifically, companies that can provide above average returns through (1) the regular payment of cash from operations, and (2) gains from growth in their market value over the long term.

Simply put, we expect the investments we make to do two things – deliver cash and go up in price. And this portfolio has.

For the third quarter, the cash yield on invested capital from our 18 private company holdings was 15.1%. This resulted in $0.20 of distributable cash per unit for the Fund, $0.57 per unit year to date ($0.50 per unit including discontinued operations). The annualized cash yield since inception is 16.3%. Very good absolute returns, though I expect we can do better.

In terms of capital appreciation, the portfolio has also performed very well. Based on our estimates, since inception in 2004, the portfolio's value has grown by $150-$210 million ($2.00 – $2.90 per unit)* on approximately $668 million of invested capital. At the low end, this translates to a compound annualized growth rate of more than 14%.

Take a 16% income return and a 14% unrealized capital appreciation and the total compound annualized rate of return for the portfolio is conservatively 30%. Overall, we have exceeded the objectives we set out to achieve when we set up the Fund three and a half years ago.

The capital appreciation component of the portfolio's return has come from organic growth and through the strategic acquisitions and new investments made by some of the companies such as NPC, Quantum Murray, Capital C and EZEE. NPF has been an important catalyst for this growth by providing the funding for these proven performers -- $139 million this year alone. Through industry consolidation these companies have become more dominant in their markets and have boosted the value of our investment in them.

A prime example is NPC. NPC is a mid-sized oilfield services company serving traditional oil and gas and oil sands related production companies. Using our capital, the company has been an active consolidator in a high growth market. We have provided funding for 10 acquisitions for total invested capital of $113 million. At 19% of the Fund's portfolio, NPC is now our largest individual holding. It is also one of our most rewarding.

Since inception, NPC has generated an annualized cash yield of 21.8%. Based on our estimates, our 80% interest in NPC today is worth somewhere between $160 and $200 million – resulting in a total annualized return of 61% or more.

This kind of growth exceeds even our most optimistic expectations at the time of our investment. And frankly, to finance more of the same would mean increasing the Fund's concentration risk beyond the limits that we think are prudent for a balanced portfolio.

To ensure we continue to maximize our returns on NPC for unitholders, we and our operating partners have decided that NPC should plan to access the public equity markets directly in 2008. Our plan is to retain a significant holding in the newly public company.

This decision is in keeping with the Fund's objective of providing income, growth, diversification and liquidity and the benefits for unitholders are clear. NPC can be strengthened through a lower cost of capital from the public equity markets. This will help it to meet its considerable needs for more growth capital. Fund unitholders can continue to participate in NPC's growth while enjoying reduced concentration risk within the portfolio. And we get to crystallize a portion of any capital gain on our investment. We are in the early planning stages of this project and once further details are completed, we will communicate them.

Perhaps the most important benefit that can come from this initiative is that it clearly illustrates how the Fund's strategy of investing in established private companies built by successful Canadian entrepreneurs can support sustainable and growing distributions from a combination of income and growth in value.

While we are happy with our total returns on this portfolio, we know we have to close the gap between distributions and distributable cash and we're disappointed we haven't made the progress we expected to this year. However, looking at the total return on the portfolio of 30%, it is apparent why we have confidence maintaining our current level of distributions.

Attractive yields on our invested capital. More growth potential on the horizon. That's why we have been such active buyers of our Units.

Yours truly,

Mr. Peter Wallace
President & CEO

* Management's best estimate of valuations of our private company portfolio. As these investments are not marked to market, we have used multiples based on recent transactions and comparable public company valuations,

Management's Discussion and Analysis

November 8, 2007

Prior to our IPO on August 8, 2005, we made our investments in private businesses through NPY, a limited partnership established on February 27, 2004. The Fund holds a 57% indirect interest in NPY. 2007 is the first year where there has been full comparative information for the Fund and as such, financial results of NPY are no longer included in this MD&A, although certain financial information of NPY has been included where appropriate.

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

Capitalized terms are defined terms, their meaning is explained in the "Definitions" section located at page 38, and references to "we", "us", "our" or similar terms, refer to Newport Partners Income Fund (NPF or the Fund), unless the context otherwise requires.

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Forward-Looking Information

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

Non-GAAP Measures

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

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

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

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

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

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

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

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

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

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

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

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

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

VISION AND CORE BUSINESS

Investing in privately-owned businesses has the potential to deliver superior returns. However, the considerable challenges of finding and financing investments in private companies prevent many investors from participating. These businesses are generally hard to access as stand alone investments, have few external shareholders, require large minimum investments and are generally illiquid.

Newport Partners Income Fund ("NPF" or the "Fund") was set up to provide investors with a simple way to participate in the profits and growth of successful Canadian private businesses. The Fund offers the benefits of income, growth potential, diversification and liquidity through a publicly-traded, professionally managed portfolio.

Our investment philosophy is to make long-term equity investments in established, profitable, well-managed private businesses across Canada. These businesses distribute their profits to the Fund, which in turn pays monthly distributions to unitholders. This allows unitholders to participate in the income of these businesses while waiting for capital appreciation.

The Fund draws on the management expertise of Newport Partners to make its private investments. Newport Partners provides opportunities for successful entrepreneurs to increase and diversify their wealth. Newport Partners carries on its business through NPF and through Newport Partners LP (NP LP) and its subsidiaries. Established in 2001 by a group of senior financial executives and successful entrepreneurs, Newport Partners provides capital, money management services and financial advice to some of Canada's most accomplished entrepreneurs.

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

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

STRATEGY

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

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

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

- Investing in well established businesses with leading or niche positions in their respective industries, histories of profitability, growth plans and talented management teams that we know and trust.
- Investing a significant equity interest (typically 50–80%) and allowing management to retain an interest in the business. This helps to align management's interests with ours.
- Providing capital and strategic advice to support the growth and performance of the businesses. Day-to-day operations are capably handled by the management teams who run the businesses.
- Investing for income. The Fund seeks to invest in businesses that can distribute a lot of their surplus cash to unitholders and can grow organically without significant capital. With each investment we make, we expect to receive cash flow from our share of the annual profits of the business, equaling 16–20% of our invested capital. We believe this income-oriented approach reduces risk and enhances return.
- Investing for growth. As the underlying businesses grow organically, they increase in value. Some companies in the portfolio are able to accelerate this growth through acquisition – using capital from the Fund, they become consolidators in their industries to become more dominant in their markets and boost the value of our investment in them.
- Managing risk through diversification and prudent use of leverage. This is a significant point of differentiation from many private equity firms that invest using high leverage – as much as 4-6 times debt to EBITDA. NPF maintains a strong balance sheet with a targeted net debt to EBITDA ratio of 2.5 times.

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

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

KEY PERFORMANCE DRIVERS

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

Investing Activities:

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

Funding Activities:

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

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

KEY PERFORMANCE INDICATORS	AS AT SEPTEMBER 30, 2007
Q3 2007 Distributable cash per unit from continuing operations	$0.20
Q3 2007 Distributable cash per unit	$0.20
Net debt / LTM EBITDA	2.37 x
Corporate costs to net asset ratio	1.20%
LTM distributable cash yield from the portfolio	16.4%
LTM distributable cash yield from the portfolio including discontinued operations	14.2%

CAPABILITY TO DELIVER RESULTS

LIQUIDITY AND CAPITAL RESOURCES

OPERATING CASH FLOW AND WORKING CAPITAL

Cash used in operations was $(2.0) million for the three months ended September 30, 2007, compared to cash provided of $8.5 million for the period ended September 30, 2006. The Fund had positive working capital of approximately $49.6 million at September 30, 2007, compared to $125.0 million at December 31, 2006. Standardized distributable cash for the three months ended September 30, 2007 was ($4.3) million compared to $7.4 million for the same period ended September 30, 2006. Distributable cash or adjusted distribution base for the three months ended September 30, 2007 was $13.9 million compared to $16.0 million for the same period ended September 30, 2006. Distributions paid in the period exceeded distributable cash by $3.7 million. The shortfall was funded by cash reserves and the revolving credit facility. We believe that based on our expectations of operating activities for the portfolio we will have sufficient working capital to fund our needs. The diversified nature of our portfolio also assists with cash flows. Historical working capital requirements of some businesses are matched off against other businesses in the portfolio and the overall working capital requirements are affected by additions and dispositions to the portfolio. As a general comment our net working capital needs are greater in the first half of the year. Reduced seasonality of the portfolio improves our ability to manage the working capital and liquidity of the Fund. Our revolving credit facility is available to fund working capital needs as required.

FINANCING

NPF has a $320 million Senior Credit Agreement with an affiliate of Fortress, part of a global alternative investment and asset management firm with approximately $43 billion in AUM. The credit facility consists of $245 million of available term debt and a $75 million revolving facility. The interest rate on the 5 year term facility is equal to the 3-month LIBOR rate plus 3.50% to 4.95% depending on the total senior leverage ratio. The revolving facility carries interest at the BA rate plus 2.50%. The credit facility contains customary positive and negative covenants. The negative covenants include a limit on the Fund’s distributions relative to distributable cash and a leverage limit of 2.75 times total senior debt to LTM EBITDA. As at September 30, 2007 the Fund’s total senior leverage ratio was 2.37 times and it was in compliance with all the covenants in the credit facility. As at September 30, 2007, $46 million of the revolving credit facility has been drawn and $190 million has been drawn under the term loan.

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

CAPITAL EXPENDITURES

The portfolio incurred total capital expenditures (capital lease payments and maintenance capital expenditures) of $2.0 million for the period compared with $1.0 million in the prior year period. Total capital expenditures as a percentage of EBITDA are approximately 10%. The industrial services segment accounts for 67% of the Fund’s total capital expenditures as of September 30, 2007. With the addition of NPC’s investment in Golosky, we expect this percentage to increase modestly.

CAPITAL STRUCTURE

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

An important element of the Fund’s debt management strategy is that there is no debt at the operating partnership level (with the exception of minority owned Brompton). All of the debt is at the Fund level. At September 30, 2007 the debt under the credit facility represented 26% of our capital structure, with 74% being equity and equity-linked debt. The Fund provides working capital advances to the operating partnerships as well as funding for tuck-in acquisitions. In addition, the Fund uses the credit facility to make investments in new operating partnerships and to fund shortfalls in distributions as they arise. We believe that this consolidated debt strategy as well as our target of maintaining total senior debt to LTM EBITDA of 2.50 times or less reduces the overall risk to unitholders. This is consistent with our prudent use of leverage as compared with many private equity firms.

On December 8, 2006, NPF filed a notice with the TSX to introduce a NCIB. We received approval to purchase for cancellation, through the facilities of the TSX, up to 1,924,572 units, representing approximately 5% of our then 38,491,445 issued and outstanding units. During the third quarter, NPF completed the approved total purchase under the NCIB with the repurchase of 1,057,072 units.

