

The interim consolidated financial statements which are included in this Report have not been subject to a review by the Fund's external auditors

**FIRST NATIONAL ALARMCAP INCOME FUND
QUARTERLY REPORT**

UNAUDITED CONSOLIDATED BALANCE SHEETS

(in thousands of dollars)

	June 30, 2007 \$	December 31, 2006 \$
ASSETS		
Current assets		
Cash	908	1,073
Accounts receivable	2,796	3,116
Inventories	618	607
Prepaid expenses	288	402
Other short-term assets	306	-
Total current assets	4,916	5,198
Property, plant and equipment	1,606	4,525
Subscriber accounts	66,991	67,812
Goodwill	23,000	23,000
Other long-term assets	100	430
Future income tax asset [Note 10]	2,756	-
	99,369	100,965
LIABILITIES AND UNITHOLDER'S EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	3,792	4,802
Distributions payable to unitholders	-	448
Revenues collected in advance	4,670	5,029
Other deferred revenues	-	40
Deferred gain on interest rate swaps	212	-
Other short-term debt [Note 6]	41,674	-
Current portion of Capital Lease	90	82
Total current liabilities	50,438	10,401
Deferred gain on interest rate swaps	-	352
Obligations under capital leases [Note 5]	361	380
Deferred subscription revenues	532	418
Other long-term liabilities	30	-
Long-term debt [Note 6]	4,702	48,942
Unitholders' equity		
Unitholders' contributions [Note 7]	59,139	59,139
Cumulative net income	(864)	(5,937)
Cumulative distributions	(14,969)	(12,730)
Total unitholders' equity	43,306	40,472
	99,369	100,965

The interim consolidated financial statements which are included in this report have not been subject to a review by the Fund's external auditors.

**FIRST NATIONAL ALARMCAP INCOME FUND
QUARTERLY REPORT**

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands of dollars, except per unit amounts)

	June 30, 2007 (3 months) (unaudited)	June 30, 2006 (3 months) (unaudited)	June 30, 2007 (6 months) (unaudited) \$	June 30, 2006 (6 months) (unaudited) \$
Revenues				
Monitoring and services	7,303	7,370	14,703	14,823
Installation	582	859	1,160	1,405
	7,885	8,229	15,863	16,228
Expenses				
Monitoring and customer service	1,739	1,842	3,427	3,658
Installation, sales and marketing	558	825	1,134	1,382
	2,297	2,667	4,561	5,040
Income before general and administrative expenses and other items	5,588	5,562	11,302	11,188
General and administrative expenses	1,355	1,544	2,765	3,021
	4,233	4,018	8,537	8,167
Amortization of subscriber accounts, depreciation of property plant and equipment	2,142	2,195	4,262	4,277
Interest on debt including amortization of other long-term assets and liabilities	986	894	1,936	1,735
Change in the fair value of interest rate swaps	(54)	-	24	-
Gain on disposal of property	(4)	-	(4)	-
	3,070	3,089	6,218	6,012
Income before income taxes	1,163	929	2,319	2,155
Future income taxes	(2,756)	-	(2,756)	-
Net income	3,919	929	5,075	2,155
Earning per unit				
Earning per unit	0.620	0.147	0.803	0.341
Weighted average number of units outstanding (in thousands)				
Weighted average number of units outstanding (in thousands)	6,324	6,324	6,324	6,324

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**FIRST NATIONAL ALARMCAP INCOME FUND
QUARTERLY REPORT**

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of dollars)

