Newport Partners Income Fund Announces 2008 Third Quarter Results

Toronto – November 13, 2008 – Newport Partners Income Fund ("NPF" or "the Fund") (TSX:NPF.UN) today announced its financial results for the three months ended September 30, 2008. The Fund's financial results are based on its share of the cash flow generated by a diversified portfolio of investments in 17 private businesses that report in four operating segments.

Highlights

- Q3 revenue increased 18 percent year over year to $166.7 million
- 16 of 17 investments made positive contributions to the Fund's Q3 Adjusted EBITDA of $15.5 million
- $47 million of debt repaid year to date
- Recorded non-cash write-downs of goodwill and intangibles of $35 million on three investments.
- Adjusted EBITDA declined 24 percent due to lower gross margins from Industrial and Financial Services
- Distributable cash amounted to $9.5 million or $0.13 per unit

Strategic Initiatives

In early October management announced that it was taking immediate steps to preserve the net asset value of the fund as a defensive measure against a prolonged economic slowdown. These steps include suspending distributions, paying down debt, reducing corporate costs, and adding flexibility to the Fund's capital structure. In addition, the Fund has initiated a comprehensive review of the investment portfolio to identify opportunities to add cash or remove debt from the Fund's balance sheet. This may include the sale or partial sale of selected investments.

"It is not clear how long the current economic slowdown will last, but until we know otherwise, we are acting in anticipation of a prolonged period of weakness across the markets served by the businesses in our portfolio," noted Mr. Peter Wallace, Newport's President and CEO. "In addition to taking the difficult decision to suspend distributions, in the last 45 days we have sold our investment in Ezee for its estimated net asset value and redeployed the $36.2 million that we received in this transaction to reduce the Fund's debt bringing our total debt repayment to more than $47 million year to date.

During the period, management also took steps to add flexibility to Newport's diversified capital structure. The earliest maturity in this structure is an $84.5 million convertible debenture due in two years, followed by a term loan of $170 million due in just over three years, and a $80 million convertible debenture due in just over four years. "We are currently in discussions with our lender – at our request – to provide the Fund with additional flexibility as we proceed with our debt reduction plan," added Mr. Wallace.

Early in the year management began exploring different strategic options that would allow the Fund to unlock some of the gains that had been made in its largest investment, Golosky. During the period, management narrowed the range of options and was involved in detailed discussions with both financial and strategic investors. However, progress on these discussions has been interrupted by the recent instability in the global capital markets. As a result, management is now reviewing other alternatives with Golosky and no longer expects to conclude a transaction before the end of 2008.

Quarterly Results

Revenue for the three month period ended September 30, 2008 was $166.7 million, up 18 percent from $141.1 million produced in the prior year period. Gross profit increased 1 percent to $44.4 million for the period compared to $44.0 million in the third quarter of 2007. Adjusted EBITDA declined to $15.5 million versus $20.4 million for the same quarter last year.

The reduction in gross profit and EBITDA is primarily due to lower gross margins in the two Industrial Services companies – Golosky and Quantum Murray – and to a lesser extent in the Financial Services segment. Together these two segments account for two-thirds of the Fund's EBITDA after the allocation of corporate costs.

"Golosky's conventional oil and gas maintenance divisions experienced further margin compression but the results were most impacted by much lower maintenance revenues from an unusually slow summer season. However, their oil sands operations continued to report strong revenues that exceeded the division's growth targets for the period," noted Mr. Wallace. "Quantum Murray reported strong revenues and margins from its remediation services. However metal prices declined significantly in the third quarter resulting in write downs of quarter end inventories and further provisions to account for the lower scrap metal revenue component of work that is currently under contract," added Mr Wallace.

Partly offsetting these results, the EBITDA contribution from Capital C increased by 43 percent over the same period last year. Increased year over year EBITDA contributions were also made by the Fund's investments Peerless, Titan, Armstrong and S&E.

"The investment that Capital C made in previous quarters in business development has shown excellent returns in Q3," added Mr. Wallace. "Their EBITDA contribution increased over the previous quarter and is running significantly ahead of their contribution from the same period last year."