NON-CAPITAL RESOURCES

INVESTMENT EXPERTISE

Newport Partners has significant investment management expertise. The principals are an experienced group of investment managers with, on average, 25 years financial services experience. The Investment Committee of the Fund, which is responsible for reviewing and approving all investments, consists of seven senior members from Newport Partners. Their backgrounds originate in investment management, accounting and corporate finance. We believe we have the intellectual capital and the capacity within our existing team to carry out our investment activities. There has been no attrition and Newport Partners' principals are large unitholders of the Fund.

ENTREPRENEUR NETWORK

Generating 'deal flow' of potential new investments is a critical success factor for private equity investment. Newport Partners has trusted relationships and an extensive network of contacts in the Canadian private business sector. Newport Partners' network is derived from the personal contacts of the principals, the management teams of the companies in the Fund and a large client base of entrepreneurial families. This network represents a competitive advantage in generating new investment opportunities for the Fund and has enabled the Fund to exceed its 2007 goal of investing $100-$150 million of new capital. As of the date of this report, NPF has invested $162.4 million in 2007.

INVESTMENT PHILOSOPHY AND CULTURE

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

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

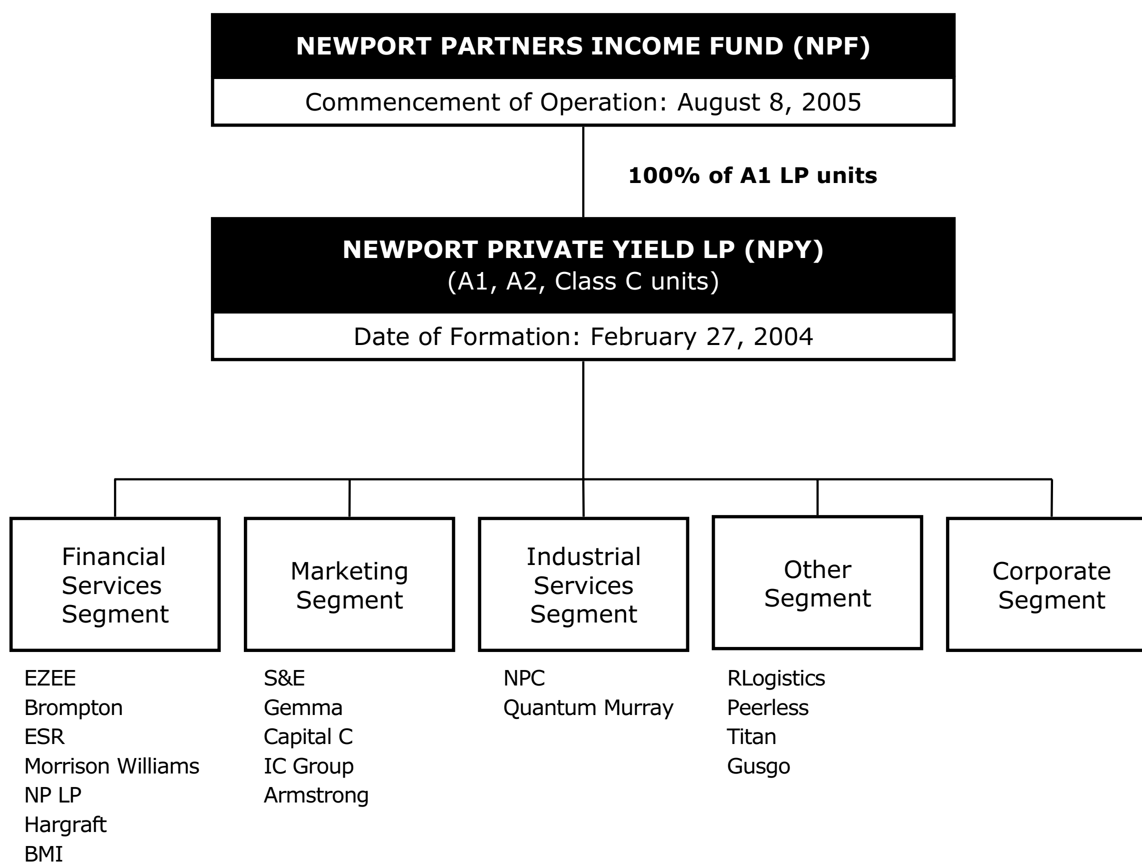
SYSTEMS AND PROCESSES

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

OTHER FACTORS IMPORTANT TO UNDERSTANDING OUR RESULTS

SIMPLIFIED STRUCTURE – NPF AND NPY

NPF is an unincorporated, open-ended, limited purpose trust, which was created to hold an indirect interest in NPY. NPY is a limited partnership formed to invest in securities of private businesses and distribute the available cash flows to the limited partners. Management at the Operating Partnerships, principals and employees of Newport Partners, Trustees of the Fund, and founding investors of NPY own approximately 56% of the total Units outstanding of 71,908,931.



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

NPY UNITS OUTSTANDING

A1	A2	B1	B2	C	TOTAL
41,004,689	28,576,642	-	-	2,327,600	71,908,931

During the period from January 1, 2007 to September 30, 2007, 2,342,240 A2 LP Units and 1,303,456 B4 LP Units were exchanged for units of NPF, and 1,536,216 B1 LP Units and 843,173 B2 LP Units were re-designated as A2 LP Units due to the expiry of the subordination periods negotiated at the time of our initial investment. The C LP Units were also re-designated as A2 LP units on October 1, 2007. Also during this period 1,924,572 A1 Units were cancelled under the NCIB program.

During the third quarter, under the terms of its NCIB, NPF purchased and cancelled a total of 1,057,072 units with an average purchase price of $5.85. The 2007 NCIB program was completed in September with a total of 1,924,572 units re-purchased at an average price of $6.04.

DISCONTINUED OPERATIONS

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

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

FUTURE INCOME TAXES

The Government of Canada's enactment of Bill C-52 Budget Implementation Act, 2007 in June 2007 contained provisions that will make public income trusts (formed before October 31, 2006) subject to the payment of a Trust income tax on their earnings commencing in 2011 (or earlier if certain equity capitalization thresholds are exceeded). The impact to the Fund of the enactment of Bill C-52 in the second quarter is that the Fund must now comply with the CICA's recommendations regarding the accounting for future taxes arising from differences between the tax basis of an asset or liability and its carrying amount on the balance sheet under GAAP. What this means for the Fund is that it must estimate the expected value of its assets and liabilities as of January 1, 2011 and compare this to the estimated tax value for these assets and liabilities and record the difference as non-cash future tax amounts using a tax rate of 31.5%. In general, there are no material differences in the values for operating assets and liabilities such as accounts receivables, inventory and trade payables for the 18 holdings that comprise the Fund's current investment portfolio. There are, however, differences[1] for example between the carrying values of definite life intangibles (e.g. customer contracts) and indefinite life intangibles (e.g. brands) that arise as part of the Fund's accounting for its investments in the underlying operating partnerships. As one example, under GAAP, the Fund records intangible assets and these assets have a lesser value for tax purposes. In this case, a future tax liability would be recorded. If the Fund was to divest of one or more of its operating partnerships for an amount that is greater than the tax carrying value this would give rise to a gain because the proceeds would be greater than the tax value of the assets. The tax would be paid out of the proceeds of the divestiture with no impact on the Fund's operating cash and the future tax liability previously recorded would be reduced accordingly.

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

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

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

GOODWILL AND INTANGIBLE ASSETS

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values. When NPF enters into a business combination, the purchase method of accounting is used. Goodwill is assigned as of the date of the business combination to reporting units that are expected to benefit from the business combination. NPF's reported goodwill was $291 million at September 30, 2007.

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

Intangible assets acquired individually or as part of a group of other assets are recognized and measured at cost. Intangible assets acquired in a transaction, including those acquired in business combinations, are recorded at their fair value. Intangible assets with determinable useful lives, such as ATM location contracts, customer relationships and contracts, and management contracts, are amortized over their useful lives and are tested for impairment annually. Intangible assets having an indefinite life, such as brands, are not amortized but instead are tested for impairment on an annual or more frequent basis by comparing their fair value with book value. As at September 30, 2007, there were no indicators of impairment in the carrying value of NPF's intangible assets. The net book value of intangible assets was $326.4 million at September 30, 2007.

ACCOUNTING POLICIES

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

IMPACT OF NEW ACCOUNTING STANDARDS

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

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

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

FUTURE ACCOUNTING STANDARDS

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

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

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

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

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

inventories, amounts recognized as an expense during the period, write-downs and the amount of any reversal of any write-downs recognized as a reduction in expenses.

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

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

STANDARDIZED DISTRIBUTABLE CASH

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

Productive capacity maintenance is the amount of capital funds required in a period for an enterprise to maintain its ability to generate future cash flow from operating activities at a constant level. The Fund is a diversified portfolio of investments in private Canadian businesses with, in general, fairly small capital requirements. On a year to date basis our total maintenance capital expenditures and capital lease payments as a percentage of EBITDA are approximately 10%. A discussion of productive capacity maintenance is not particularly relevant for investments in the Financial Services, Marketing and Other Segments as these businesses have relatively small amounts of capital requirements as the businesses are driven primarily by human capital. Our investments in the Industrial Services Segment have the largest capital requirements within the portfolio. As part of the budgeting process the companies are able to anticipate capital needs based on existing back-log and contracts. The capital requirements are funded from cash flows from the businesses and where possible equipment required to maintain productive capacity is leased.

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

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

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

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

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

RESULTS – THIRD QUARTER PERFORMANCE

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

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

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2007	2006	2007	2006
NPY (representing non-controlling interest) Units outstanding	29,476	32,859	30,679	33,629
NPF Units outstanding	40,911	37,674	40,047	32,137
Total weighted average Units outstanding[1]	70,387	70,533	70,726	65,766
Total distributions paid and payable	$ 17,623	$ 17,555	$ 53,125	$ 48,764
Distributions per unit	$ 0.25	$ 0.25	$ 0.75	$0.74
Cash provided by (used in) operations	$ (2,011)	$ 8,508	$ 33,176	$ 37,757
Deduct: capital expenditures	(1,494)	(246)	(4,516)	(1,802)
Deduct: capital lease payments	(801)	(847)	(2,285)	(2,282)
Standardized distributable cash	$ (4,306)	7,415	26,375	33,673
Standardized distributable cash per unit	$ (0.06)	$ 0.11	$ 0.37	$ 0.51
Total distributions paid and payable	17,623	17,555	53,125	48,764
Cash used to repurchase units	6,160	-	11,624	-
Aggregate cash distributions for the period	$ 23,783	$ 17,555	$ 64,749	$ 48,764
Standardized distributable cash payout ratio[2]	(5.52x)	2.37x	2.45x	1.45x
Standardized distributable cash	(4,306)	7,415	26,375	33,673
Changes in working capital – continuing operations	17,325	5,885	19,616	11,717
Cash (provided by) used in discontinued operations	41	2,159	(9,372)	(4,868)
Add: growth capital expenditures	675	-	1,502	1,085
Add (deduct): priority income per partnership agreement[3]	194	308	1,856	20
Distributable cash from continued operations	$ 13,929	$ 15,767	$ 39,977	$ 41,627
Distributable cash from (used by) discontinued operations	-	279	(4,864)	(3,454)
Distributable cash (or Adjusted Distribution Base)	$ 13,929	$ 16,046	$ 35,113	$ 38,173
Distributable cash from continuing operations per unit	0.20	0.23	0.57	0.63
Distributable cash used by discontinued operations per unit	-	-	(0.07)	(0.05)
Distributable cash (or Adjusted Distribution Base) per unit	$ 0.20	$ 0.23	$ 0.50	$ 0.58
Distributable cash (or Adjusted Distribution Base) payout ratio[2]	1.71x	1.09x	1.84x	1.28x
Net (loss) income for the period before non-controlling interest	(116)	5,324	(48,161)	10,474
Shortfall of distributions paid to standardized distributable cash	21,929	10,140	26,750	15,091
Shortfall of distributions paid to distributable cash (or Adjusted Distribution Base)	3,694	1,509	18,012	10,591
Shortfall of distributions paid to net income (loss) before non-controlling interest[4]	17,739	12,231	101,286	38,290

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

[2] Cumulative aggregate cash distributions since inception are $155,602. Cumulative standardized distributable cash and adjusted distribution base from inception are $65,627 and $112,355 respectively, providing cumulative payout ratios of 2.37x and 1.38x respectively.

