Newport Partners Income Fund announces 2008 annual and fourth quarter financial results

Toronto – March 31, 2009 – Newport Partners Income Fund (“NPF” or “the Fund”) (TSX:NPF.UN) today announced its results for the three months and year ended December 31, 2008.

Year-End Results

($ millions, except per unit information)	2008	2007
Revenue	$669.7	$531.4
Gross profit	$192.3	$168.1
Selling, general & administrative expenses	$124.1	$96.3
Net loss	($194.8)	($25.9)
EBITDA	($173.6)	$68.8
Write down of goodwill, intangibles & investments	$245.5	$3.0
Adjusted EBITDA	$72.7	$78.8
Distributable cash from continuing operations	$34.8	$49.7
Distributable cash	$38.4	$49.9
Distributable cash per unit from continuing operations	0.48	0.70
Distributable cash per unit	0.53	0.70

Revenue for the fiscal year ended December 31, 2008, was $669.7 million, up 26 percent from $531.4 million produced in fiscal 2007. Gross profit increased 14 percent to 192.3 million for the period representing a gross profit margin of 29 percent. For the same period last year, the Fund reported gross profit of $168.1 million representing a gross profit margin of 32 percent.

During the third quarter, and also during the fourth quarter due to the significant downturn in the economy, the Fund adjusted the value of the goodwill and intangibles carried on its balance sheet to $283.7 million with a non-cash charge against income of $216.5 million. A further $29 million non-cash charge was taken against the carrying value of a long term investment.

Adjusted EBITDA which excludes the above noted charges decreased 8 percent to $72.7 million versus $78.8 million for the same period last year.

The net loss for the twelve month period was $194.8 million versus a net loss of $25.9 million for the 2007 year. The Fund’s ratio of net debt to EBITDA for the year ended December 31, 2008 was 3.2:1 versus 2.4:1 last year.

As at December 31, 2008 the Fund was not in compliance with three financial covenants under its senior credit agreement. These covenants were total leverage ratio, fixed charges coverage ratio and minimum EBITDA. The Fund’s covenant tests at December 31, 2008 have been negatively impacted by a combination of weaker than expected operating results and higher working capital needs at key operating businesses during the fourth quarter. The Fund and the lenders are in active and cooperative negotiations and no adverse action has been taken by the lenders nor have they indicated their intent to demand payment of the term debt prior to its maturity date. However, as a result of the non-compliance and the continuing negotiation with lenders, the Fund has reclassified the term debt of $210 million as a current liability. This reclassification is required under GAAP and consequently results in the inclusion of a Going Concern note in the Fund's financial statements, reflecting the fact that the Fund is in negotiation with its lenders, the outcome of which has not yet been determined.

Distributable cash from continuing operations for the year was $34.8 million, or $0.48 per unit versus $49.7 million or $0.70 per unit reported in 2007. The Fund suspended distributions in October 2008 to preserve cash in the face of unstable capital markets and a weakening economic outlook.

"The simple fact is that the Fund has two problems that need immediate attention – our capital structure is overleveraged, and we need to see improved operational efficiency. It is in these two areas where attention has been focused over the last three months," noted Mr. Dean MacDonald, President and CEO of the Fund. "While I expect we will continue to make progress on both fronts, there are no instant solutions or quick fixes that will solve either of these issues. The bottom line is that, as Unitholders, we should not expect to see distributions resume in the current fiscal year."

"The Industrial Services and Marketing reporting segments contributed to the improved top line with the Financial Services and Other segments offsetting these gains to some extent," added Mr. MacDonald. "Unfortunately, percentage increases in both operating and selling, general and administrative expenses exceeded the revenue percentage increases. This eroded the improved top line down to an adjusted EBITDA of $72.7 million from the portfolio. We also saw our cash interest expense increase by 17 percent year over year with a large part of the increase due to the full year of interest on the convertible debentures issued in July 2007."