The Fund has reviewed the carrying value of all if its investments as at September 30, 2008. Following this review, management has determined, as a result of revenue attrition and weaker customer demand, that the carrying value of three investments should be adjusted downward. As a result, the Fund has recorded non-cash goodwill and intangible asset write downs totalling $35 million on its investments in Armstrong, Titan and Brompton.

As at September 30, 2008, the Fund had invested capital of $542 million. Over the past four quarters, this portfolio has returned a cash yield of 14.8 percent on invested capital. Corporate costs declined to 1.1 percent versus 1.2 percent in the prior year period and 1.1 percent in the previous quarter.

Total distributable cash, including discontinued operations, for the three month period ended September 30, 2008 was $9.5 million, or $0.13 per unit versus $0.20 per unit for the same period last year.

Outlook

"Looking forward, we believe the diversification of the Fund's investments should benefit Unitholders as different sectors of the economy are affected by the slowdown in varying degrees and in varying cycles," noted Mr. Wallace.

Investments in the Financial Services segment are expected to experience mixed results with the asset management businesses (Brompton, NP LP and Morrison Williams) delivering reduced earnings earlier in the downturn as assets under management typically decline in step with the equity markets. They can also be expected to see the earliest recovery as equity values are usually priced on the expectation of forward earnings. The insurance intermediaries (BMI, ESR and Hargraft) can be early beneficiaries of the downturn as insurance premiums, and the related commissions received by these companies, are increased by underwriters to offset the loss of investment returns.

The impact on the Fund's holdings in the Industrial Services segment will be influenced by the sectors that these businesses serve. Quantum Murray's results were impacted in Q3 largely due to the sudden and dramatic decline in metal prices. Once contract pricing is adjusted to reflect current commodity pricing, project margins can be restored. However, it is not yet clear how the downturn will impact the capital spending plans of Quantum Murray's customers into the second half of 2009. Golosky has seen continued strong demand in their oil sands related operations. Construction revenues from conventional oil and gas related activity are expected to remain weak in step with the near term supply and demand factors that impact underlying energy prices.

The Marketing segment is expected to offer mixed results in a period of economic weakness. Those offering services that can easily migrate across the Canada/U.S. border (IC Group and Armstrong) can now benefit from a lower exchange rate. However, this is likely to be offset by reduced overall demand from U.S.-based marketers. Capital C is currently reaping the rewards of an investment in new business development that has fully restocked their project pipeline. As this backlog of work is completed, a slowdown may impact the replenishment of this pipeline in the second half of 2009.

Of the businesses in the Fund's Other segment, Peerless has been experiencing slow approvals on contracts that may now accelerate with the clarification of the domestic political agenda. Gusgo can benefit from a lower exchange rate and, to a lesser extent, lower energy prices provided the intermodal transportation industry is not carrying excess capacity into the slowdown.

"The steps that management has taken in response to this period of economic uncertainty are intended to enable us to conserve cash and protect the net asset value of our investments," added Mr. Wallace. "Several of these measures are already having a positive impact. Others will take longer to show up in our results. In the interim, we're staying close to all of our operating partners and keeping watch for any changes in the larger economic landscape."

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 $542 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 a.m. (Eastern Standard Time) on November 13, 2008 to discuss the third quarter financial results. The call may be accessed by dialling 416-641-6136 within the Toronto area or 1-866-223-7781 (toll free). This conference call will be recorded and available for replay until November 27, 2008. To listen to the replay, please dial 416-695-5800 or 1-800-408-3053 and enter pass code 3272599.

Forward-Looking Information

This news release contains certain 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, decline in energy or metal prices, capital spending plans of customers, taxation of income trusts, dependence on key personnel, limited customer bases, interest rates, exchange rates, demand, competition, contract delays, 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 set out in this news release for the purpose of providing investors with some context for the "Third Quarter Outlook" presented, as well as Management's estimate of the net asset value of the Fund. Readers are cautioned that this information may not be appropriate for any other purpose.

Non-GAAP Measures

The terms "adjusted EBITDA", "corporate costs to weighted invested capital" , ''distributable cash or adjusted distribution base'', ''EBITDA'', ''invested capital'', and "net asset value" (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.

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.