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

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

BALANCE SHEET ($000s)

	AS AT SEPTEMBER 30, 2007	AS AT DECEMBER 31, 2006
Total assets	$ 962,339	$ 894,349
Revolving credit facility	46,016	5,000
Long-term debt[5]	185,130	170,000
Convertible debt[5]	148,874	83,970
Unitholders' equity - NPF & NPY	$ 375,175	$ 478,235

[5] Subsequent to December 31, 2006 changes to accounting rules require that deferred financing charges are netted against long term debt and convertible debt. As at September 30, 2007 the gross long term debt outstanding was $190,000 and the convertible debt was $164,466.

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

Three months ended September 30, 2007

	FINANCIAL SERVICES	MARKETING	INDUSTRIAL SERVICES	OTHER	CORPORATE[1]	TOTAL
Revenue	$ 20,559	$ 20,803	$ 86,313	$ 22,121	-	$149,796
Gross margin	9,547	10,825	18,741	5,666	-	44,779
Income (loss) from continuing operations before non-controlling interest[2]	3,198	1,137	4,648	156	(9,255)	(116)
EBITDA	7,752	3,202	9,696	2,692	(2,036)	21,306
Loss on dilution of ownership interest	-	-	-	-	808	808
Adjusted EBITDA[3]	7,752	3,202	9,696	2,692	(1,228)	22,114
Interest (income) expense [2]	59	75	558	639	7,219	8,550
Non-cash interest expense	-	-	-	-	(987)	(987)
Income tax expense (recovery) - current	(11)	-	(17)	-	-	(28)
Maintenance capital expenditures and reserves	387	111	649	92	-	1,239
Capital lease payments	-	57	724	20	-	801
Compensation expense funded by operating partner[4]	563	633	-	-	-	1,196
Priority income per partnership agreement[5]	-	67	(35)	162	-	194
Distributable cash from continuing operations	$ 7,880	$ 3,659	$ 7,747	$ 2,103	$ (7,460)	$ 13,929
Cash used by discontinued operations						$ 0.00
Distributable cash						$ 13,929
Distributable cash per unit from continuing operations						**$0.20**
Cash used per unit by discontinued operations						$ 0.00
Distributable cash per unit						$0.20

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

Three months ended September 30, 2006

	FINANCIAL SERVICES	MARKETING	INDUSTRIAL SERVICES	OTHER	CORPORATE[1]	TOTAL
Revenue	$ 18,279	$ 18,603	$ 46,770	$ 15,278	-	$ 98,930
Gross margin	10,374	9,074	10,115	3,122	-	32,685
Income (loss) from continuing operations before non-controlling interest	5,517	1,657	1,935	678	(3,363)	6,424
EBITDA	9,657	3,560	4,515	2,045	(1,197)	18,580
Loss on dilution of ownership interest	-	-	-	-	-	-
Adjusted EBITDA[3]	9,657	3,560	4,515	2,045	(1,197)	18,580
Interest (income) expense	(50)	125	386	342	1,752	2,555
Income tax expense (recovery) – current	10	1	66	-	-	77
Maintenance capital expenditures and reserves	84	-	53	65	-	202
Capital lease payments	4	33	806	4	-	847
Compensation expense funded by operating partner[4]	560	-	-	-	-	560
Priority income per partnership agreement[5]	-	308	-	-	-	308
Distributable cash from continuing operations	$ 10,169	$ 3,709	$ 3,204	$1,634	$ (2,949)	$ 15,767
Cash provided by discontinued operations						$ 279
Distributable cash						$ 16,046
Distributable cash per unit from continuing operations						**$0.23**
Cash used per unit by discontinued operations						$ 0.00
Distributable cash per unit						$0.23

1 The results of the Corporate segment include corporate costs and corporate interest expense.

2 NPF advanced approximately $60,000 to NPC to allow it to complete its investment in Golosky on July 31, 2007. This long term facility can be converted into equity, if certain future performance criteria are met, and in anticipation of the triggering targets being met, and also in order to remove the financing component from the operating results of NPC, interest expense of NPC, and the Industrial Services segment in this Summary Financial table has been reduced by $960 and such amount has been added to the interest expense of the Corporate segment.

3 Adjusted EBITDA excludes the non-cash gains or loss on changes to ownership interest.

4 NPF's agreements with ESR and Gemma contemplate that certain employee bonuses are paid for by the 20% limited partners. GAAP requires that the bonuses be expensed and therefore reduces EBITDA. Since there is no cash outlay by NPF the expense is added back in arriving at distributable cash.

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

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

Nine months ended September 30, 2007

	FINANCIAL SERVICES	MARKETING	INDUSTRIAL SERVICES	OTHER	CORPORATE[1]	TOTAL
Revenue	$ 63,465	$ 64,453	$ 202,239	$ 69,598	-	$399,755
Gross margin	30,073	34,400	44,462	18,148	-	127,083
Income (loss) from continuing operations before non-controlling interest[2]	(8,676)	(4,924)	7,183	(6,858)	(29,659)	(42,934)
EBITDA	24,844	10,690	21,394	8,575	(11,600)	53,903
Loss on dilution of ownership interest	-	-	-	-	6,872	6,872
Adjusted EBITDA[3]	24,844	10,690	21,394	8,575	(4,728)	60,775
Interest (income) expense [2]	(153)	214	1,462	1,844	18,029	21,396
Non-cash interest expense	-	-	-	-	(1,805)	(1,805)
Income tax expense (recovery) - current	-	-	(340)	-	-	(340)
Maintenance capital expenditures and reserves	523	882	1,763	266	-	3,434
Capital lease payments	-	147	2,082	56	-	2,285
Compensation expense funded by operating partner[4]	1,683	633	-	-	-	2,316
Priority income per partnership agreement[5]	-	507	972	377	-	1,856
Distributable cash from continuing operations	$ 26,157	$ 10,587	$ 17,399	$ 6,786	$ (20,952)	$ 39,977
Cash used by discontinued operations						$ (4,864)
Distributable cash						$ 35,113
Distributable cash per unit from continuing operations						**$0.57**
Cash used per unit by discontinued operations						($0.07)
Distributable cash per unit						$0.50

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

Nine months ended September 30, 2006

	FINANCIAL SERVICES	MARKETING	INDUSTRIAL SERVICES	OTHER	CORPORATE[1]	TOTAL
Revenue	$ 50,428	$ 47,181	$ 140,108	$ 16,902	-	$254,619
Gross margin	28,013	21,586	28,888	3,467	-	81,954
Income (loss) from continuing operations before non-controlling interest	14,108	3,623	7,570	1,126	(9,090)	17,337
EBITDA	26,266	8,913	15,083	2,493	(3,372)	49,383
Loss on dilution of ownership interest	-	-	-	-	-	-
Adjusted EBITDA[3]	26,266	8,913	15,083	2,493	(3,372)	49,383
Interest (income) expense	(152)	169	1,203	342	4,686	6,248
Income tax expense (recovery) - current	85	(24)	-	-	-	61
Maintenance capital expenditures and reserves	282	64	454	65	-	865
Capital lease payments	4	111	2,163	4	-	2,282
Compensation expense funded by operating partner[4]	1,680	-	-	-	-	1,680
Priority income per partnership agreement[5]	(720)	740	-	-	-	20
Distributable cash from continuing operations	$ 27,007	$ 9,333	$ 11,263	$ 2,082	$ (8,058)	$ 41,627
Cash used by discontinued operations						$ (3,454)
Distributable cash						$ 38,173
Distributable cash per unit from continuing operations						**$0.63**
Cash used per unit by discontinued operations						($0.05)
Distributable cash per unit						$0.58

[1] The results of the Corporate segment include corporate costs and corporate interest expense.

[2] NPF advanced approximately $60,000 to NPC to allow it to complete its investment in Golosky on July 31, 2007. This long term facility can be converted into equity, if certain future performance criteria are met, and in anticipation of the triggering targets being met, and also in order to remove the financing component from the operating results of NPC, interest expense of NPC, and the Industrial Services segment in this Summary Financial table has been reduced by $960 and such amount has been added to the interest expense of the Corporate segment.

[3] Adjusted EBITDA excludes the non-cash gains or loss on changes to ownership interest.

[4] NPF's agreements with ESR and Gemma contemplate that certain employee bonuses are paid for by the 20% limited partners. GAAP requires that the bonuses be expensed and therefore reduces EBITDA. Since there is no cash outlay by NPF the expense is added back in arriving at distributable cash.

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

INVESTMENT & FUNDING ACTIVITIES

This table provides a summary of new investments made by the Fund during the quarter ended September 30, 2007. Additional information about these investments is provided in the Segment Operating Results section of this report.

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

SEGMENT	DATE	INVESTMENT	CAPITAL INVESTED
Industrial Services	31-July-07	**NPF** provided an equity loan to **NPC** and NPC acquired an 80% interest in Golosky, a provider of products and services to a broad range of customers in the oil & gas, pulp & paper and construction industries in northern Alberta.	60,000
	31-August-07	**NPC** indirectly acquired an 80% interest in the assets of Cladtech Canada Inc., a producer of wear resistant surfaces for the oil sands sector.	2,599
Total			$ 62,599

Our purchase and sale agreement with the shareholders of IC Group contains an earn-out provision if certain performance targets are met. The company has met these for the first year of the three year provision. As a result, the Fund paid $3,334 to these shareholders during the quarter.