Fourth Quarter Results

($ millions, except per unit information)	2008	2007
Revenue	$174.6	$156.3
Gross profit	$46.6	$51.9
Selling, general & administrative expenses	$31.0	$31.5
Net (loss) income	($165.3)	$0.9
EBITDA	($195.2)	$19.1
Write down of goodwill, intangibles & investments	$210.5	$3.0
Adjusted EBITDA	$16.2	$22.2
Distributable cash from continuing operations	$2.5	$13.7
Distributable cash	$2.5	$14.8
Distributable cash per unit from continuing operations	0.03	0.19
Distributable cash per unit	0.03	0.21

Revenue for the three-month period ended December 31, 2008, was $174.6 million, versus $156.3 million produced in fiscal 2007. Gross profit was $46.6 million for the period representing a gross profit margin of 27 percent. For the same period last year, the Fund reported gross profit of $51.9 representing a gross profit margin of 33 percent. Adjusted EBITDA was $16.2 million, compared to $22.2 million for the corresponding period in 2007.

2009 Outlook

Newport's business model is based on investing in proven businesses run by successful entrepreneurs. While there is good potential in this model, in a period of economic weakness, the operations of each of the businesses in the portfolio require increased scrutiny to identify cost savings and other measures that can be implemented to improve the overall return to the Fund. To help accelerate this process, the Fund is adding independent, industry knowledgeable representatives to the boards of selected investments in the portfolio.

Long-term debt is an important element of the Fund's capital structure. Management continues to review options to build more flexibility into its capital structure and balance sheet.

"There is still a great deal of heavy lifting that needs to be done if Newport's financial performance is going to achieve its potential," added Dean MacDonald. "However, I believe we have a solid portfolio of businesses run by people who have been bred to succeed. With a more flexible capital structure at the centre and improved operational efficiency at each of the business units, I believe that, in time, this portfolio can deliver improved returns to our investors."

About Newport Partners Income Fund

Newport Partners Income Fund is an unincorporated, open-ended trust created to hold, through its investment in Newport Partners Commercial Trust, interests in Newport Private Yield LP, a limited partnership established under the laws of the Province of Ontario. NPF began trading on the TSX on August 8, 2005 under the symbol NPF.UN.

Newport Partners Income Fund is a publicly-traded diversified fund that invests in successful Canadian private businesses run by proven entrepreneurs at reasonable prices. We target above-average rates of return by putting our money to work behind talented entrepreneurs who have a record of success in their business and a growth opportunity for the future. The Fund currently has $544 million invested in 17 companies representing a diverse cross-section of the Canadian economy.

Investor Conference Call

Management will hold a conference call at 10:30 am (Eastern Standard Time) on March 31, 2009 to discuss the year end and fourth quarter financial results. The call may be accessed by dialling 416-340-8018 within the Toronto area or 1-866-225-0198 (toll free). This conference call will be recorded and available for replay until April 14, 2009. To listen to the replay, please dial 416-695-5800 or 1-800-408-3053, passcode is 5067172.

Forward-Looking Information

Certain information included in this news release may constitute forward-looking information within the meaning of securities laws. In some cases, forward-looking information can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue" or the negative of these terms or other similar expressions concerning matters that are not historical facts. Forward-looking information may relate to management's future outlook and anticipated events or results and may include statements or information regarding the future plans or prospects of the Fund or the Operating Partnerships and reflects management's expectations and assumptions regarding the growth, results of operations, performance and business prospects and opportunities of the Fund and the Operating Partnerships. Without limitation, information regarding the future operating results and economic performance of the Fund and the Operating Partnerships, and statements about net asset value constitute forward-looking information and the estimate is updated quarterly. Such forward-looking information reflects management's current beliefs and is based on information currently available to management of the Fund and the Operating Partnerships. Forward-looking information involves significant risks and uncertainties. A number of factors could cause actual events or results to differ materially from the events and results discussed in the forward-looking information including risks related to investments, conditions of capital markets, economic conditions, taxation of income trusts, dependence on key personnel, limited customer bases, interest rates, regulatory change, continued availability of credit facilities, availability of future financing, factors relating to the weather and availability of labour. These factors should not be considered exhaustive. In addition, in evaluating this information, investors should specifically consider various factors, including the risks outlined under "Risk Factors", which may cause actual events or results to differ materially from any forward-looking statement.

