

## Newport Partners Income Fund announces Q1 financial results

**Toronto – May 11, 2010** – Newport Partners Income Fund (“the Fund”) (TSX:NPF.UN, NPF.DB and NPF.DB.A) today announced its results for the three months ended March 31, 2010.

### Year-End Results

(\$ millions)	2010	2009
Revenue	\$122.1	\$155.5
Gross profit	\$30.8	\$34.3
Selling, general & administrative expenses	\$24.9	\$26.7
Net loss	\$(9.5)	\$(9.5)
EBITDA	\$6.6	\$7.6
Distributable cash used by continuing operations	\$(5.0)	\$(3.3)

Revenue for the quarter ended March 31, 2010 was \$122.1 million, down 21 percent from \$155.5 million produced in the first quarter of 2009. Gross profit decreased 10 percent to \$30.8 million for the period representing a gross profit margin of 25 percent. For the same period last year, the Fund reported gross profit of \$34.3 million representing a gross profit margin of 22 percent.

EBITDA for the quarter decreased 13 percent to \$6.6 million versus \$7.6 million for the same period last year.

The net loss for the first quarter of 2010 was \$9.5 million versus a net loss of \$9.5 million in 2009.

During 2009 the Fund announced it was in default of its Senior Credit Agreement and subsequently entered into a Forbearance Agreement with its Senior Lenders. Under the terms of the Forbearance Agreement, the Senior Lenders agreed not to enforce their default related rights and remedies under the Senior Credit Agreement for a period of up to 365 days, and the Fund agreed to repay all amounts owing by July 21, 2010. To date the Fund has repaid \$136.6 million, most of which has been applied against the principal balance.

“We had a slow start to the year, particularly within the industrial services segment. Business volumes in this segment were down from a year ago and from the previous quarters. This segment makes up a significant part of the Fund and we expect a busier second quarter. We continue to focus on our balance sheet restructuring” said Dean MacDonald, President and CEO of the Fund.

### Portfolio Review

#### *Industrial Services*

NPC results were disappointing for the quarter. The conventional oil and gas maintenance service businesses had decreased activity compared to the prior year as maintenance and fixed price projects were deferred by clients. Business volumes in the wear technology division were down compared to the levels seen in recent quarters.

Quantum Murray also had a slow start to the year. Both the environmental and demolition divisions were lacking the large industrial projects that were present last year.

### *Financial Services*

Results for NP LP and Brompton were improved as assets under management continue to modestly increase as the financial markets recover. BMI had a solid quarter with client development efforts showing traction. Hargraft and Morrison Williams results were impacted by some loss in business.

### *Marketing*

Capital C had a strong quarter with revenues and gross margins exceeding the prior year quarter. Existing clients increased their marketing budgets and new clients are looking to Capital C for their digital and traditional marketing solutions. Gemma's results were satisfactory as it continues to replace its financial services clients with a more diversified client base. IC Group saw some budget reductions from a key client and the strong Canadian dollar negatively impacted the quarter. S&E had a few Olympic and hockey related marketing events that contributed to the quarter. Armstrong's results have been impacted by budget constraints of a few core clients.

### *Other*

Peerless had a successful quarter as it continues to benefit from two large military garment contracts. Gusgo had an improved quarter as the transportation industry is directly impacted by the recovering economy. Titan's business volumes were below the same prior year period, however there were signs of improvement compared to the last quarter.

### *Corporate*

Corporate office costs were increased from the first quarter of 2009, reflecting increased salary and travel costs associated with the new and expanded senior management team as well as stock-based compensation expense recorded in the quarter.

## **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. The Fund 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 \$494 million invested in 16 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 May 11th to discuss the first quarter results. The call may be accessed by dialling 416-695-7848 within the Toronto area or 1-800-355-4959 (toll free).

This conference call will be recorded and available for replay until May 25, 2010. To listen to the replay, please dial 416-695-5800 or 1-800-408-3053, passcode is 7102555.

## **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 labor. 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 "2010 Outlook" presented. Readers are cautioned that this information may not be appropriate for any other purpose.

### **Non-GAAP Measures**

The terms "distributable cash" and "EBITDA", (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

**Distributable cash** 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.

**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](http://www.sedar.com) or at [www.newportpartnersincomefund.ca](http://www.newportpartnersincomefund.ca)**

## NEWPORT PARTNERS INCOME FUND

Consolidated Balance Sheets  
(In thousands of dollars)