SUMMARY RESULTS – NPF ($000s)

	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)
Gross profit	44,779	32,685	127,083	81,954
Selling, general and administrative expenses	(24,850)	(15,864)	(71,530)	(37,322)
Depreciation and amortization expense	(12,416)	(9,040)	(34,371)	(24,186)
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)
Income tax (expense) recovery - current	28	(77)	340	(61)
Income tax expense (recovery) - future	-	-	(39,958)	-
Loss on dilution of interest	(808)	-	(6,872)	-
Income (loss) from continuing operations	(116)	6,424	(42,934)	17,337
Income (loss) from continuing operations	(116)	6,424	(42,934)	17,337
Add:				
Depreciation and amortization	12,416	9,040	34,371	24,186
Amortization of Brompton intangible assets	484	484	1,452	1,551
Interest expense	8,550	2,555	21,396	6,248
Income tax expense (recovery) - current	(28)	77	(340)	61
Income tax expense - future	-	-	39,958	-
EBITDA	$ 21,306	$ 18,580	$ 53,903	$ 49,383
Loss on dilution of ownership interest	808	-	6,872	-
Adjusted EBITDA	22,114	18,580	60,775	49,383
Invested capital	$ 566,666	$ 374,870	$ 512,621	$ 321,880

THIRD QUARTER AND YEAR-TO-DATE RESULTS

Revenues for the three month period ended September 30, 2007 were $149,796 compared to $98,930 in the prior year period primarily reflecting our expanded portfolio and the acquisitions made by our existing operating partnerships. For the nine month period ended September 30, 2007, revenues were $399,755, compared to $254,619 in the prior year period.

Net loss for the three month period from continuing operations was ($116) compared to income of $6,424 for the same period in 2006. Net loss for the nine months ended September 30, 2007 was ($42,934) compared to income of $17,337 for the same period in 2006. The enactment in June 2007 of Bill C-52 resulted in a GAAP requirement to record a future income tax expense of $39,958 in the second quarter which accounted for the loss. NPF is now required to record future income tax related to temporary differences at the Fund level, which represents the differences between the accounting and tax basis of the Fund's net assets. This is a non-cash expense that has no current impact on the Fund's cash from operating activities.

Adjusted EBITDA increased to $22,114 from $18,580 in 2006. For the nine month period, adjusted EBITDA was $60,775 compared with $49,383 in the prior year period.

Distributable cash for the three month period ended September 30, 2007 was $13,929 resulting in $0.20 of distributable cash per unit, compared with $15,767 and $0.23 per unit in the prior year period. This amount was lower than we had anticipated, however it still produced an acceptable 15.1% cash yield on our invested capital of $566,666 for the period.

Distributable cash for the nine month period ended September 30, 2007 was $39,977, or $0.57 per unit. Losses from discontinued operations, RGC, reduced distributable cash per unit by ($0.07) and hampered our ability to begin closing the gap on our distributions. For the nine month period ended September 30, 2006, distributable cash was $41,627 or $0.63 per unit.

The five largest contributors to distributable cash in the portfolio (Quantum Murray, NPC, ESR, Morrison Williams and Gemma) all met or exceeded our expectations for the quarter. Historically, NPC has had seasonally weaker operations in the third quarter. We also only had two months of new contribution from Golosky.

Quantum Murray continued its trend of improvement led by its decommissioning, hazardous materials and remediation services. Volumes and prices for scrap metals were a slight drag on performance.

NPC's financial results were excellent given the challenging market conditions in the Alberta oil and gas industry and the seasonal weakness of the third quarter typically. The diversification of NPC's services and geographical distribution are a strong buffer against the current market turbulence.

ESR performed as expected. Insurance premium results were modestly below the prior year period reflecting heightened competition in standard markets and the entrance of new foreign insurers offering lower prices to gain Canadian market share. The contribution from contingent profit commission was in line with expectations and helped to offset this weakness.

Gemma produced its sixth consecutive quarter of growth. The company's new inbound and business-to-business calling programs allowed Gemma to achieve peak utilization and record quarterly results.

The Fund's distributable cash results were reduced by lower than expected performance from Titan, Peerless, Hargraft and the marketing segment, apart from Gemma.

The pronounced slowdown in Alberta's exploration and drilling sector was the cause of the significant deterioration in Titan's financial results, as the company distributes products and services to the oil and gas and transportation industries.

Peerless is the dominant supplier of military gear for the federal government and the size and timing of government contracts can be difficult to predict. Delays in the release of government contracts dampened its third quarter and year to date results.

Hargraft's results were hurt by the intense competition in the insurance market, particularly in its core transportation segment, and by an approximate $600 adjustment for CPC revenue calculations refined during the quarter.

The marketing segment experienced a weak quarter. The strong Canadian dollar was a drag on performance at Armstrong and IC Group – both of which derive a significant portion of their revenues in U.S. dollars. Capital C has succeeded in selling its new integrated service offering to large, blue-chip clients, thereby expanding the scope of work, revenue potential and resiliency of its accounts. However, the very nature of this business strategy demands more time spent on strategic and insight work prior to project implementation and billing. This results in longer lead times for new and larger assignments. As a result, financial results were temporarily reduced.

See Third Quarter Performance for a summary of Fund EBITDA and distributable cash performance by individual holding.

Other items that affected distributable cash results included interest costs that were up substantially over the prior year period as we expanded and diversified the Fund's capital structure to support our investment program and provide working capital to a larger portfolio of companies. During the period, cash interest costs were $7,563, compared with $2,555 in the prior year period. Interest costs are affected by the timing of investments and include both cash and non-cash amounts. During the quarter we issued $79,970 of convertible debentures bearing interest of 7%. In addition, the rates on the credit facility we entered into in December 2006 are higher which explains the variance with the third quarter last year.

Distributions for the period were $17,623 or $0.25 per unit. We funded the shortfall in distributable cash by drawing on our credit facility. We had positive working capital of $49,600 at September 30, 2007.

THIRD QUARTER PERFORMANCE SUMMARY - BY OPERATING PARTNERSHIP

OPERATING PARTNERSHIP	EBITDA ($000s)	DISTRIBUTABLE CASH ($000s)	LTM YIELD (%)	COMMENTARY
Financial Services				
EZEE	1,749	1,522	10.5	EZEE's revenues and EBITDA were slightly below our expectations though significantly higher than the prior year period because of operational improvements and acquisitions it made during the year. Provincial smoking bans have reduced transactions from ATM locations in entertainment venues. Integration costs on EZEE's acquisition of the TRM portfolio also dampened bottom line results in 2007. With these acquisitions, EZEE has gained greater scale and efficiency, thus strengthening its competitive position in the low growth ATM industry and improving overall profitability. EZEE anticipates the fourth quarter will largely pattern the second and third quarters.
Brompton	1,319	899	14.1	Access to the public markets for structured products continues to be difficult and Brompton's assets under management fell slightly in the quarter by 4.2%. Management continues to control expenses. Earnings are comparable to those of the same quarter last year but are behind expectations by over 20%. Brompton has developed a new flow-through product for the market and although the expected size of the first transaction is relatively small, management believes that this product will be an important contributor to AUM in future years.
ESR	1,487	2,176	18.7	Financial results from ESR were in line with our expectations as the company continued to perform strongly despite a difficult market environment. As anticipated, revenues from insurance premiums written were modestly below the prior year period. This decline, as we have previously reported, reflects heightened competition in standard markets and the entrance of new foreign insurers offering lower prices to gain Canadian market share. Contingent profit commission revenues earned for the third quarter and year-to-date are in line with expectations. ESR management continues to expect a moderate reduction in its financial results for the full year. Given the soft market conditions, this would be a favourable result.
Morrison Williams	2,114	2,114	20.0	The positive performance of the Canadian equity markets helped Morrison Williams deliver results that exceeded our expectations. Revenues, gross margin and EBITDA were all higher than anticipated. The negative performance of the S&P/TSX Income Trust Index, along with continued redemptions from a high yield mutual fund mandate hindered further gains. However, this attrition occurred at lower margins, therefore mitigating the impact on the overall results. Our outlook for Morrison Williams remains positive.
NP LP	1,038	1,029	23.1	NP LP's revenues and EBITDA were slightly below our expectations. Fees from managed assets were lower due to flat growth in assets under management. Corporate advisory and insurance fees were in line with our expectations, though significantly lower than the prior year period as it included an unusually large corporate advisory fee. Based on the current level of assets under management, we have revised our outlook downward slightly for the fourth quarter. NP LP has strengthened its sales and marketing capabilities with the hiring of two experienced client relationship managers and a renewed focus on sales and marketing activity that should produce positive results in 2008.
Hargraft	(379)	(355)	12.7	Challenging conditions at Hargraft resulted in lower than expected revenues and EBITDA for the period and year to date. The insurance industry remains in a soft market where premiums are declining as underwriters compete vigorously for market share. In particular, premium revenues from Hargraft's core transportation segment were reduced due to intense competition and industry consolidation. Hargraft's financial results also reflect an approximate $600 adjustment relating to the refinement of its estimates for CPC revenues. Hargraft is expanding its industrial and commercial insurance services, which are performing ahead of expectations and 2006. The recent hiring of several sales people should help to enhance financial performance.
BMI	424	495	15.3	BMI's insurance premium volumes during the quarter were up slightly over the prior year period. Overall, revenues and EBITDA were down slightly due to pricing competition. Given the current market conditions, these results are favourable. Client retention remains excellent. BMI management expects similar results for the fourth quarter given the persistence of the soft market conditions.
	7,752	**7,880**		
Marketing				
S&E	(38)	(62)	9.8	S&E experienced a loss for the third quarter, primarily due to previously reported account attrition. Management is restructuring the company with a strategy that includes the introduction of fee-based consulting services for targeted industry sectors with a propensity for sports and entertainment marketing. This strategy added revenues during the period from a new account with a major financial institution. S&E is implementing cost cutting measures to improve bottom line performance the last twelve months. The outlook is for slightly improved performance in the fourth quarter as S&E expects higher client spending on hockey and basketball programs.