In formulating forward-looking information herein, management has assumed that business and economic conditions affecting the Fund and the Operating Partnerships will continue substantially in the ordinary course, including without limitation with respect to general levels of economic activity, regulations, taxes, interest rates, that there will be no material changes in its credit arrangements. Although the forward-looking information is based on what management of the Fund and the Operating Partnerships consider to be reasonable assumptions based on information currently available to it, there can be no assurance that actual events or results will be consistent with this forward-looking information, and management's assumptions may prove to be incorrect. This forward-looking information is made as of the date of this news release, and the Fund does not assume any obligation to update or revise them to reflect new events or circumstances. Undue reliance should not be placed on forward-looking information. The Fund is providing the forward-looking financial information for the purpose of providing investors with some context for the "2009 Outlook" presented. Readers are cautioned that this information may not be appropriate for any other purpose.

Non-GAAP Measures

The terms "adjusted EBITDA", ''distributable cash or adjusted distribution base'', ''EBITDA'', "standardized distributable cash", (collectively the ''Non-GAAP Measures'') are financial measures used in this news release that are not standard measures under Canadian generally accepted accounting principles (''GAAP''). NPF's method of calculating Non-GAAP Measures may differ from the methods used by other issuers. Therefore, NPF's Non-GAAP Measures, as presented may not be comparable to similar measures presented by other issuers.

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

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.

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.

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.newportpartnersincomefund.ca.

NEWPORT PARTNERS INCOME FUND

Consolidated Balance Sheets

(In thousands of dollars)

	December 31, 2008	December 31, 2007
Assets		
Current assets:		
Cash and cash equivalents	$ 23,855	$ 14,457
Cash and short-term investments held in trust	19,839	27,404
Accounts receivable	154,463	137,219
Inventories	33,112	34,637
Prepaid expenses	3,184	2,868
Other current assets	22,830	21,455
Future tax asset	1,393	-
Current assets of discontinued operations	-	7,446
	258,676	245,486
Property, plant and equipment	44,498	43,324
Long-term investments	16,494	47,254
Goodwill	94,362	256,669
Intangible assets	189,306	303,156
Other assets	15,706	14,090
Long-lived assets of discontinued operations	-	39,257
	$ 619,042	$ 949,236
Liabilities and Unitholders' Equity		
Current liabilities:		
Revolving credit facility	$ 27,400	$ 47,527
Current portion of long-term debt	210,000	-
Accounts payable and accrued liabilities	123,103	110,230
Deferred revenue	10,742	13,819
Current portion of obligations under capital leases	5,695	5,353
Current liabilities of discontinued operations	-	8,034
	376,940	184,963
Obligations under capital leases	7,741	8,910
Long-term debt	-	204,862
Future tax liability	26,076	33,259
Long-term liabilities of discontinued operations	-	882
Non-controlling interest	-	107,466
Convertible debentures	152,683	149,530
Unitholders' equity	55,602	259,364
	$ 619,042	$ 949,236

NEWPORT PARTNERS INCOME FUND

Consolidated Statements of Loss and Comprehensive Loss
(In thousands of dollars, except per unit amounts)