	March 31, 2010	December 31, 2009
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 21,363	\$ 43,882
Cash and short-term investments held in trust	20,605	20,142
Accounts receivable	100,780	119,363
Inventories	33,755	34,034
Prepaid expenses	2,909	2,951
Future tax asset	985	-
Other current assets	13,689	14,249
	194,086	234,621
Property, plant and equipment	42,893	44,012
Long-term investments	16,369	16,047
Goodwill	69,954	68,914
Intangible assets	99,300	101,979
Other assets	13,856	13,751
	\$ 436,458	\$ 479,324
Liabilities and Unitholders' Equity		
Current liabilities:		
Revolving credit facilities	\$ 10,089	\$ 10,089
Current portion of long-term debt	132,458	150,499
Convertible debentures	157,049	156,136
Accounts payable and accrued liabilities	99,386	115,117
Deferred revenue	11,149	10,403
Current portion of obligations under capital leases	4,619	4,588
Future tax liability	-	105
	414,750	446,937
Obligations under capital leases	5,007	5,915
Future tax liability	4,264	5,453
Unitholders' equity	12,437	21,019
	\$ 436,458	\$ 479,324

## NEWPORT PARTNERS INCOME FUND

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

	Three months ended March 31, 2010	Three months ended March 31, 2009
Revenues	\$ 122,073	\$ 155,512
Cost of revenues	91,317	121,231
	30,756	34,281
Expenses		
Selling, general and administrative	24,914	26,741
Amortization of intangible assets	6,416	7,351
Depreciation	2,962	3,056
	34,292	37,148
Loss before the undernoted	(3,536)	(2,867)
Income from equity investments	470	18
Write-down of goodwill	-	270
Interest expense, net	9,693	10,046
Loss before income taxes	(12,759)	(13,165)
Income tax expense – current	3	17
Income tax recovery – future	(3,254)	-
Loss from continuing operations before non-controlling interest	(9,508)	(13,182)
Non-controlling interest relating to continuing operations	-	4,331
Loss from continuing operations	(9,508)	(8,851)
Loss from discontinued operations before non-controlling interest	-	(936)
Non-controlling interest relating to discontinued operations	-	308
Loss from discontinued operations	-	(628)
Net loss and comprehensive loss	\$ (9,508)	\$ (9,479)
Loss per unit		
Basic and diluted:		
Continuing operations	\$ (0.13)	\$ (0.18)
Discontinued operations	\$ -	\$ (0.01)
Net loss	\$ (0.13)	\$ (0.19)

## NEWPORT PARTNERS INCOME FUND

### Consolidated Statements of Cash Flows

(In thousands of dollars)

(Unaudited)

	Three months ended March 31, 2010	Three months ended March 31, 2009
Cash provided by (used in):		
Operating activities:		
Net loss for the period	\$ (9,508)	\$ (9,479)
Items not affecting cash:		
Loss from discontinued operations before non-controlling interest	-	936
Amortization of intangible assets	6,416	7,351
Depreciation	2,981	3,078
Future income tax recovery	(3,254)	-
(Income) loss from equity investments, net of cash received	(470)	172
Non-cash interest expense	912	834
Write-down of goodwill	-	270
Non-controlling interest	-	(4,639)
Changes in non-cash working capital	4,783	14
Stock based compensation expense	926	-
Distributions from discontinued operations	-	496
Cash provided by discontinued operations	-	(1,201)
	2,786	(2,168)
Investing activities:		
Acquisition of businesses, net cash acquired	(4,321)	(8,487)
Proceeds on disposal of business	-	1,197
Purchase of property, plant and equipment	(1,163)	(1,917)
Increase in other assets	(105)	-
Cash used in discontinued operations	-	(40)
	(5,589)	(9,247)
Financing activities:		
Decrease in long-term debt	(18,041)	-
Increase in revolving credit facilities	-	4,660
Increase in cash held in trust	(463)	(4,420)
Repayment of capital lease obligations	(1,212)	(1,423)
Cash provided by discontinued operations	-	1,396
	(19,716)	213
Decrease in cash and cash equivalents	(22,519)	(11,202)
Cash and cash equivalents, beginning of period – continuing operations	43,882	23,559
Cash and cash equivalents, beginning of period – discontinued operations	-	296
Cash and cash equivalents, end of period	\$ 21,363	\$ 12,653
Cash and cash equivalents, end of period – discontinued operations	-	\$ 451
Cash and cash equivalents, end of period – continuing operations	\$ 21,363	\$ 12,202
Supplemental cash flow information:		
Interest paid	\$ 5,232	\$ 5,049
Cash acquired upon acquisition	\$ 4	\$ 113
Cash removed on disposal of business	-	\$ 77
Supplemental disclosure of non-cash financial and investing activities:		
Acquisition of property, plant and equipment through capital leases	\$ 243	\$ 751

Newport Partners Income Fund's 2010 First Quarter Financial Statements and Management's Discussion and Analysis are available on the investor info section of [www.newportpartnersincomefund.ca](http://www.newportpartnersincomefund.ca) and on SEDAR at [www.sedar.com](http://www.sedar.com).

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