OPERATING PARTNERSHIP	EBITDA ($000s)	DISTRIBUTABLE CASH ($000s)	LTM YIELD (%)	COMMENTARY
Gemma	1,309	1,852	19.4	Gemma delivered strong performance with its sixth consecutive quarter of EBITDA growth. These results reflect the contribution of the new inbound and business-to-business programs we mentioned in our second quarter report. Such engagements are important as they operate during daytime hours, when traditionally workstations have been less productive, and allowed Gemma to achieve peak utilization. Gemma's management was also pleased that it successfully managed the annual turnover of student workers returning to school in September. As reported in the second quarter, the company had taken steps to minimize the impact of this transition and results were indeed favourable. Looking ahead, October and November are historically periods of strong performance, while December is Gemma's most challenging month of the year as many programs are disrupted during the two-week holiday period. Seasonality aside, Gemma is well positioned for continued strong performance with new programs launching in the fourth quarter and a full pipeline of sales opportunities. Gemma's most significant challenge continues to be hiring new agents in a tight employment market to support its growth.
Capital C	1,054	908	15.6	Revenues and EBITDA were below expectations at Capital C. The company has succeeded in selling its new integrated service offering to large, blue-chip clients, thereby expanding the scope of work, revenue potential and resiliency of its accounts. However, the very nature of this business strategy requires greater investment in strategic and insight work prior to the project implementation and billing. This results in longer lead times for new assignments. As in the second quarter, the timing and amount of these investments with an expanded roster of clients resulted in third quarter fee-based revenues being lower than expected. As well, higher occupancy costs and capital expenditures for its move to larger premises dampened bottom line results. For the fourth quarter, Capital C management expects a modest improvement in billable activity and higher capacity utilization. However, this will not offset the weakness of the second and third quarters. Revenues from new accounts should materialize in 2008. An ongoing challenge for the company will be to manage its skill specific labour pool and productivity against fee revenue. From a competitive standpoint, Capital C is better-positioned and more resilient to margin compression as a result of its transition to an integrated marketing company. Subsequent to quarter end, Capital C received a "GOLD" Award for Best Retail Account Specific or Channel Marketing activity in the world from the Marketing Agencies Association Worldwide Globe Awards.
IC Group	572	564	24.9	After strong performance in the first half of the year, IC Group's growth slowed this period. This was due primarily to softness in its insurance division and foreign exchange losses, as roughly 80% of sales are in USD. Management reduced overhead expenses to improve profitability under these circumstances. IC Group management has revised its fourth quarter outlook downward. This is based on its expectation of flat profitability from its insurance division and higher development costs on a pilot project for a major global client, as reported in the second quarter. Once IC Group completes this project however, it plans to re-deploy this asset throughout its global client base at higher margins and with greater efficiency. Success in this area should help to offset the negative impact of the strong Canadian dollar on gross profit margins. For the full year, IC Group will likely deliver modest growth over 2006. A significant future challenge will be to hire qualified technology people to support its growth.
Armstrong	305	397	12.8	Armstrong's revenues and EBITDA were significantly below our expectations and the prior year period. This was due to three factors primarily: foreign exchange losses and lost revenues on its point of purchase promotional business for U.S. customers which are made uncompetitive by the strong Canadian dollar; reduced spending by a major client due to a corporate restructuring; and lost revenues from online gaming customers due to a changed regulatory environment in the United States. Management continued its cost cutting measures including an additional 5% workforce reduction. Armstrong management does not foresee an improvement in its operations soon and may even see deterioration in its fourth quarter results due to the strength of the Canadian dollar. Despite these challenges, Armstrong's core capabilities remain strong and it continues to earn very high levels of client satisfaction. Armstrong was recently recognized for its excellent work with the award of four GOLDS at the 2007 PROMO Awards.
	3,202	**3,659**		
Industrial Services				
NPC	4,803	3,220	15.4	NPC had a very strong quarter. Revenues and EBITDA were significantly higher than expected given the third quarter is seasonally weaker. This was an impressive achievement given the reduced activity in the Alberta oil and gas industry currently. These positive results reflect the contribution of Golosky during the period (completed July 31) and the strong performance of NPC's diversified services, particularly its base maintenance business. As in previous quarters, an industry-wide pullback in spending on new capital projects caused by weak gas prices hurt NPC's gas-levered construction operations. NPC management is maintaining its outlook for a modest reduction in its overall financial results for 2007. Its current view is that the industry cyclicality affecting its construction operations will not be reversed this fiscal year. The Alberta government's proposed new royalty framework adds to the uncertainty.

OPERATING PARTNERSHIP	EBITDA ($000s)	DISTRIBUTABLE CASH ($000s)	LTM YIELD (%)	COMMENTARY
Quantum Murray	4,893	4,527	21.5	The third quarter represented another period of strong bottom line results from Quantum Murray. Total revenues were slightly lower than expected due to diminished volumes and prices of scrap metal. Sales of Quantum Murray's decommissioning, hazardous materials and remediation services sales were up. In particular, Quantum Murray benefited from the clean-up of the pipeline rupture in Burnaby B.C. EBITDA was in line with our expectations due to enhanced gross profit margins. The fourth quarter should be busier than historical levels due to large projects underway in Ontario and Alberta, but lower than this seasonally stronger third quarter. The company's backlog remains strong and management is working on identifying new opportunities for its integrated services in 2008. Our outlook remains positive although some downward pressure on scrap metal prices is expected.
	9,696	**7,747**		
Other				
RLogistics	327	327	13.1	This investment continues to be in line with our expectations. Rlogistic added 2 new retail locations in the quarter bringing its total to 12 locations. Management is focused on building and maintaining the required systems and distribution channels to meet their growth objectives. The fourth quarter outlook is positive as the company's strongest selling season occurs during holiday shopping period.
Peerless	1,208	899	13.3	Peerless' revenues and EBITDA were down modestly over the previous two quarters and slightly below our expectations for the period. Peerless is the dominant supplier of military gear for the federal government. Recent contract opportunities are larger than those offered in the past few years. These require ministerial approval resulting in a longer process prior to release, which delays revenues for Peerless. Peerless has no control over the timing and it expects fourth quarter results will be lighter due to the delay of contracts expected for that period. Management's outlook remains that fiscal 2007 will be a weaker year in the cycle.
Titan	509	66	8.2	The slowdown in the exploration and drilling sector in Alberta continues to hamper Titan's operations, specifically sales of its products to the oil and gas and transportation industries. As a result, revenues and EBITDA declined significantly compared to expectations and to the prior year period. Titan management continued the implementation of its expense reduction plan. They have also postponed capital expenditures that had been planned for the fourth quarter. Titan management does not foresee an improvement until market conditions in the drilling sector rebound and the Alberta government's new royalty framework has increased the level of uncertainty about when this will occur.
Gusgo	648	811	19.2	Gusgo's financial performance improved significantly over the previous two quarters despite a challenging market environment. The resumption of the flow of goods through the Vancouver port system was positive, as activity increased to clear the bottleneck of shipments that had occurred during the port strike. Gusgo maintained its gross profit margins despite an increase in fuel costs and management's ability to maintain tight cost control also contributed to the improved performance. These factors more than offset the negative impact of the strong Canadian dollar which has diverted traffic through the United States and made that market unattractive for many Canadian transportation providers. Gusgo management is focused on expanding its opportunities in Canada to replace lost revenues from U.S. customers and has recently been successful in securing the business of a major steamship line, which should begin to contribute to results in the fourth quarter.
	2,692	**2,103**		

SUPPLEMENTARY INFORMATION

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

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

OPERATING PARTNERSHIP	SEPTEMBER 30, 2007[1]	DECEMBER 31, 2006[1] AS PREVIOUSLY REPORTED
Financial Services		
Ezee	$ 5,563	$ 2,538
Brompton	4,188	4,122
ESR	11,076	11,023
Morrison Williams	8,397	8,588
NP LP	4,789	7,160
Hargraft	2,109	2,557
BMI[2]	2,847	-
	$ 38,969	**$ 35,988**
Marketing		
S&E[2]	284	831
Capital C	4,597	5,303
Gemma	6,284	5,051
IC Group	2,399	1,772
Armstrong[2]	2,107	3,792
	$ 15,671	**$ 16,749**
Industrial Services		
NPC	25,427	13,686
Quantum Murray[2]	15,965	7,977
	$ 41,392	**$ 21,663**
Other		
RLogistics	1,311	1,327
Peerless	5,845	9,978
Titan	3,883	5,730
Gusgo[2]	1,989	2,493
	$ 13,028	**$ 19,528**
Total Operating Partnerships	**$ 109,060**	**$ 93,928**
Corporate	(5,868)	(4,513)
Total Continuing Operations	**$ 103,192**	**$ 89,415**

[1] Includes EBITDA normalized to remove owner earnings and other adjustments.
[2] Refer to priority income chart below. LTM figures do not reflect NPF's priority income.

NPF'S PRIORITY INCOME BY OPERATING PARTNERSHIP

OPERATING PARTNERSHIP	PER ANNUM	EXPIRY
BMI	$ 3,400	Q2 2009
S&E	1,000	Q2 2008
Armstrong	4,000	Q4 2010
Quantum Murray	14,600	Q1 2009
Gusgo	2,400	Q4 2010

The priority income arrangements with ESR, Morrison Williams, Brompton, NP LP and NPC expired on September 30, 2007. The Fund has not relied on these amounts over the past two years and it is not anticipated to have any material impact on reported distributable cash going forward.

SEGMENT OPERATING RESULTS

FINANCIAL SERVICES

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

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

SUMMARY FINANCIAL TABLE ($000s)

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2007	2006	2007	2006
Revenues	$ 20,559	$ 18,279	$ 63,465	$ 50,428
Cost of revenues	(11,012)	(7,905)	(33,392)	(22,415)
Gross profit	9,547	10,374	30,073	28,013
Selling, general and administrative expenses	(3,653)	(2,165)	(9,646)	(6,034)
Depreciation and amortization expense	(4,022)	(3,696)	(11,484)	(10,674)
Income from equity investments	1,145	581	2,183	2,006
Other income	229	383	782	730
Interest (expense) income	(59)	50	153	152
Income tax (expense) recovery - current	11	(10)	-	(85)
Income tax expense - future	-	-	(20,737)	-
Income (loss) for the period	3,198	5,517	(8,676)	14,108
Income (loss) for the period	3,198	5,517	(8,676)	14,108
Add:				
Depreciation and amortization	4,022	3,696	11,484	10,674
Amortization of Brompton intangible assets	484	484	1,452	1,551
Interest expense (income)	59	(50)	(153)	(152)
Income tax expense (recovery) - current	(11)	10	-	85
Income tax expense - future	-	-	20,737	-
EBITDA	$ 7,752	$ 9,657	$ 24,844	$ 26,266

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

	September 30, 2007	June 30, 2007	September 30, 2006
NP LP	$ 1,116	$ 1,191	$ 1,172
Morrison Williams	4,487	4,654	4,616
Brompton	2,921	3,050	2,503
Total	$ 8,524	$ 8,895	$ 8,291

(I) REVENUES

Revenues from the Financial Services segment were $20,559, compared with $18,279 for the same period in 2006. This increase is due primarily to higher revenues from ESR, EZEE, NP LP and the contribution from BMI, acquired on April 17, 2007. For the nine month period ended September 30, 2007, revenues from the segment were $63,465 compared with $50,428 in the prior year period.

At ESR, revenues from insurance premiums written were modestly below the prior year period. This decline, as we have previously reported, reflects heightened competition in standard markets and the entrance of new foreign insurers offering lower prices to gain

Canadian market share. Contingent profit commission revenues earned for the third quarter and year-to-date were in line with expectations.

These challenging market conditions also hampered Hargraft's revenues, which were lower than expected for the period and year to date. In particular, premium revenues from Hargraft's core transportation segment were reduced due to competition and industry consolidation. Hargraft's financial results also reflect an approximate $600 adjustment for refinement to CPC revenue estimates.

BMI's insurance premium volumes during the quarter were up slightly over the prior year period. Overall, revenues were down slightly due to pricing competition. Given the current market conditions, these results are favourable. Client retention remains excellent.