	June 30, 2007 (3 months) (unaudited) \$	June 30, 2006 (3 months) (unaudited) \$	June 30, 2007 (6 months) (unaudited) \$	June 30, 2006 (6 months) (unaudited) \$
OPERATING ACTIVITIES				
Net income for the period	3,919	929	5,075	2,155
Items not affecting cash flows				
Amortization of subscriber accounts and depreciation of property, plant and equipment	2,142	2,195	4,262	4,277
Gain on disposal of property	(4)	-	(4)	-
Change in the fair value of interest rate swaps	(54)	-	24	-
Amortization of other long-term assets, liabilities and deferred gain	116	139	212	261
Phantom Unit Plan	-	67	-	67
Future income taxes	(2,756)	-	(2,756)	-
Net change in non-cash working capital items	(428)	(41)	(829)	5
Cash flows relating from operating activities	2,935	3,289	5,984	6,765
INVESTING ACTIVITIES				
Additions to property, plant and equipment	(138)	(412)	(164)	(533)
Sales of property	2,879	-	2,879	-
Increase in subscriber accounts	(1,537)	(1,814)	(3,110)	(4,170)
Increase in other long-term assets	(85)	(396)	(109)	(396)
Cash flow relating to investing activities	1,119	(2,622)	(504)	(5,099)
FINANCING ACTIVITIES				
Repayment of the long-term debt	(2,813)	(3,500)	(2,820)	(3,500)
Repayment of demand note payable	-	(202)	-	(202)
Repayment of Capital Lease	(21)	-	(36)	-
Increase in long-term debt	-	5,000	-	5,000
Increase of Capital Lease	23	-	23	-
Distributions to unitholders	(1,344)	(2,056)	(2,812)	(3,980)
Cash flow relating to financing activities	(4,155)	(758)	(5,645)	(2,682)
Net increase (decrease) in cash for the period	(101)	(91)	(165)	(1,016)
Cash – beginning of the period	1,009	747	1,073	1,672
Cash – end of period	908	656	908	656
Supplementary information				
Interest paid for the period:	875	600	1,679	1,222

The interim consolidated financial statements which are included in this report have not been subject to a review by the Fund's external auditors.

First National AlarmCap Income Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2007

[Tabular figures are in thousands of dollars, except per unit amounts]

1. DESCRIPTION OF THE FUND

First National AlarmCap Income Fund (the "Fund") is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Alberta pursuant to a declaration of trust dated February 24, 2005, as amended and restated on March 4, 2005. The Fund began commercial activities on April 1, 2005.

The Fund was established to acquire substantially all the assets and shares of Microtec Enterprises Inc. ("Microtec") and all the assets of Securex Master Limited Partnership ("SMLP"), two entities that provide residential and commercial remote monitoring services in Canada.

2. GOING CONCERN UNCERTAINTY

Effective July 27, 2007, the Fund entered into Bank Credit Agreement Amendment #4. With this new amendment, the Fund was in compliance with its financial ratios for the second quarter of fiscal year 2007. The Bank Credit Agreement Amendment #4 provides that the Fund shall not proceed with the repurchase of any of its units or distribute capital including distributions if there is a default, if the repurchase or payment of such distributions results in a default or if its Funded Debt to EBITDA Ratio for any given month is equal or higher than 2.25:1. Distributed cash flow may not exceed budgeted distributions provided to and approved by the lenders on an annual basis and can only be made from operational cash flows. The Bank Credit Agreement Amendment #4 additionally provides that, in the event the Fund fails to maintain, at the end of any given month, the required funded debt to EBITDA ratio, the Fund must apply an amount of \$450,000 for the prepayment of the bank term loan.

These consolidated financial statements do not give effect to any adjustments or reclassification of assets or liabilities that would be necessary if the Fund demonstrated an inability to continue its operations as a going concern.

First National AlarmCap Income Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2007

[Tabular figures are in thousands of dollars, except per unit amounts]

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Fund's consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP").

Consolidation

These consolidated financial statements include the accounts of the Fund and those of its wholly-owned subsidiaries.

Use of estimates

In preparing these consolidated financial statements, management is required to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. In management's opinion, the consolidated financial statements have been prepared using careful judgment within the reasonable limits of materiality and within the framework of the accounting policies summarized below.

Revenue recognition

Installation revenues are recognized upon completion of the installation. Revenues from remote monitoring activities and services are recognized when the services are rendered. Revenues received in advance in respect of services to be rendered in the coming year are presented in current liabilities. Revenues from the initial subscription received from customers upon contract signing are recorded as deferred revenues and are amortized on the same basis as subscriber accounts.

First National AlarmCap Income Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2007

[Tabular figures are in thousands of dollars, except per unit amounts]

3. SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Inventories

Inventories are valued at the lower of cost, determined using the first-in, first-out method, and replacement cost.

