Newport Partners Income Fund announces Q3 financial results

Toronto – November 11, 2009 – Newport Partners Income Fund ("NPF" or "the Fund") (TSX:NPF.UN, NPF.DB, NPF.DB.A) today announced its results for the three and nine months period ended September 30, 2009.

($ millions)	Q3 2009	Q3 2008	9 months 2009	9 months 2008
Revenue	158.2	162.9	440.1	483.2
Gross profit	43.3	42.8	117.1	140.3
Selling, general & administrative expenses	28.0	28.9	88.1	91.5
Net loss	(12.0)	(28.3)	(32.0)	(29.5)
Adjusted EBITDA from continuing operations	15.9	14.5	30.8	52.5

Revenue for the three-month period ended September 30, 2009 was $158.2 million, down 3% from $162.9 million reported in the same period last year. Revenue for the nine month period ended September 30, 2009 was $440.1 million compared to $483.2 million in the prior year period. Gross profit for the three months increased to $43.3 million (27% of revenue) from $42.8 million (26% of revenue) for the same period last year. On a year to date basis, gross profit was $117.1 million (27% of revenue), a decrease from $140.3 million (29% of revenue) in the prior year period. The increase in gross profit margins in the current quarter is primarily attributable to higher margins from specialty services in the oil and gas sector.

Selling, general and administrative expenses of $28.0 million were down from $28.9 in the same period last year. For the nine months period, selling, general and administrative expenses were $88.1 million compared to $91.5 million in the prior year period.

Adjusted EBITDA (after non-cash investment write downs of $12.1 million) from continuing operations was $15.9 million for the current quarter compared to $14.5 million in last year's quarter. On a year to date basis, Adjusted EBITDA was $30.8 million compared to $52.5 million in the prior year. The net loss for the quarter was ($12.0) million versus a net loss of ($28.3) million for the same period last year. For the nine months ended September 30, 2009, there was a net loss of ($32.0) million compared to a net loss of ($29.5) million in the prior year period.

Since December 2008, a subsidiary of the Fund was in breach of certain covenants on its senior debt. During the third quarter, on July 21, 2009 the Fund signed a Forbearance Agreement in which the Lenders have agreed not to enforce their default related rights and remedies under the Senior Credit Agreement for a period of up to 365 days. The agreement requires repayment of all senior indebtedness by the end of the forbearance period, with certain repayment milestones, the first of which has been met.

"In this quarter we took an important step in our restructuring program when we announced on August 31, 2009 that the Fund had entered into an agreement to sell ESR for cash of $75 million, subject to working capital adjustment. This transaction closed on October 1, 2009 and from the gross proceeds of the sale, $70.1 million was paid to the senior lenders", noted Dean MacDonald, President and Chief Executive Officer of the Fund. "There are additional important steps ahead. We need to keep our focus on debt repayment but we also need to reach agreement with the convertible debenture holders in order to ensure our business viability".

Third Quarter 2009 Portfolio Highlights

NPC/Golosky again reported lower revenues over the same period a year ago reflecting continuing reduced business volumes in conventional oil and gas maintenance services. Increased activity, however, in the wear technology services in the oil sands have resulted in stronger margins. Quantum Murray's environmental division performed satisfactorily, boosted this quarter by summer work on two Arctic projects, but both the demolition and scrap metals divisions continue to be impacted by a lack of larger industrial demolition projects. Peerless had a good quarter as it delivered on two large contracts. Titan continues to struggle with reduced customer demand. The harsh economic climate in Alberta continues to impact drilling, construction and transportation customers of Titan, and the Fund wrote down this investment in the quarter reflecting this continuing trend. The manufacturing challenges in Ontario continue to impact Gusgo's transportation business.

The Fund's specialty marketing businesses had a mixed quarter. Individual client successes have been offset by some erosion in client spending which has impacted margins.

The asset managers in the Fund's financial services segment have fared better than the previous quarter as equity markets have strengthened, however, are still below levels compared to a year ago. In the insurance businesses, both Hargraft and BMI continue to be hurt by lower commission income as a result of softer insurance markets and customer attrition. The Fund wrote down its investment in Hargraft in the quarter reflecting this continuing trend.