NP LP's revenues were slightly below our expectations. Fees from managed assets were lower due to flat growth in assets under management. Corporate advisory and insurance were in line with our expectations, though significantly lower than the prior year period as last year included an unusually large corporate advisory fee.

The positive performance of the Canadian equity markets helped Morrison Williams deliver performance that slightly exceeded our expectations for the third quarter. This offset the continued but slowing redemptions in mutual funds they manage and the underperformance of the S&P/TSX Income Trust Index in which they are heavily weighted.

EZEE's revenues were slightly below our expectations though significantly higher than the prior year period. Provincial smoking bans have reduced transactions from ATM locations in entertainment venues while operational improvements and acquisitions made by EZEE in 2007 contributed positively.

(II) GROSS PROFIT

Gross profit was $9,547, which translated into a 46.4% gross profit margin. For the three months ended September 30, 2006, the financial services segment produced gross profit of $10,374, which translated into a 56.8% gross profit margin. The variance in gross margin reflects a large fee for NP LP in 2006 and addition to the portfolio in 2007. Gross profit for the nine month period ended September 30, 2007 was $30,073 compared with $28,013 in the prior year period.

(III) SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses were $3,653 for the three months ended September 30, 2007 – compared with $2,165 for the three months ended September 30, 2006. This increase partially reflects the addition of BMI. One-time integration costs on EZEE's acquisition of the TRM portfolio were also a factor. Selling, general and administrative expenses as a percentage of revenues were 17.8%, compared to 11.8% in 2006. Selling, general and administrative expenses for the nine month period ended September 30, 2007 were $9,646 compared with $6,034 in the prior year period.

(IV) DEPRECIATION AND AMORTIZATION

Depreciation and amortization was $4,022 for the three months ended September 30, 2007, against $3,696 for the three months ended September 30, 2006. This was commensurate with the levels of business for the period. Depreciation and amortization for the nine month period ended September 30, 2007 was $11,484 compared with $10,674 in the prior year period.

(V) EBITDA

EBITDA was $7,752 for the three months ended September 30, 2007. For the three months ended September 30, 2006, EBITDA was $9,657 and included a $2,300 corporate advisory fee earned at NP LP. EBITDA for the nine month period ended September 30, 2007 was $24,844 compared with $26,266 in the prior year period.

Income from our equity investment in Brompton was $1,319, and reflects the acquisition of the BARCLAYS*funds* in late 2006. Compared to the first quarter of this year, assets under management were up slightly due to positive market performance and EBITDA results were better than Brompton management's expectations at the end of the first quarter. The market environment for new issues of structured products remains challenging, however, and this is impacting Brompton's growth.

(VI) INCOME TAX

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

(VII) INCOME

Income for the third quarter was $3,198 compared to $5,517 in 2006. Loss for the nine month period ended September 30, 2007 was ($8,676) compared with income of $14,108 in the prior year period.

(VIII) SEASONALITY

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

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

(IX) OUTLOOK

With the acquisitions it has made over the past two years, EZEE has gained greater scale and efficiency, thus strengthening its competitive position in the low growth ATM industry and improving overall profitability. EZEE anticipates the fourth quarter will largely pattern the second and third quarters.

Based on its current level of assets under management, NP LP has revised its outlook downward slightly for the fourth quarter. NP LP has strengthened its sales and marketing capabilities with the hiring of two experienced client relationship managers and a renewed focus on sales and marketing activity that should produce results in 2008.

Based on its current outlook, Morrison Williams sees no change to its current performance pattern assuming no major correction in the capital markets. Its investment performance has been positive and this should mitigate the impact of mutual fund redemptions.

Access to the public markets for structured products continues to be difficult and Brompton's AUM fell slightly in the quarter by 4.2%. Management continues to control expenses and earnings are comparable to those of the same quarter last year but are behind expectation by over 20%. Brompton has developed a new flow-through product for the market and although the expected size of the first transaction is relatively small, management believes that this product will be an important contributor to AUM in future years.

Conditions in the commercial insurance market remain challenging as increased competition continues to put downward pressure on premium pricing in all three of the insurance businesses in the Fund. Their respective management teams see no indication of an external event that is likely to restore pricing discipline soon. ESR management's outlook remains unchanged that it will see a slight decline in revenues and EBITDA for 2007. Similarly, Hargraft management believes heightened competition will continue to put pressure on premium pricing, particularly in its core transportation segment. The company is expanding its industrial and commercial insurance services, which are performing ahead of expectations and 2006. The recent hiring of several key sales people should help to enhance financial performance. The outlook for BMI is that the fourth quarter will generally pattern performance during this third quarter. The company's performance is steady despite the market conditions and the business is not seasonal.

MARKETING

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

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

SUMMARY MARKETING SERVICES TABLE ($000s)

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2007	2006	2007	2006
Revenues	$ 20,803	$ 18,603	$ 64,453	$ 47,181
Cost of revenues	(9,978)	(9,529)	(30,053)	(25,595)
Gross profit	10,825	9,074	34,400	21,586
Selling, general and administrative expenses	(7,623)	(5,514)	(23,710)	(12,673)
Depreciation and amortization expense	(1,990)	(1,777)	(6,178)	(5,145)
Interest expense	(75)	(125)	(214)	(169)
Income tax (expense) recovery - current	-	(1)	-	24
Income tax expense - future	-	-	(9,222)	-
Income (loss) for the period	1,137	1,657	(4,924)	3,623
Income (loss) for the period	1,137	1,657	(4,924)	3,623
Add:				
Depreciation and amortization expense	1,990	1,777	6,178	5,145
Interest expense	75	125	214	169
Income tax expense (recovery) - current	-	1	-	(24)
Income tax expense - future	-	-	9,222	-
EBITDA	$ 3,202	$ 3,560	$ 10,690	$ 8,913

(I) REVENUES

Revenues for the Marketing segment were $20,803 – an 11.8% increase over 2006 revenues of $18,603. These results primarily reflect the contribution of IC Group and Armstrong along with strong organic growth from Gemma. Revenues for the nine month period ended September 30, 2007 were $64,453 compared with $47,181 in the prior year period.

Gemma continued to deliver strong performance with its sixth consecutive quarter of revenue growth. These results reflect the contribution of the new inbound and business-to-business programs we mentioned in our second quarter report. Such engagements are important as they operate during daytime hours, when traditionally workstations have been less productive, and allowed Gemma to achieve peak utilization. Gemma's management was also pleased it maintained revenues as it successfully managed the annual turnover of student workers returning to school in September. As reported in the second quarter, the company had taken steps to minimize the impact of this transition and results were indeed favourable.

Revenues were below expectations at Capital C. The company has succeeded in selling its new integrated service offering to large, blue-chip clients, thereby expanding the scope of work, revenue potential and resiliency of its accounts. However, the very nature of this business strategy requires greater investment in strategic and insight work prior to the project implementation and billing. This results in longer lead times for new assignments. As in the second quarter, the timing and amount of these investments with an expanded roster of clients resulted in third quarter fee-based revenues being lower than expected.

S&E experienced a decline in revenues compared to the prior year period, primarily due to previously reported account attrition. Management is restructuring the company with a strategy that includes the introduction of fee-based consulting services for targeted industry sectors with a propensity for sports and entertainment marketing. This strategy added revenues during the period from a new account with a major financial institution.

After strong performance in the first half of the year, IC Group's growth slowed this period as revenues from its insurance division were lower than expected and upfront investments in projects that should yield revenues in subsequent quarters.

Armstrong's revenues were significantly below our expectations and the prior year period. This was due to three factors primarily: foreign exchange losses and lost revenues on its point of purchase promotional business for U.S. customers due to the strong Canadian dollar; reduced spending by a major client due to a corporate restructuring; and lost revenues from online gaming customers due to a changed regulatory environment in the United States.

(II) GROSS PROFIT

Gross profit for the Marketing segment was $10,825 and gross profit margin was 52.0%. For the comparative three months ended September 30, 2006, gross profit was $9,074 and gross profit margin was 48.8%. Gross profit margins at Gemma were materially above management's expectations due to record levels of facilities utilization and aggressive run rates. Gemma continues to benefit from the profit improvement initiatives engineered in 2006. Gross profit and gross profit margins at Armstrong declined due to lower revenues and the strong Canadian dollar that hurt margins on U.S. dollar denominated business. Gross profit and gross profit margins at IC Group were weaker due to lower insurance revenues and foreign exchange losses as the majority of its sales are in U.S. dollars. Gross profit for the nine month period ended September 30, 2007 was $34,400 compared with $21,586 in the prior year period.

(III) SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the three months ended September 30, 2007 were $7,623 compared to the same period at September 30, 2006 of $5,514. These expenses as a percentage of revenues were 36.6%, compared to 29.6% in 2006. Capital C's expenses were higher than the prior year period due to the higher employment costs associated with the company's integration strategy and higher occupancy costs of new premises. Selling, general and administrative expenses for the nine month period ended September 30, 2007 were $23,710 compared with $12,673 in the prior year period.

(IV) DEPRECIATION AND AMORTIZATION

Depreciation and amortization was $1,990 for the three months ended September 30, 2007, compared with $1,777 in the prior year period. Capital C had higher depreciation and amortization expenses over the prior year period due to increased capital expenditures, in particular computer equipment and leasehold improvements related to its move to new premises and amortization of intangibles related to its acquisition of the business of Adeo in December of 2006. Depreciation and amortization for the nine month period ended September 30, 2007 was $6,178 compared with $5,145 in the prior year period.

(V) EBITDA

EBITDA from the Marketing segment was $3,202 compared with $3,560 of EBITDA produced in the prior year period. EBITDA for the nine month period ended September 30, 2007 was $10,690 compared with $8,913 in the prior year period.

(VI) INCOME TAX

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

(VII) INCOME

Income for the third quarter was $1,137 compared to $1,657 in 2006. The loss for the nine month period ended September 30, 2007 was ($4,924) compared with income of $3,623 in the prior year period.

(VIII) SEASONALITY

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

(IX) OUTLOOK

October and November are historically periods of strong performance for Gemma, while December is its most challenging month as many programs are disrupted during the two-week holiday period. Seasonality aside, Gemma is well-positioned for continued strong performance with new programs launching in the fourth quarter and a full pipeline of sales opportunities. Gemma's most significant challenge continues to be hiring new agents in a tight employment market to support its growth.

For the fourth quarter, Capital C management expects a modest improvement in billable activity and higher capacity utilization. However, this will not offset the weakness of the second and third quarters. Revenues from new accounts should materialize in 2008. An ongoing challenge for the company will be to manage its skill specific labour pool and utilization against fee revenue. From a competitive standpoint, Capital C is better-positioned and more resilient to margin compression as a result of its transition to an integrated marketing company. Subsequent to quarter end, Capital C received a "GOLD" Award for Best Retail Account Specific or Channel Marketing activity in the world from the Marketing Agencies Association Worldwide Globe Awards.

S&E's strategy of providing consulting services to targeted industry sectors that have a propensity for sports and entertainment marketing is beginning to show results. However, given the long sales cycle of its business, our outlook remains that the company will under perform in the short term. The outlook is for slightly improved performance in the fourth quarter as S&E expects higher client spending on hockey and basketball programs.

