

## Newport Partners Income Fund announces Q3 financial results

**Toronto – November 9, 2010** – Newport Partners Income Fund (“the Fund”) (TSX: NPF.UN, NPF.DB and NPF.DB.A) today announced its results for the three and nine months ended September 30, 2010.

### Third Quarter and Year-to-Date

(\$ millions)	Q3 2010	Q3 2009	9 months 2010	9 months 2009
Revenue	\$133.4	\$147.5	\$384.8	\$412.0
Gross profit	\$30.6	\$37.0	\$93.3	\$98.8
Selling, general & administrative expenses	\$22.9	\$23.8	\$70.6	\$75.1
Net loss	\$(13.5)	\$(12.0)	\$(27.6)	\$(32.0)
Adjusted EBITDA from continuing operations	\$8.8	\$13.8	\$25.7	\$25.5
Distributable cash from (used by) continuing operations	\$(3.1)	\$2.7	\$(4.3)	\$(9.5)

Revenue for the quarter ended September 30, 2010 was \$133.4 million, a decrease of 9.6 percent from \$147.5 million produced in the third quarter of 2009. Revenue for the nine month period ended September 30, 2010 was \$384.8 million compared to \$412.0 million in the prior year period. Gross profit for the quarter ended September 30, 2010 decreased 17.3 percent to \$30.6 million representing a gross profit margin of 22.9 percent. For the same period last year, the Fund reported gross profit of \$37.0 million representing a gross profit margin of 25.1 percent. On a year to date basis, gross profit was \$93.3 million or 24.2 percent of revenue compared to \$98.8 million or 24.0 percent of revenue in the prior year.

Adjusted EBITDA from continuing operations for the quarter decreased to \$8.8 million versus \$13.8 million for the same period last year. For the nine months ended adjusted EBITDA was \$25.7 million compared to \$25.5 million in the prior year.

The net loss for the third quarter of 2010 was \$13.5 million versus \$12.0 million in 2009. On a year to date basis there was a net loss of \$27.6 million compared to \$32.0 million in the prior year.

In October 2010 the Fund reached an agreement with its lenders to extend the Forbearance agreement by more than ninety days. The Fund agreed to repay the loan balance of \$112.0 million plus associated fees and interest by January 31, 2011. “Progress is being made on asset sales to satisfy the Fund’s obligations under the Forbearance agreement.” said Dean MacDonald President and CEO of the Fund.

Management of the Fund is looking to address its capital structure and is reviewing all of its strategic options.

Operationally, the third quarter results were at best mixed. The industrial services segment results were down from the prior year quarter. At NPC, revenues from the conventional maintenance services were improved however volumes in the wear technology division have not yet returned to the levels seen in the prior year. At Quantum Murray revenues are down from the prior year which benefited from a large remediation project. There is some indication of an improving economy as more bidding opportunities for industrial demolition and remediation projects are becoming available.

“The financial services and marketing portfolios have produced variable results this quarter. Client pullbacks at a couple of our investments have hurt the overall performance of these segments.

We continue to monitor our costs and cashflows carefully through this period. Our expectation is that the fourth quarter will see improved results, largely driven by our industrial services segment” said Dean MacDonald.

### **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 \$452 million invested in 14 companies representing a diverse cross-section of the Canadian economy.

### **Investor Conference Call**

Management of the Fund will not hold a Q3 conference call. Management is focused on evaluating strategic re-financing options. A conference call for investors, analysts, brokers and media representatives will be announced in the future to provide an update on the progress of this initiative.

**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 constitute forward-looking information. 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, compliance with the terms of the Amended Forbearance Agreement with the senior lenders, ability to meet working capital requirements and capital expenditures needs of the Operating Partners, 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. 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 except as required by law. 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 "Fourth Quarter 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 methods used by other issuers. Therefore, the Fund's Non-GAAP Measures, as presented may not be comparable to similar measures presented by other issuers.