Property, plant and equipment

Property, plant and equipment are recorded at cost and depreciated over their estimated useful lives using the following methods and rates:

	Method	Rate
Buildings	Declining balance	4%
Furniture and equipment	Declining balance	20%
Computer hardware and software	Straight-line	33 1/3%
Leasehold improvements	Straight-line	lease term

Subscriber accounts

Subscriber accounts are initially stated at the amount of direct costs related to recruiting or acquiring subscriber contracts. Direct recruiting costs comprise costs directly related to subscriber contract execution net of revenues received from the initial subscription. They primarily consist of equipment, installation and initial direct costs, such as commissions, payments to independent recruiting agents and network connection costs. Direct costs of recruiting and acquiring subscriber contracts are amortized over their estimated useful lives using the method and rates stated below:

	Method	Rate
Microtec subscriber accounts	Declining balance	12%
Securex subscriber accounts	Declining balance	10%

First National AlarmCap Income Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2007

[Tabular figures are in thousands of dollars, except per unit amounts]

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Goodwill

Goodwill represents the difference between the purchase price, including acquisition costs, of businesses acquired and the fair value of the identifiable net assets acquired. Goodwill is tested for impairment annually or more frequently if events or circumstances indicate that the asset might be impaired. If the carrying value of a reporting unit, including the allocated goodwill, exceeds its fair value, based on a combination of valuation methods, goodwill impairment is measured as the excess of the carrying amount of the reporting unit's allocated goodwill over the implied fair value of the goodwill, based on the fair value of the identifiable assets and liabilities of the reporting unit.

Impairment of long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is assessed by comparing the carrying amount of an asset with its expected future net undiscounted cash flows from use together with its residual value. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds its fair value.

Leases

Leases are classified as either capital or operating in nature. Capital leases are those that substantially transfer the benefits and risks of ownership to the lessee. Assets acquired under capital leases are amortized over their expected useful lives using the declining balance method. Obligations recorded under capital leases are reduced by the principal portion of lease payments. The imputed interest portion of lease payments is charged to expense.

Unit-based compensation

As described in note 8, the Fund provides unit-based compensation, under a plan in the form of grants of phantom unit awards.

First National AlarmCap Income Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2007

[Tabular figures are in thousands of dollars, except per unit amounts]

3. SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Unit-based compensation (*Con'd*)

The Fund uses the fair value method to account for these grants. Under this method, the fair value of unit-based awards, based on market value at the date of the grant, is recognized as compensation expense over the applicable vesting period with a corresponding increase in contributed surplus. Upon vesting, the amount initially recorded in contributed surplus is transferred to unitholders' contributions.

Earnings per unit

Earnings per unit are calculated based on the weighted average number of Class A and Class B trust units outstanding for the year.

Fully diluted earnings per share are calculated using the treasury stock method and take into account all the elements that have a dilutive effect.

The effect of the Funds' phantom units potentially exercisable on earnings per unit was anti-dilutive, therefore basic and diluted earnings per unit are the same.

Hedge accounting

The Fund enters into interest rate swap agreements to reduce the impact of fluctuating interest rates on financial commitments. The Fund does not use derivative financial instruments for trading or speculative purposes.

Designation as a hedge is only allowed if, both at the inception of the hedge and throughout the hedge period, the changes in the fair value or cash flows of the derivative instrument are expected to substantially offset the changes in the fair value or cash flows of the hedged item.

The Fund formally documents all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. This process includes linking all derivatives. The Fund also formally documents and assesses, both at the hedge's inception and on an ongoing basis, whether the derivative financial instruments used in hedging transactions are highly effective in offsetting changes in fair value or cash flows of hedged items.

First National AlarmCap Income Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2007

[Tabular figures are in thousands of dollars, except per unit amounts]

3. SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Realized and unrealized gains or losses associated with derivative instruments previously designated as hedges that have been terminated or have ceased to be effective prior to maturity are recognized in income [interest on debt] in the period in which the underlying hedged transaction is recognized. In the event a designated hedged item is sold, extinguished or has matured prior to the termination of the related derivative instrument, any realized or unrealized gains or losses on related derivative hedging instruments are recognized in income.

Derivative instruments that are ineffective or that are not designated as a hedge are reported on a mark-to-market basis as a separate item in the consolidated financial statements. Any change in the fair value of these derivative instruments is recorded in income.

4. CHANGES IN ACCOUNTING POLICIES

During the first quarter of 2007, the Fund adopted the recommendations in the following Sections of the Canadian Institute of Chartered Accountants Handbook (CICA Handbook):

The Section 1530, *Comprehensive Income* introduces a new measurement of results – comprehensive income -which is the change in equity or net assets of an enterprise during a period from transactions from non-owner sources.