IC Group management has revised its fourth quarter outlook downward based on its expectation of flat profitability from its insurance division and higher development costs on a pilot project for a major global client, as reported in the second quarter. Once IC Group

completes this project however, it plans to re-deploy this asset throughout its global client base at higher margins and with greater efficiency. Success in this area should help to offset the negative impact of the strong Canadian dollar on gross profit margins. For the full year, IC Group will likely deliver modest growth over 2006. A significant future challenge will be to hire qualified technology people to support its growth.

Armstrong management does not foresee an improvement in its operations soon and may even see deterioration in its fourth quarter results due to the strength of the Canadian dollar. It is working hard to diversify and expand its client base but with the long sales cycle of its business, this will take time. Despite these challenges, Armstrong's core capabilities remain strong and it continues to earn very high levels of client satisfaction along with recognition for its excellent work. The company recently won four GOLDS at the 2007 Canadian Promotional Marketing Awards.

INDUSTRIAL SERVICES

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

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

SUMMARY INDUSTRIAL SERVICES TABLE ($000s)

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2007	2006	2007	2006
Revenues	$ 86,313	$ 46,770	$ 202,239	$ 140,108
Cost of revenues	(67,572)	(36,655)	(157,777)	(111,220)
Gross profit	18,741	10,115	44,462	28,888
Selling, general and administrative expenses	(9,045)	(5,600)	(23,068)	(13,805)
Depreciation and amortization	(4,507)	(2,128)	(11,028)	(6,310)
Interest expense	(1,518)	(386)	(2,422)	(1,203)
Income tax (expense) recovery - current	17	(66)	340	-
Income tax expense - future	-	-	(2,061)	-
Income for the period	3,688	1,935	6,223	7,570
Income for the period	3,688	1,935	6,223	7,570
Add:				
Depreciation and amortization	4,507	2,128	11,028	6,310
Interest expense	1,518	386	2,422	1,203
Income tax expense (recovery) - current	(17)	66	(340)	-
Income tax recovery - current	-	-	2,061	-
EBITDA	$ 9,696	$ 4,515	$ 21,394	$ 15,083

	THREE MONTHS ENDED SEPTEMBER 30				NINE MONTHS ENDED SEPTEMBER 30			
	2007		2006		2007		2006	
	NPC	Quantum Murray	NPC	Murray	NPC	Quantum Murray	NPC	Murray
Revenues	$ 52,064	$ 34,249	$ 30,873	$ 15,897	$ 123,334	$ 78,905	$ 107,021	$ 33,087
Cost of revenues	(43,554)	(24,018)	(25,567)	(11,088)	(102,696)	(55,081)	(88,179)	(23,041)
Gross profit	8,510	10,231	5,306	4,809	20,638	23,824	18,842	10,046
Selling, general and administrative expenses	(3,707)	(5,338)	(2,749)	(2,851)	(9,800)	(13,268)	(7,881)	(5,924)
Depreciation and amortization	(2,173)	(2,334)	(1,065)	(1,063)	(5,185)	(5,843)	(3,789)	(2,521)
Other income	-	-	-	-	-	-	-	-
Interest (expense) income	(1,498)	(20)	(387)	1	(2,436)	14	(1,182)	(21)
Income tax (expense) recovery - current	17	-	(66)	-	340	-	-	-
Income tax (expense) recovery - future	-	-	-	-	(2,313)	252	-	-
Income for the period	1,149	2,539	1,039	896	1,244	4,979	5,990	1,580
Income for the period	1,149	2,539	1,039	896	1,244	4,979	5,990	1,580
Add:								
Depreciation and amortization	2,173	2,334	1,065	1,063	5,185	5,843	3,789	2,521
Interest expense (income)	1,498	20	387	(1)	2,436	(14)	1,182	21
Income tax expense (recovery) - current	(17)	-	66	-	(340)	-	-	-
Income tax expense (recovery) - future	-	-	-	-	2,313	(252)	-	-
EBITDA	$ 4,803	$ 4,893	$ 2,557	$ 1,958	$ 10,838	$ 10,556	$ 10,961	$ 4,122

(I) REVENUES

Revenues from the Industrial Services segment were $86,313 compared with $46,770 in the prior year period. Revenues for the nine month period ended September 30, 2007 were $202,239 compared with $140,108 in the prior year period.

NPC had a very strong quarter in which revenues were significantly higher than management expected given the third quarter is seasonally weaker. This was an impressive achievement given reduced activity in the Alberta oil and gas industry currently. These positive results reflect the contribution of Golosky during the period (completed July 31) and the strong performance of NPC's diversified services, particularly its base maintenance business. As in previous quarters, an industry-wide pullback in spending on new capital projects caused by weak gas prices hurt NPC's gas-levered construction operations.

Quantum Murray's revenues were slightly lower than expected due to diminished volumes and prices of scrap metal. Sales of its decommissioning, hazardous materials and remediation services sales were up. Revenues were also higher as a result of the clean-up of the pipeline rupture in Burnaby B.C.

(II) GROSS PROFIT

Gross profit was $18,741 for the three months ended September 30, 2007 compared with $10,115 of gross profit for the prior year period. Gross profit margins were 21.7% compared to 21.6% in 2006 and reflect the addition of Quantum Murray which has slightly higher gross profit margins. NPC was successful in maintaining gross profit margins despite the challenging market environment. Gross profit for the nine month period ended September 30, 2007 was $44,462 compared with $28,888 in the prior year period.

(III) SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses were $9,045 for the three months ended September 30, 2007, compared to $5,600 for the prior period in 2006. These expenses as a percentage of revenues were 10.5%, compared to 12.0% in 2006. The higher selling, general and administration expenses reflect the addition of Quantum Murray and the acquisitions made by NPC. Selling, general and administrative expenses for the nine month period ended September 30, 2007 were $23,068 compared with $13,805 in the prior year period.

(IV) DEPRECIATION AND AMORTIZATION

Depreciation and amortization was $4,507 for the three months ended September 30, 2007 compared with $2,128 for the prior period in 2006. The increase primarily reflects the addition of Quantum Murray to the portfolio. Depreciation and amortization for the nine month period ended September 30, 2007 was $11,028 compared with $6,310 in the prior year period.

(V) EBITDA

The Industrial Services segment produced $9,696 of EBITDA – compared with $4,515 of EBITDA earned in the prior year period. EBITDA for the nine month period ended September 30, 2007 was $21,394 compared with $15,083 in the prior year period.

(VI) INCOME TAX

As discussed elsewhere, the enactment in June 2007 of Bill C-52 resulted in a requirement to record a future tax expense in June 2007 related to temporary differences, which will reverse after 2010, between the accounting and tax basis of the Fund's net assets. The tax expense relating to the assets of the Industrial Services segment was $2,061.

(VII) INCOME

Income for the third quarter was $3,688 compared to $1,935 in the period 2006. Income for the nine month period ended September 30, 2007 was $6,223 compared with $7,570 in the prior year period.

(VIII) SEASONALITY

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

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

(IX) OUTLOOK

NPC has a diversified operational base that provides recurring revenues from ongoing base maintenance work performed at lower margins combined with annual facility turnarounds and higher-margin construction facility projects. With its investment in Golosky completed on July 31, it has also gained access to the oil sands development in northern Alberta. This diversification has helped the company weather reduced drilling activity and the turbulent market conditions challenging its gas levered construction operations. NPC's outlook remains that organic growth in 2007 will be slightly negative and the industry cyclicality affecting its construction operations will not improve this fiscal year. The Government of Alberta's new royalty framework to increase royalty revenues from its energy sector was announced on October 25. This adds uncertainty to NPC management's ability to predict an improvement in market conditions. Over the coming weeks, it is expected that Canadian oil and gas producers will complete their analysis of the new

royalty framework's expected impact on their operations and announce their investment decisions. This should help to provide greater visibility on the outlook for energy-related products and services.

At Quantum Murray, the fourth quarter should be busier than historical levels due to large projects underway in Ontario and Alberta, but lower than this seasonally stronger third quarter. The company's backlog remains strong and management is working on identifying new opportunities for its integrated services in 2008. The outlook for Quantum Murray remains positive although some downward pressure on scrap metal prices is expected.

OTHER

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

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

SUMMARY OTHER TABLE ($000s)

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2007	2006	2007	2006
Revenues	$ 22,121	$ 15,278	$ 69,598	$ 16,902
Cost of revenues	(16,455)	(12,156)	(51,450)	(13,435)
Gross profit	5,666	3,122	18,148	3,467
Selling, general and administrative expenses	(3,301)	(1,388)	(10,378)	(1,438)
Depreciation and amortization expense	(1,897)	(1,025)	(5,681)	(1,025)
Income from equity investments	327	311	805	464
Interest expense	(639)	(342)	(1,844)	(342)
Income tax expense - future	-	-	(7,908)	-
Income (loss) for the period	156	678	(6,858)	1,126
Income (loss) for the period	156	678	(6,858)	1,126
Add:				
Depreciation and amortization expense	1,897	1,025	5,681	1,025
Interest expense	639	342	1,844	342
Income tax expense - future	-	-	7,908	-
EBITDA	$ 2,692	$ 2,045	$ 8,575	$ 2,493

(I) REVENUES

Revenues from this segment were $22,121 for the three months ended September 30, 2007 compared with $15,278 in the prior year period. Revenues for the nine month period ended September 30, 2007 were $69,598 compared with $16,902 in the prior year period.

Peerless' revenues were lower than management's expectations and slightly lower than the prior year period due to the delay of anticipated government contracts. The company is the dominant supplier of military gear for the federal government. Recent contract opportunities are larger than those offered in past years. These require ministerial approval resulting in a longer process prior to release which delays revenues for Peerless. Peerless has no control over the timing and it expects fourth quarter results will be lighter due to the delay of contracts expected for that period.

The slowdown in the exploration and drilling sector in Alberta continues to hamper Titan's operations, specifically sales of its products to the oil and gas and transportation industries. As a result, revenues were down significantly compared to expectations and the prior year period.

Gusgo's revenues improved significantly over the previous two quarters despite a continued challenging market environment. The resumption of the flow of goods through the Vancouver port system was positive, as activity increased to clear the bottleneck of shipments that had occurred during the port strike. This more than offset the negative impact of the appreciation of the Canadian dollar that has diverted traffic through the U.S. and made that market unattractive for Canadian transportation providers currently.

(II) GROSS PROFIT

Gross profit was $5,666 for the three months ended September 30, 2007 and gross profit margins were 25.6%. Gross profit for the nine month period ended September 30, 2007 was $18,148 compared with $3,467 in the prior year period. Gross profit margins at Titan were 2% lower than expectations reflecting the soft market conditions.

(III) SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses were $3,301 for the three months ended September 30, 2007. Titan management continued the implementation of its expense reduction plan during the period. Selling, general and administrative expenses for the nine month period ended September 30, 2007 were $10,378 compared with $1,438 in the prior year period.