Corporate costs to weighted invested capital are the total cash expenses of the corporate segment excluding interest expense for the period expressed as a percentage of the weighted invested capital by the Fund in each of the operating partnerships. 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.

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 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 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 this MD&A.

Net asset value is derived by amalgamating management's best estimate of the fair market value of each of the Operating Partnerships in the Fund and making adjustments for the senior debt, the market value of convertible debentures and the cash and cash equivalents of the Fund. The fair market value of each of the Operating Partnerships is derived using discounted public company comparable EV/EBITDA multiples and applying these multiples to the LTM EBITDA of each Operating Partnership. Management uses net asset value plus distributable cash to determine how profitable their investment in operating partnerships are. Management also uses net asset value as a benchmark to determine at what price to issue equity as the objective would be to issue equity always at prices greater than the net asset value. Investors may find net asset value plus distributions received useful to determine how profitable their investment in the Fund is.

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.

NEWPORT PARTNERS INCOME FUND

Consolidated Balance Sheets

(In thousands of dollars)

	September 30, 2008 (Unaudited)	December 31, 2007
Assets		
Current assets:		
Cash and cash equivalents	$ 8,334	$ 14,457
Cash and short-term investments held in trust	22,476	27,404
Accounts receivable	131,442	137,219
Inventories	38,427	34,637
Prepaid expenses	3,363	2,868
Other current assets	20,093	21,455
Current assets of discontinued operations	-	7,446
	224,135	245,486
Property, plant and equipment	44,666	43,324
Long-term investments	23,755	47,254
Goodwill	243,336	256,669
Intangible assets	266,676	303,156
Other assets	15,130	14,090
Long-lived assets of discontinued operations	-	39,257
	$ 817,698	$ 949,236
Liabilities and Unitholders' Equity		
Current liabilities:		
Revolving credit facility	$ -	$ 47,527
Accounts payable and accrued liabilities	117,577	110,230
Deferred revenue	16,651	13,819
Current portion of obligations under capital leases	5,524	5,353
Current liabilities of discontinued operations	-	8,034
	139,752	184,963
Obligations under capital leases	8,981	8,910
Long-term debt	205,669	204,862
Future tax liability	31,262	33,259
Long-term liabilities of discontinued operations	-	882
Non-controlling interest	60,706	107,466
Convertible debenture	151,868	149,530
Unitholders' equity	219,460	259,364
	$ 817,698	$ 949,236

NEWPORT PARTNERS INCOME FUND

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

	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
Revenues	$ 166,649	$ 141,104	$ 495,162	$ 375,064
Cost of revenues	122,289	97,152	349,445	252,489
	44,360	43,952	145,717	122,575
Expenses				
Selling, general and administrative	29,474	25,772	93,137	71,206
Amortization of intangible assets	9,933	9,516	29,853	26,580
Depreciation	3,029	2,330	8,318	6,091
	42,436	37,618	131,308	103,877
Income before the undernoted	1,924	6,334	14,409	18,698
Income from equity investments	500	1,472	1,995	2,988
Other income (expense)	(382)	229	330	782
Interest expense	9,076	8,323	27,448	21,169
Loss on dilution of ownership interest	-	808	-	6,872
Write-down of goodwill and intangibles	12,986	-	12,986	-
Impairment of long-term investment	22,000	-	22,000	-
Loss before income taxes	(42,020)	(1,096)	(45,700)	(5,573)
Income tax expense (recovery) - current	14	(28)	33	(340)
Income tax expense (recovery) - future	(1,890)	-	(1,996)	39,958
Loss from continuing operations before non-controlling interest	(40,144)	(1,068)	(43,737)	(45,191)
Non-controlling interest relating to continuing operations	15,573	653	17,122	20,122
Loss from continuing operations	(24,571)	(415)	(26,615)	(25,069)
Income (loss) from discontinued operations before non-controlling interest	(6,000)	952	(4,576)	(2,971)
Non-controlling interest relating to discontinued operations	2,321	(594)	1,741	1,222
Income (loss) from discontinued operations	(3,679)	358	(2,835)	(1,749)
Net loss and comprehensive loss	$ (28,250)	$ (57)	$ (29,450)	$ (26,818)
Loss per unit				
Basic and diluted:				
Continuing operations	$ (0.56)	$ (0.00)	$ (0.62)	$ (0.63)
Discontinued operations	(0.08)	(0.00)	(0.07)	(0.04)
Net loss	(0.64)	(0.00)	(0.69)	(0.67)