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. The Fund currently has $489 million invested in 16 companies representing a diverse cross-section of the Canadian economy.

Investor Conference Call

Management will hold a conference call at 10:00 am (Eastern Standard Time) on November 11, 2009 to discuss the third quarter financial results. The call may be accessed by dialling 416-695-6622 within the Toronto area or 1-800-766-6630 (toll free). This conference call will be recorded and available for replay until Wednesday, November 25, 2009. To listen to the replay, please dial 416-695-5800 or 1-800-408-3053, passcode is 7102555.

Contact: Keith Halbert at 416-867-7544

Or IRinfo@newportpartners.ca

NOT FOR DISTRIBUTION TO U.S. WIRE SERVICES OR FOR DISSEMINATION IN THE UNITED STATES

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 "Fourth quarter 2009 Outlook" presented. Readers are cautioned that this information may not be appropriate for any other purpose.

Non-GAAP Measures

The terms "adjusted EBITDA " , ''EBITDA'', ''invested capital'' (collectively the ''Non-GAAP Measures'') are financial measures used in this press 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.

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 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.

Invested capital refers to the cost to acquire an equity interest in an Operating Partnership and excludes transaction costs and any working capital provided to such Operating Partnership. Management uses this measure to monitor the performance of its investment strategy and as an input to the calculation of its targeted overall yield for an Operating Partnership. Management believes that invested capital is a useful supplemental measure that provides investors with useful information about the capital that the Fund deploys for each Operating Partnership which can subsequently be used to determine the performance of each Operating Partnership.

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)

	September 30 2009 (Unaudited)	December 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	$ 41,916	$ 23,559
Cash and short-term investments held in trust	19,124	14,154
Accounts receivable	123,891	140,132
Inventories	35,610	33,112
Prepaid expenses	3,726	2,942
Other current assets	20,566	22,830
Future tax asset	3,330	1,393
Assets of discontinued operations	71,006	20,554
	319,169	258,676
Property, plant and equipment	45,649	44,060
Long-term investments	15,121	15,998
Goodwill	72,243	70,640
Intangible assets	132,400	168,953
Other assets	13,750	15,706
Long-term assets of discontinued operations		45,009
	$ 598,332	$ 619,042
Liabilities and Unitholders' Equity		
Current liabilities:		
Revolving credit facilities	$ 42,193	$ 27,400
Current portion of long-term debt	210,000	210,000
Convertible Debentures	155,243	
Accounts payable and accrued liabilities	106,163	102,306
Deferred revenue	12,426	10,742
Current portion of obligations under capital leases	4,121	5,695
Liabilities of discontinued operations	28,109	20,797
	558,255	376,940
Obligations under capital leases	6,827	7,741
Future tax liability	12,298	20,989
Long-term liabilities of discontinued operations		5,087
Convertible debentures		152,683
Non-controlling interest	362	15,649
Unitholders' equity	20,590	39,953
	$ 598,332	$ 619,042

NEWPORT PARTNERS INCOME FUND

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

	Three months ended September 30 2009	Three months ended September 30 2008	Nine months ended September 30 2009	Nine months ended September 30 2008
Revenues	$ 158,213	$ 162,924	$ 440,146	$ 483,167
Cost of revenues	114,918	120,122	323,060	342,863
	43,295	42,802	117,086	140,304
Expenses				
Selling, general and administrative	28,042	28,938	88,088	91,489
Amortization of intangible assets	7,812	8,784	23,449	26,407
Depreciation	2,992	3,000	9,037	8,226
	38,846	40,722	120,574	126,122
Income (loss) before the undernoted	4,449	2,080	(3,488)	14,182
Income from equity investments	349	510	861	1,720
Other income (expense)	-	(382)	-	330
Interest expense	11,099	9,121	31,704	27,560
Write-down of goodwill and intangibles	12,151	12,986	15,666	12,986
Impairment of long-term investment	-	22,000	-	22,000
Loss before income taxes	(18,452)	(41,899)	(49,997)	(46,314)
Income tax expense - current	24	14	55	33
Income tax recovery - future	(6,865)	(1,890)	(10,621)	(1,996)
Loss from continuing operations before non-controlling interest	(11,611)	(40,023)	(39,431)	(44,351)
Non-controlling interest relating to continuing operations	122	15,526	6,328	17,355
Loss from continuing operations	$ (11,489)	(24,497)	$ (33,103)	(26,996)
Income (loss) from discontinued operations before non-controlling interest	(502)	(6,120)	1,221	(3,962)
Non-controlling interest relating to discontinued operations	5	2,367	(120)	1,508
Income (loss) from discontinued operations	(497)	(3,753)	1,101	(2,454)
Net loss and comprehensive loss	$ (11,986)	$ (28,250)	$ (32,002)	$ (29,450)
Income (loss) per unit				
Basic and diluted:				
Continuing operations	$ (0.16)	$ (0.56)	$ (0.54)	$ (0.63)
Discontinued operations	(0.01)	(0.08)	0.02	(0.06)
Net loss	(0.17)	(0.64)	(0.52)	(0.69)