(IV) DEPRECIATION AND AMORTIZATION

Depreciation and amortization was $1,897 for the three months ended September 30, 2007. Depreciation and amortization for the nine month period ended September 30, 2007 was $5,681.

(V) EBITDA

EBITDA for this segment was $2,692 as revenue performance affected the bottom line compared with $2,045 in the prior year period. Income from NPF's equity interest in RLogistics was $327 for the period compared to $311 in the prior period. This investment continued to meet our expectations for the quarter. Slightly lower than expected revenues were offset by disciplined cost management. EBITDA for the nine month period ended September 30, 2007 was $8,575 compared with $2,493 in the prior year period. RLogisitics' contribution for the nine month period ended September 30, 2007 was $805 compared with $464 in the prior period.

(VI) INCOME TAX

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

(VII) INCOME

Income for the third quarter was $156 compared to of $678 in the prior period. Loss for the nine month period ended September 30, 2007 was ($6,858) compared with income of $1,126 in the prior year period.

(VIII) SEASONALITY

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

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

Seasonality is not typically a material factor for Gusgo.

(IX) OUTLOOK

RLogisitics fourth quarter outlook is positive as the company's strongest selling season occurs during the holiday shopping period.

Peerless's fourth quarter results will be hurt by the delay of a government project that had been expected for that period. Management's outlook remains that fiscal 2007 will be a weaker year in the cycle. Several very large projects are pending Ministerial approval, but the timing of this approval is not known at this time.

Titan management does not foresee a material improvement in its financial results until the drilling sector rebounds. It has postponed capital expenditures it had planned for the fourth quarter and will continue to scrutinize expenses. The Government of Alberta's new royalty framework to increase royalty revenues from its energy sector was announced on October 25. This adds uncertainty to Titan management's ability to predict an improvement in market conditions. Over the coming weeks, it is expected that Canadian oil and gas producers will complete their analysis of the new royalty framework's expected impact on their operations and announce their investment decisions. This should help to provide greater visibility on the outlook for energy-related products and services.

Gusgo management is focused on expanding its opportunities in Canada to replace lost revenues from U.S. customers and has recently been successful in securing the business of a major steamship line which should begin to contribute to results in the fourth quarter. Overall, Gusgo's management continues to expect lower revenues and profitability in fiscal 2007 with a gradual return of this business over the next twelve months and sustainable growth opportunities in the medium term as worldwide container trade continues to grow.

CORPORATE

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

SUMMARY CORPORATE TABLE ($000s)

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2007	2006	2007	2006
Selling, general and administrative expenses	$ (1,228)	$ (1,197)	$ (4,728)	$ (3,372)
Amortization of deferred financing charges	-	(414)	-	(1,032)
Interest expense	(6,259)	(1,752)	(17,069)	(4,686)
Income tax expense - future	-	-	(30)	-
Loss on dilution of ownership interest	(808)	-	(6,872)	-
Loss for the period	(8,295)	(3,363)	(28,699)	(9,090)
Loss for the period	(8,295)	(3,363)	(28,699)	(9,090)
Add:				
Amortization of deferred financing charges	-	414	-	1,032
Interest expense	6,259	1,752	17,069	4,686
Income tax expense - future	-	-	30	-
EBITDA	$ (2,036)	$ (1,197)	$ (11,600)	$ (3,372)
Loss on dilution of ownership interest	808	-	6,872	-
Adjusted EBITDA	$ (1,228)	$ (1,197)	$ (4,728)	$ (3,372)

(I) SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses were $1,228 for the three months ended September 30, 2007. This compares to $1,197 for 2006. Expenses for 2007 were in line with expectations and the increase over 2006 reflects the growth of the business and increase in resources in the financial and legal departments as well as additional regulatory compliance costs.

(II) INTEREST EXPENSE

Interest expense of $6,259 relates to the credit facility and the convertible debentures that are an important part of the Fund's capital structure. The credit facility consists of three components: a $75,000 revolving credit facility with a five year maturity; a $170,000 five-year term loan; and a $75,000 DDTL that the Fund may access during the next two years. The interest rate on the revolving credit facility is BA plus 2.50% and the term loan and DDTL are priced off LIBOR, and depending on leverage levels, the additional margin is between 3.50% and 4.95%. The interest rate on the convertible debentures are 7.5% and 7%.

(III) INCOME TAX

As discussed elsewhere, the enactment in June 2007 of Bill C-52 resulted in a requirement to record a future tax expense in June 2007 related to temporary differences, which will reverse after 2010, between the accounting and tax basis of the Fund's net assets. The tax expense relating to the assets of the Corporate segment was $30. No tax expense has been reported in the third quarter.

(IV) LOSS

The loss for the period was ($8,295) compared to ($3,363) in 2006. Included in the loss for the period are dilution losses relating to the impact of our NCIB repurchases during the period. For the nine month period ended September 30, 2007, the loss was ($28,699) compared to ($9,090) in 2006. The nine month period ended September 30, 2007 includes dilution losses relating to our NCIB as well as the reorganization of Quantum Murray in the first quarter. In the reorganization transaction, NPF reduced its ownership interest in the operating partnership but received an increased priority amount. NPF wishes to incent all operating partnerships to bring forward acquisition opportunities that will be accretive to unitholders and strategically enhance the business. In exchange for this, NPF may reduce its ownership interest in favour of the management of the operating partnership. In this way management shares in the growth of the overall business over time without an immediate cash outflow that would result if NPF paid a bonus, referral fee or other form of compensation. NPF believes that this form of non-cash compensation enhances unitholder value and continues to align management's interest with that of the Fund.

DISCONTINUED OPERATIONS

CONDENSED INCOME STATEMENT INFORMATION ($000s)

	THREE MONTHS ENDED 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)

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

BALANCE SHEET INFORMATION ($000s)

	AS AT SEPTEMBER 30, 2007	AS AT DECEMBER 31, 2006
Current assets of discontinued operations	$ 2,817	$ 68,969
Long-lived assets of discontinued operations	-	14,403
Current liabilities of discontinued operations	2,293	54,372
Net assets of discontinued operations	$ 524	$ 29,000

ADDITIONAL INFORMATION

TRANSACTIONS WITH RELATED PARTIES

OWNERSHIP

As of September 30, 2007, directors, officers and employees of the general partner and entities related to NPY hold an aggregate of 23,832,202 NPY and NPF units or 33% on a fully diluted basis.

TRANSACTIONS

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

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

Employee loans were made by NPY in the aggregate amount of $2,239 of which $2,190 remains outstanding at September 30, 2007. In accordance with the terms and conditions of the loans, the loans were used to purchase units of NPF and are full recourse loans secured by the Units and carry interest at prime.

OFF BALANCE SHEET ITEMS

NPY has $5,862 of letters of credit outstanding at September 30, 2007. The letters of credit are predominantly to secure cash management services provided by Royal Bank of Canada as well as bonding facilities provided by Aviva Insurance Company of Canada.

SUBSEQUENT EVENTS

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

SEGMENT	DATE	INVESTMENT	CAPITAL INVESTED
Industrial Services	15-Oct-07	**NPC** acquired a 77.55% interest in Accel Testing Inc., a production testing company servicing primarily South Central Alberta and recently, Northeastern BC.	1,939
	31-Oct-07	**Quantum Murray** acquired the assets of Echelon Emergency Response & Training Inc., a provider of emergency response and training services to clients in Ontario.	600
Total			$ 2,539

OUTLOOK

Year to date, the Fund's holdings have produced a 15.8% cash yield on our invested capital. On an absolute return basis, we are quite satisfied with these results.

Year to date, the Fund has produced $0.57 of distributable cash per unit from continuing operations, below where we thought we would be at this time. There are several contributing factors:

- Apart from Gemma, the companies in our marketing segment have had challenges this year and their financial results have been lower than expected, particularly in the third quarter.
- The impact of the slowdown in oilfield services activity and capital spending in Alberta's energy sector has had a more pronounced effect on Titan's operations than previously anticipated. The recent release of that province's new royalty framework has added to the uncertain market conditions.
- The delay of government contracts expected by Peerless has resulted in a softer year for that operating partnership.

As a result of these factors, we have revised our outlook for 2007 and our expectation is that distributable cash reported from continuing operations will be in the range of $0.77 to $0.79 per unit. The five largest contributors to distributable cash in the portfolio (Quantum Murray, NPC, ESR, Morrison Williams and Gemma) are expected to continue their pattern of solid performance.

Naturally, we are disappointed we haven't made progress on increasing our current distributable cash and closing the gap on distributions. With the changes we've made this year through strategic acquisitions, one new operating partnership and one divestiture, we believe the portfolio has the ability to allow us to close the gap.

Year to date, the Fund has made new investments amounting to $162.4 million. For the twelve month period ended September 30, 2007, the Fund's share of the LTM EBITDA produced by its holdings as of the date of this report was $109 million. We use this figure as a starting point for the development of budgets for 2008 -- a process currently underway with our operating partners. We then factor in expected variances, up or down, based on the outlook from the management teams from each holding.

The rising needs for growth capital at NPC and its significant concentration in the portfolio have led us and our operating partners, to determine that NPC should develop a plan to access the public markets directly in 2008. This should result in a lower cost of capital for NPC to fund growth from larger consolidation opportunities. We plan to retain a significant holding in the new public company. In this way, unitholders could continue to share in NPC's growth while enjoying reduced concentration risk. We are in the early planning stages of this project and once further details are completed, we will communicate them.

RISK FACTORS – NPF

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

Please refer to the AIF dated March 29, 2007 and our short form prospectus dated July 3, 2007 for a discussion of Risk Factors.

DISCLOSURE CONTROLS & PROCEDURES

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

ADDITIONAL INFORMATION

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

DEFINITIONS

"Adeo" – means Adeo Communications Corporation;

"AIF" – means Annual Information Form;

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

"AUM" – means Assets Under Management;

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

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

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

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

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

"CEO" – means Chief Executive Officer;

"CFO" – means Chief Financial Officer;

"CICA" – means Canadian Institute of Chartered Accountants;

"DDTL" – means Delayed-draw Term Loan;

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

"EV/EBITDA" - means the enterprise value divided by EBITDA. Enterprise value is equal to market capitalization plus debt and convertible debentures, less cash and cash equivalents;

"Fortress" – means Fortress Credit Corp.;

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

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

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

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

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

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

"IPO" – means Initial Public Offering;

"LTM" – means Last Twelve Months;

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

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

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

"NCIB" – means Normal Course Issuer Bid;

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

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

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

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

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

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

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

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

"Quantum" – means Quantum Environmental Group Inc.;

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

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

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

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

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

"Since inception" – means the date February 27, 2004 when Newport Private Yield LP, a limited partnership formed under the laws of Ontario;

"Thomson" – means Thomson Metals and Disposal LP;

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

"TRM" – means TRM Corp.;

"TSX" – means Toronto Stock Exchange; and

"Units" – means trust units of the Fund.