NEWPORT PARTNERS INCOME FUND
Consolidated Statements of Cash Flows

(In thousands of dollars, except unit amounts)
(Unaudited)

	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
Cash provided by (used in):				
Operating activities:				
Net loss	$ (28,250)	$ (57)	$ (29,450)	$ (26,818)
Items not affecting cash:				
Loss (income) from discontinued operations before controlling interest	6,000	(952)	4,576	2,971
Amortization of intangible assets	9,933	9,516	29,853	26,580
Depreciation	3,029	2,330	8,507	6,091
Future income tax expense (recovery)	(1,890)	-	(1,996)	39,958
Income from equity investments, net of cash received	508	64	1,452	1,033
Non-cash interest expense	1,080	987	3,169	1,805
Non-cash compensation expense	774	1,196	2,328	2,316
Loss on dilution of ownership interest	-	808	-	6,872
Write-down of goodwill and intangibles	12,986	-	12,986	-
Impairment of long-term investment	22,000	-	22,000	-
Non-controlling interest	(17,894)	(59)	(18,863)	(21,344)
Changes in non-cash working capital	11,206	(16,120)	15,602	(19,458)
Cash provided by (used in) discontinued operations	1,757	1,688	3,890	17,006
	21,239	(599)	54,054	37,012
Financing activities:				
Repurchase of units	-	(6,160)	-	(11,624)
Issuance of convertible debt net of costs	-	76,025	-	76,025
Distributions to unitholders	(7,211)	(10,195)	(20,906)	(29,926)
Distributions to non-controlling interest	(4,475)	(7,428)	(14,152)	(23,199)
Decrease (increase) in cash held in trust	6,980	(4,297)	4,928	(5,931)
Increase (decrease) in bank indebtedness	(42,064)	(11,048)	(47,527)	41,016
Increase in long-term debt	-	-	-	20,001
Repayment of capital lease obligations	(658)	(801)	(3,663)	(2,285)
Cash used in discontinued operations	(6,717)	(1,412)	(8,459)	(10,756)
	(54,145)	34,684	(89,779)	53,321
Investing activities:				
Acquisition of businesses, net of cash acquired	2,000	(44,189)	1,109	(122,660)
Proceeds on disposal of business	30,710	-	30,710	24,000
Purchase of long-term investments	-	(40)	-	(40)
Purchase of property, plant and equipment	(3,378)	(1,046)	(5,746)	(4,034)
Purchase of intangible assets	-	(79)	-	(79)
Increase in other assets	(160)	(12,508)	(1,040)	(13,034)
Cash used in discontinued operations	(663)	(448)	(1,252)	(16,601)
	28,509	(58,310)	23,781	(132,448)
Increase (decrease) in cash and cash equivalents	(4,397)	(24,225)	(11,944)	(42,115)
Cash and cash equivalents, beginning of period - continuing operations	7,109	28,428	14,457	52,222
Cash and cash equivalents, beginning of period - discontinued operations	5,622	8,298	5,821	2,394
Cash and cash equivalents, end of period	8,334	12,501	8,334	12,501
Cash and cash equivalents, end of period - discontinued operations	-	8,126	-	8,126
Cash and cash equivalents, end of period – continuing operations				
Cash	8,254	4,375	8,254	4,375
Cash equivalents	80	-	80	-
	$ 8,334	$ 4,375	$ 8,334	$ 4,375
Supplemental cash flow information:				
Interest paid	$ 5,213	$ 5,850	$ 21,925	$ 18,168
Cash acquired upon acquisition	-	228	61	1,417
Supplemental disclosure of non-cash financial and investing activities:				
Acquisition of property, plant and equipment through capital leases	749	223	3,243	4,125

NPF's 2008 Third Quarter Financial Statements and Management's Discussion and Analysis are available on the investor info section of www.newportpartners.ca and on SEDAR at www.sedar.com

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