The Section 3855, *Financial Instruments – Recognition and Measurement* and Section 3861, *Financial Instruments – Disclosure and Presentation* requires an entity to record its financial assets and liabilities at fair value at each closing date, apart from exception; establish rules determining when a financial asset or liability should be recognized in the balance sheet and establish specific standards for recognition and presentation of transaction costs relating to long-term debt, as well as the subsequent expensing thereof.

The adoption of these standards requires classifying all of the Fund's financial assets and liabilities in categories for which clearly defined rules determine the standards to be applied. However, the rules may differ when a different regulatory treatment is applied. The Fund made the following classifications:

First National AlarmCap Income Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2007

[Tabular figures are in thousands of dollars, except per unit amounts]

4. CHANGES IN ACCOUNTING POLICIES [Cont'd]

- Cash and cash equivalents have been classified as "Assets or liabilities held for trading". They are presented at their fair value and the gains/losses arising on the revaluation at the end of each period are included in consolidated income.
- Receivables from customers are classified under "Loans and receivables". They are normally recorded at their original cost, which was their fair value at that time.
- Bank borrowings, accounts payable and accrued liabilities, capital lease and long-term debt are classified under "Other financial liabilities". They are initially presented at their fair value. Subsequent measurements are at cost, net of amortization, using the effective interest rate method. For the Fund, that value corresponds to cost.

Financing costs

Since January 2007, the financing costs relating to the long-term debt are deducted from long-term debt and are amortized using the effective interest rate method. Deferred charges and long-term debt have been reduced by \$811,000 as at June 30, 2007 and \$1,058,000 as at December 31, 2006. The impact related to the use of a different expensing method is not significant.

5. OBLIGATIONS UNDER CAPITAL LEASES

	June 30 2007	December 31 2006
	\$	\$
Capital lease agreements pertaining to furniture and equipment, repayable in monthly instalments totalling \$10,520 including interest varying from 7.33% to 10.78% with maturities ranging from September 2011 to June 2012	451	462
Short-term portion	90	82
	361	380

The future minimum lease payments under the capital lease agreements are:

First National AlarmCap Income Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2007

[Tabular figures are in thousands of dollars, except per unit amounts]

5. OBLIGATIONS UNDER CAPITAL LEASES [Cont'd]

	\$	\$
2007	61	114
2008	122	114
2009	122	114
2010	122	114
2011	104	96
2012	2	
	533	552
Amount representing interest	82	90
Balance of the obligations	451	462

6. LONG-TERM DEBT

	June 30 2007 \$	December 31 2006 \$
Bank term loan (net of financing cost of \$513 (\$721 in 2006))	41,674	44,279
Subordinated debentures (net of financing cost of \$298 (\$337 in 2006))	4,702	4,663
	46,376	48,942
Short-term portion	41,674	—
Total long-term debt	4,702	48,942

(a) Bank term loan

The bank term loan has a maximum authorized amount of \$45,000,000, matures on March 2008 and bears interest at rates varying from 0.50% to 1.00% above the bank's prime rate and from 1.75% to 2.25% above the bankers' acceptance rate depending on a financial ratio on a monthly basis.

The loan is secured by a hypothec on the universality of movable and immovable current and future assets of the Fund.

The sale/leaseback of the Fund's Saint-Augustin-de-Desmaures building has been finalized during the first quarter for an amount of \$2,813,000, net of sales commission and other charges, and the proceeds thereof have been applied against the senior bank term loan as of April 30, 2007.

The Fund must maintain certain financial ratios. As at June 30, 2007 the Fund was not in compliance with all of the financial ratio requirements. However, the Fund has negotiated a new Bank credit agreement amendment dated July 27, 2007. With this new amendment, the Fund was in compliance with its financial ratios for the second quarter of fiscal year 2007.

First National AlarmCap Income Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2007

[Tabular figures are in thousands of dollars, except per unit amounts]

The bank term loan has been reclassified as a current liability during the first quarter of 2007 since it matures in less than a year, March 2008.

(b) Subordinated debentures

Five-year subordinated debentures bearing interest at 9% for a total amount of \$5,000,000 maturing in April 2011.

7. DERIVATIVE FINANCIAL INSTRUMENTS

The Fund entered into interest rate swap agreements to convert the bank term loan from variable to fixed interest rates. As at June 30, 2006, the interest rate swap agreements were detailed as follows:

Purpose	Fixed rate payable	Floating rate receivable	Notional	Maturity	Fair value
Debt hedge	4.82% until April 2006 5.50% May 2006–April 2007 6.00% May 2007–March 2008	Bankers' acceptances +2.25%	\$42,187	March 2008	\$306 [\$330 in December 2006]
	(effective rate 5.50%)				

During the year 2006, the Fund has ceased to designate its interest rate swaps as hedged instruments. As a result the interest rate swaps have been accounted for on the balance sheet for an amount of \$306,000.