	Year ended December 31, 2008	Year ended December 31, 2007
Revenues	$ 669,730	$ 531,378
Cost of revenues	477,441	363,245
	192,289	168,133
Expenses		
Selling, general and administrative	124,146	96,307
Amortization of intangible assets	39,775	36,680
Depreciation	11,571	8,504
	175,492	141,491
Income before the undernoted	16,797	26,642
Income from equity investments	2,112	3,418
Other income	330	1,119
Interest expense, net	40,826	30,552
Loss on dilution of ownership interest	845	6,958
Write-down of goodwill and intangibles	216,489	2,987
Impairment in value of long-term investments	29,000	-
Loss before income taxes	(267,921)	(9,318)
Income tax expense – current	44	10
Income tax expense (recovery) – future	(8,576)	32,349
Loss from continuing operations before non-controlling interest	(259,389)	(41,677)
Non-controlling interest relating to continuing operations	67,764	17,503
Loss from continuing operations	(191,625)	(24,174)
Loss from discontinued operations before non-controlling interest	(5,109)	(3,182)
Non-controlling interest relating to discontinued operations	1,947	1,430
Loss from discontinued operations	(3,162)	(1,752)
Net loss and comprehensive loss	$ (194,787)	$ (25,926)
Loss per unit		
Basic and diluted:		
Continuing operations	$ (4.43)	$ (0.60)
Discontinued operations	(0.07)	(0.04)
Net loss	(4.50)	(0.64)

NEWPORT PARTNERS INCOME FUND

Consolidated Statements of Cash Flows

(In thousands of dollars)

	Year ended December 31, 2008	Year ended December 31, 2007
Cash provided by (used in):		
Operating activities:		
Net loss	$ (194,787)	$ (25,926)
Items not affecting cash:		
Loss from discontinued operations before non- controlling interest	5,109	3,182
Amortization of intangible assets	39,775	36,680
Depreciation	11,783	8,504
Future income tax expense	(8,576)	32,349
Income from equity investments, net of cash received	1,799	1,658
Non-cash interest expense	8,345	2,796
Non-cash compensation expense	2,423	2,924
Loss on dilution of interest in operating partner	845	6,958
Write-down of goodwill and intangibles	216,489	2,987
Impairment of long-term investment	29,000	-
Non-controlling interest	(69,711)	(18,933)
Changes in non-cash working capital	5,730	(22,572)
Cash provided by discontinued operations	3,890	17,148
	52,114	47,755
Financing activities:		
Repurchase of units	(216)	(11,798)
Issuance of convertible debt net of costs	-	75,939
Distributions to unitholders	(20,906)	(40,244)
Distributions to non-controlling interest	(14,152)	(30,664)
Decrease (increase) in cash held in trust	7,565	(1,570)
(Decrease) increase in bank indebtedness	(20,127)	42,527
Increase in long-term debt	-	40,000
Repayment of capital lease obligations	(4,669)	(3,427)
Cash used in discontinued operations	(8,459)	(12,167)
	(60,964)	58,596
Investing activities:		
Acquisition of businesses, net of cash acquired	(185)	(141,981)
Proceeds on disposal of business	30,177	23,496
Purchase of long-term investments	-	(1,105)
Purchase of property, plant and equipment	(8,877)	(5,308)
Purchase of intangibles	-	(79)
Increase in other assets	(1,615)	(14,158)
Cash used in discontinued operations	(1,252)	(1,554)
	18,248	(140,689)
Increase (decrease) in cash and cash equivalents	9,398	(34,338)
Cash and cash equivalents, beginning of year - continuing operations	14,457	52,222
Cash and cash equivalents, beginning of year - discontinued operations	5,821	2,394
Cash and cash equivalents, end of year	23,855	14,457
Cash and cash equivalents, end of year - discontinued operations	-	5,821
Cash end of year – continuing operations	$ 23,855	$ 14,457
Supplemental cash flow information:		
Interest paid	$ 32,481	$ 27,755
Cash acquired upon acquisition	370	2,540
Supplemental disclosure of non-cash financial and investing activities:		
Acquisition of property, plant and equipment through capital leases	3,823	8,487

Newport Partners Income Fund's 2008 Fourth Quarter Financial Statements and Management's Discussion and Analysis are available on the investor info section of www.newportpartnersincomefund.ca and on SEDAR at www.sedar.com.

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