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 20	
	2009	2008	2009	2008
Cash (used in) provided by:				
Operating activities:				
Net loss	$ (11,986)	$ (28,250)	$ (32,002)	$(29,450)
Items not affecting cash:				
Income from discontinued operations before non-controlling interest	502	6,120	(1,221)	3,962
Amortization of intangible assets	7,812	8,784	23,449	26,407
Depreciation	3,012	3,000	9,099	8,415
Future income tax (recovery)	(6,865)	(1,890)	(10,621)	(1,996)
Income from equity investments, net of cash received	(252)	517	(227)	1,177
Non-cash interest expense	873	1,080	2,560	3,169
Non-cash compensation expense	-	269	498	815
Write-down of goodwill and intangibles	12,151	12,986	15,666	12,986
Impairment of long-term investment	-	22,000	-	22,000
Non-controlling interest	(117)	(17,893)	(6,208)	(18,863)
Changes in non-cash working capital	9,994	14,543	27,440	17,494
Cash provided by discontinued operations	6,205	1,276	7,796	13,960
	21,329	22,542	36,229	60,076
Financing activities:				
Distribution to unitholders	-	(7,211)	-	(20,906)
Distributions to non-controlling interest	-	(4,475)	-	(14,152)
(Decrease) increase in cash and short-term investments held in trust	3,081	6,980	(4,022)	4,928
Increase (decrease) in revolving credit facilities	10,093	(42,064)	14,793	(47,527)
Repayment of capital lease obligations	(991)	(658)	(3,842)	(3,663)
Cash used in discontinued operations	(5,548)	(8,020)	(6,588)	(14,481)
	6,635	(55,448)	341	(95,801)
Investing activities:				
Acquisition of businesses, net of cash acquired	(2,337)	2,000	(10,824)	1,109
Proceeds on disposal of business	-	30,710	1,197	30,710
Purchase of property, plant and equipment	(1,748)	(3,359)	(7,378)	(5,681)
Increase in other assets	-	(160)	-	(1,040)
Cash used in discontinued operations	(35)	(682)	(120)	(1,317)
	(4,120)	28,509	(17,125)	23,781
Increase (decrease) in cash and cash equivalents	23,844	(4,397)	19,445	(11,944)
Cash and cash equivalents, beginning of period - continuing operations	18,694	7,105	23,559	10,600
Cash and cash equivalents, beginning of period - discontinued operations	762	5,626	296	9,678
Cash and cash equivalents, end of period – continuing operations	41,916	4,796	41,916	4,796
Cash and cash equivalents, end of period - discontinued operations	1,384	3,538	1,384	3,538
Cash and cash equivalents, end of period	41,916	8,334	41,916	8,334
Cash	41,916	8,254	41,916	8,254
Cash equivalents	-	80	-	80
Supplemental cash flow information:				
Interest paid	$ 5,131	$ 5,213	$ 18,275	$ 21,925
Cash acquired upon acquisition	-	-	-	61
Cash removed on disposal of business	1,384	3,538	1,384	3,538
Supplemental disclosure of non-cash financial and investing activities:				
Acquisition of property, plant and equipment through capital leases	-	749	1,354	3,243

- end -