**EBITDA** refers to net earnings determined in accordance with GAAP, before depreciation and amortization, net of gain or loss on disposal of capital assets and disposal of investments, 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 and believes that in addition to net income or loss and cash provided by operating activities, EBITDA is a useful supplemental measure from which to determine the Fund's ability to generate cash available for debt service, working capital, capital expenditures, income taxes and distributions. The Fund has provided a reconciliation of income to EBITDA in its MD&A.

**Adjusted EBITDA** refers to EBITDA excluding the gain or loss on reduction of ownership interest (dilution gains or losses), the write-down of goodwill and intangibles and the impairment of long-term investments. 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** 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 suspended distributions paid to its unitholders in October 2008. Under the Amended Forbearance Agreement, the Fund is prohibited from making distributions to unitholders and the Fund is retaining cash to meet working capital requirements, capital expenditures needs of the Operating Partners and to repay debt. Management believes it is, therefore, a useful financial measure as an indication of the Fund's ability to generate cash and use such cash to repay debt and fund operations. Distributable cash generated by an Operating Partnership is also used by management in the calculation of yield which it uses to monitor the performance of the Fund's Operating Partnerships.

**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)

(unaudited)

	September 30, 2010	December 31, 2009
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 17,535	\$ 43,561
Cash and short-term investments held in trust	20,401	20,142
Accounts receivable	106,494	115,525
Inventories	30,412	24,236
Prepaid expenses	4,121	2,843
Other current assets	15,577	14,246
Current assets of discontinued operations	223	14,068
	<b>\$ 194,763</b>	<b>\$ 234,621</b>
Property, plant and equipment	37,843	43,005
Long-term investments	15,776	16,047
Goodwill	69,034	67,994
Intangible assets	70,654	84,096
Other assets	14,194	13,683
Long-term assets of discontinued operations	-	20,357
	<b>\$ 402,264</b>	<b>\$ 479,803</b>
<b>Liabilities and Unitholders' Equity</b>		
Current liabilities:		
Revolving credit facilities	\$ 10,089	\$ 10,089
Current portion of long-term debt	111,994	150,499
Convertible debentures	158,939	156,136
Accounts payable and accrued liabilities	106,727	113,475
Deferred revenue	11,080	10,652
Current portion of obligations under capital leases	4,447	4,588
Current portion of future tax liability	-	105
Current liabilities of discontinued operations	321	1,393
	<b>\$ 403,597</b>	<b>\$ 446,937</b>
Obligations under capital leases	4,005	5,915
Future tax liability	-	906
Long-term liabilities of discontinued operations	-	5,026
Unitholders' equity (deficit)	(5,338)	21,019
	<b>\$ 402,264</b>	<b>\$ 479,803</b>

## NEWPORT PARTNERS INCOME FUND

### Consolidated Statements of Loss and Comprehensive Loss

(In thousands of dollars, except per unit amounts)

(unaudited)

	Three months ended		Nine months ended	
	September 30		September 30	
	2010	2009	2010	2009
Revenues	\$ 133,433	\$ 147,493	\$ 384,832	\$ 411,983
Cost of revenues	102,806	110,545	291,526	313,196
Gross profit	30,627	36,948	93,306	98,787
Expenses				
Selling, general and administrative	22,878	23,787	70,596	75,069
Amortization of intangible assets	5,318	6,610	15,728	19,844
Depreciation	3,035	2,982	8,895	9,006
	31,231	33,379	95,219	103,919
Income (loss) before the undernoted	(604)	3,569	(1,913)	(5,132)
Income from equity investments	748	349	2,121	861
Interest expense, net	9,313	11,029	25,669	31,511
Loss on sale of investment	442	-	442	-
Write-down of goodwill and intangible assets	-	12,151	1,779	15,666
Loss before income taxes	(9,611)	(19,262)	(27,682)	(51,448)
Income tax expense - current	166	24	230	55
Income tax recovery - future	(2,294)	(6,538)	(3,377)	(10,298)
Loss from continuing operations before non-controlling interest	(7,483)	(12,748)	(24,535)	(41,205)
Non-controlling interest relating to continuing operations	-	134	-	6,613
	(7,483)	(12,614)	(24,535)	(34,592)
Income (loss) from discontinued operations before non-controlling interest	(6,047)	635	(3,055)	2,995
Non-controlling interest relating to discontinued operations	-	(7)	-	(405)
Income (loss) from discontinued operations	(6,047)	628	(3,055)	2,590
Net loss and comprehensive loss	\$ (13,530)	\$ (11,986)	\$ (27,590)	\$ (32,002)
Income (loss) per unit				
Basic and diluted:				
Continuing operations	\$ (0.11)	\$ (0.18)	\$ (0.34)	\$ (0.57)
Discontinued operations	(0.08)	0.01	(0.04)	0.04
Net loss	\$ (0.19)	\$ (0.17)	\$ (0.38)	\$ (0.52)