8. UNITHOLDERS' CONTRIBUTIONS

The Fund is authorized to issue an unlimited number of Class A and Class B trust units. Each unit is transferable and, subject to certain priorities of distributable cash flows and special distributions made to the Class A trust unitholders in priority to Class B trust unitholders, represents an equal undivided beneficial interest in any distributions from the Fund. Class B trust units are convertible into Class A trust units on a 1:1 basis since the distribution threshold of \$0.325 per trust unit per quarter has been reached for four consecutive quarters. The Class B trust unitholders have consequently the same rights as the Class A trust unitholders. Also as at June 30, 2007, the Class B trust unitholders have not used the option of conversion into Class A trust units.

First National AlarmCap Income Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2007

[Tabular figures are in thousands of dollars, except per unit amounts]

	June 30 2007 \$	December 31 2006 \$
Issued and outstanding		
4,574,401 Class A trust units [4,504,401 in 2005]	45,187	45,187
1,750,000 Class B trust units	17,500	17,500
Less issuance costs	(3,548)	(3,548)
	59,139	59,139

8. UNITHOLDERS' CONTRIBUTIONS [Cont'd]

Unit-based compensation

Under the Fund's Phantom Unit Plan, phantom units can be granted to certain executives and trustees. Phantom units are granted without any monetary consideration being payable to the Fund and their vesting is entirely based on the level of achievement of certain financial performance targets measured over the cycle (as defined in the plan) beginning with the fiscal year of their grant. Upon vesting, each phantom unit is convertible into a fully paid Class A trust unit. The maximum number of phantom units which may be issued pursuant to this plan is equal to ten percent (10%) of the number of trust units outstanding at any time.

As at June 30, 2006, 160,417 phantom units had been awarded. No compensation expense has been considered in the statement of income since management does not believe that they will vest. In the last quarter of 2006, the amount that had been accounted for in the previous months was reversed because management estimated that these phantom units will not meet the conditions under which they become vested.

9. DISTRIBUTIONS

The amount of the Fund's distributions is determined by the Board of Trustees. The Credit Agreement, as amended, contains certain covenants which, in effect, restrict the payment of distributions to the level approved by the bank from operational cash flows only and, after February 28, 2007, to a level that is not more than 75% of Distributable Cash Flow on a month-by-month basis or if its Funded Debt to EBITDA Ratio for of any given month is equal or higher than 2.25:1. If the Fund cannot meet these ratios or if the Fund is in default or an event of default has occurred and is continuing under the Credit

First National AlarmCap Income Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2007

[Tabular figures are in thousands of dollars, except per unit amounts]

Agreement, the Credit Agreement provides that the Fund must suspend the payment of distributions and must apply \$450,000 for each month of default to the reduction of the Bank term loan. Since the Fund was not able to meet all of these new ratios during the second quarter of 2007, the Fund announced on June 20, 2007, that it was suspending its distributions. The distributable cash generally means the EBITDA less interest, sustaining capital expenditure and subscriber replacement cost.

	June 30 2007 \$	December 31 2006 \$
Distributions to unitholders	1,344	1,344
Distributions per unit	0.213	0.213

10. INCOME TAXES

Proposed Canadian income tax rule changes

In June 2007 the Government of Canada enacted new legislation imposing additional income taxes upon publicly traded income trusts, including AlarmCap, effective January 1, 2011. Prior to June 2007, the Fund estimated the future income tax on certain temporary differences between amounts recorded on its balance sheet for book and tax purposes at a nil effective tax rate. Under the legislation, the Fund now estimates the effective tax rate on the post 2010 reversal of these temporary differences to be 31.9%. Temporary differences reversing before 2011 will give rise to \$2,756,000 in future income taxes recovery.

Based on its assets and liabilities as at June 30, 2007, the Fund has estimated the amount of its temporary differences which were previously not subject to tax and has estimated the periods in which these differences will reverse. The Fund estimated that \$8,637,000 net taxable temporary differences will reverse after January 1, 2011, resulting in \$2,756,000 future income tax asset. The taxable temporary differences relate principally to the excess of the tax basis of the Fund's net asset over the net book value.