## NEWPORT PARTNERS INCOME FUND

### Consolidated Statements of Cash Flows

(In thousands of dollars)

(unaudited)

	Three months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
Cash provided by (used in):				
Operating activities:				
Net loss for the period	\$ (13,530)	\$ (11,986)	\$ (27,590)	\$ (32,002)
Items not affecting cash:				
(Income) loss from discontinued operations before non-controlling interest	6,047	(635)	3,055	(2,995)
Amortization of intangible assets	5,318	6,610	15,728	19,844
Depreciation	3,049	2,998	8,939	9,056
Future income tax recovery	(2,294)	(6,538)	(3,377)	(10,298)
Income from equity investments, net of cash received	(699)	(252)	(120)	(227)
Loss on sale of investment	442		442	
Non-cash interest expense	955	873	2,803	2,560
Non-cash compensation expense	-	-	-	498
Stock based compensation expense	153	-	1,233	-
Write-down of goodwill and intangibles	-	12,151	1,779	15,666
Non-controlling interest	-	(127)	-	(6,208)
Changes in non-cash working capital	(2,074)	10,080	(7,225)	27,467
Distributions from discontinued operations	1,315	2,021	4,937	5,066
Cash provided by (used in) discontinued operations	(351)	6,134	4,183	7,802
	(1,669)	21,329	4,787	36,229
Investing activities:				
Acquisition of businesses, net cash acquired	-	(2,337)	(4,321)	(10,824)
Proceeds on disposal of business	23,310	-	23,581	1,197
Purchase of property, plant and equipment	(1,021)	(1,747)	(2,630)	(7,357)
Purchase of software	(329)	-	(329)	-
Increase in other assets	-	-	(511)	-
Cash used in discontinued operations	(25)	(36)	(41)	(141)
	21,935	(4,120)	15,749	(17,125)
Financing activities:				
Repayment of long-term debt	(20,280)	-	(38,505)	-
Increase in revolving credit facilities	-	10,093	-	14,793
Increase (decrease) in cash held in trust	2,194	3,081	(259)	(4,022)
Repayment of capital lease obligations	(1,205)	(991)	(3,656)	(3,842)
Cash provided by (used in) discontinued operations	38	(5,548)	(4,463)	(6,588)
	(19,253)	6,635	(46,883)	341
Increase (decrease) in cash and cash equivalents	1,013	23,844	(26,347)	19,445
Cash and cash equivalents, beginning of period - continuing operations	16,184	18,393	43,561	23,315
Cash and cash equivalents, beginning of period - discontinued operations	338	1,063	321	540
Cash and cash equivalents, end of period	\$ 17,535	\$ 43,300	\$ 17,535	\$ 43,300
Cash and cash equivalents, end of period - discontinued operations	-	1,613	-	1,613
Cash and cash equivalents, end of period - continuing operations	\$ 17,535	\$ 41,687	\$ 17,535	\$ 41,687
Supplemental cash flow information:				
Interest paid	5,087	5,141	12,861	18,275
Cash acquired upon acquisition	-	-	4	-
Cash removed on disposal of business	-	1,384	-	1,384
Supplemental disclosure of non-cash financial and investing activities:				
Acquisition of property, plant and equipment through capital leases	986	-	1,632	1,354

Newport Partners Income Fund's 2010 Third 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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