As the legislation gives rise to a change in the Fund's estimated future income tax asset in the period, the recognition of the additional asset is accounted for prospectively in the period and an additional \$2,756,000 of future income tax recovery has been recorded for the period.

First National AlarmCap Income Fund

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[Tabular figures are in thousands of dollars, except per unit amounts]

While the Fund believes it will be subject to additional tax under the new legislation, the estimated effective tax rate on temporary difference reversals after 2011 may change in future periods. As the legislation is new, future technical interpretations of the legislation could occur and could materially affect management's estimate of the future income tax asset.

The amount and timing of reversals of temporary differences will also depend on the Fund's future operating results, acquisitions and dispositions of assets and liabilities, and distribution policy. A significant change in any of the preceding assumptions could materially affect the Trust's estimate of the future tax asset.

11. SEGMENT INFORMATION

The Fund's operations consist of its Microtec and Securex divisions, which are operated as separate business units. The following table discloses financial information for the two divisions:

	Microtec	Securex	Total	Microtec	Securex	Total
	\$	\$	\$	\$	\$	\$
	June 30, 2007	June 30, 2007	June 30, 2007	June 30, 2006	June 30, 2006	June 30, 2006
	3 months	3 months	3 months	3 months	3 months	3 months
Revenues						
Monitoring and services	6,153	1,150	7,303	6,212	1,158	7,370
Installation	582	-	582	859	-	859
	6,735	1,150	7,885	7,071	1,158	8,229
Expenses						
Monitoring and customer service	1,500	239	1,739	1,557	243	1,800
Installation, sales and marketing	558	-	558	825	-	825
	2,058	239	2,297	2,382	243	2,625
Income before general and administrative expenses and other items	4,677	911	5,588	4,689	915	5,604

First National AlarmCap Income Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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[Tabular figures are in thousands of dollars, except per unit amounts]

	Microtec	Securex	Total	Microtec	Securex	Total
	\$	\$	\$	\$	\$	\$
	June 30, 2007	June 30, 2007	June 30, 2007	June 30, 2006	June 30, 2006	June 30, 2006
	6 months	6 months	6 months	6 months	6 months	6 months
Revenues						
Monitoring and services	12,366	2,337	14,703	12,474	2,349	14,823
Installation	1,159	-	1,159	1,405	-	1,405
	<u>13,525</u>	<u>2,337</u>	<u>15,862</u>	<u>13,879</u>	<u>2,349</u>	<u>16,228</u>
Expenses						
Monitoring and customer service	2,945	482	3,427	3,093	472	3,565
Installation, sales and marketing	1,134	-	1,134	1,382	-	1,382
	<u>4,079</u>	<u>482</u>	<u>4,561</u>	<u>4,475</u>	<u>472</u>	<u>4,947</u>
Income before general and administrative expenses and other items	9,446	1,855	11,301	9,404	1,877	11,281

12. FINANCIAL INSTRUMENTS

(a) Fair value

The carrying amounts of Fund's financial assets and liabilities, such as cash, accounts receivable, accounts payable, distributions payable to unitholders, note payable and demand note payable, approximate their fair value as at June 30, 2007 due to their short-term maturities.

The restricted cash presented in other long-term assets is also carried at an amount indicative of fair value.

The carrying amounts of long-term debt and of the obligations under capital leases approximate respectively their fair value since they bear interest at floating rates and current market rates, respectively.

The fair value of the interest rate swaps is disclosed in note 7.

First National AlarmCap Income Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2007

[Tabular figures are in thousands of dollars, except per unit amounts]

12. FINANCIAL INSTRUMENTS [Cont'd]

(b) Credit risk

The Fund is exposed to credit risk with regard to its accounts receivable. In order to reduce this risk, the Fund performs credit evaluations of its customers. In addition, accounts receivable comprise amounts receivable from numerous customers whose individual balances are insignificant. The Fund constitutes and maintains allowances for potential losses.

(c) Interest rate risk

The Fund entered into interest rate swap agreements to manage interest rate risk *[note 7]*.

13. CONTINGENCIES

The Fund is subject to some lawsuits brought against it in the normal course of business, the outcome of which cannot be predicted with certainty. Based on the information currently available, management believes that the outcome of these lawsuits will not have a significant impact on the Fund.

14. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation.