

March 18, 2008 - 5:07 PM EST



Livingston International Income Fund reports improved operating results in the fourth quarter 2007

TORONTO, March 18 /CNW/ - Livingston International Income Fund (TSX: LIV.UN), Canada's largest customs broker and a leading North American provider of customs brokerage, transportation and integrated logistics services, today announced improved results from operations for the fourth quarter ended December 31, 2007.

"Livingston increased revenues in the latest quarter, despite a continuing weaker economic environment. Through active management and the successful integration of new operations, we leveraged revenue growth into much more significant increases in operating profitability," said Peter Luit, president and chief executive officer of Livingston International Inc. "While net income was negatively affected by writedowns on goodwill, intangibles and fixed assets, we are pleased with the improvement in our more diversified operations during the quarter. We are confident that our focus on efficient client service should continue to generate value for our unitholders."

Quarterly results

In the fourth quarter, Livingston increased revenues 3.6% to \$84.1 million from \$81.2 million in the same quarter of 2006. Livingston increased EBITDA(1), or earnings before interest, taxes, other income or expense, depreciation, amortization and impairment of goodwill, intangibles and fixed assets, to \$21.1 million in the quarter, compared with \$17.4 million for the fourth quarter of the previous year. As a percentage of revenue, EBITDA(1) increased to 25.1% of revenue from 21.4% a year earlier, as a result of stronger-than-anticipated brokerage volumes, higher volumes in the border services segment (see "Supplementary information" below) as well as reduced selling, general and administrative costs. The net loss for the quarter was \$24.7 million, compared with a net loss of \$3.3 million in the fourth quarter of 2006. In the fourth quarter, there were one-time reductions to the cost of services and selling, general and administrative costs of approximately \$1.6 million. The net loss was mainly due to the recognition of an impairment of goodwill in the amount of \$21.1 million and an impairment of intangible and fixed assets in the amount of \$16.7 million related to some of the transportation and logistics businesses from the PBB acquisition.

Annual results

For the year ended December 31, 2007, revenues were marginally higher at \$323.8 million than the \$323.0 million in 2006. The Fund's EBITDA(1) declined somewhat in 2007 to \$67.7 million from \$68.2 million reported for the previous year. The EBITDA(1) margin decreased to 20.9% of revenues from 21.1% in the prior year, mainly due to lower margins in some of the businesses acquired from PBB and the impact of the Canadian dollar reducing brokerage volumes in general. In 2007, there were one-time additional expenses to the cost of services and to selling, general and administrative expenses in the amount of \$0.9 million related to the restructuring of various parts of the business. The net loss in 2007 was \$15.3 million, compared with net income of \$17.5 million in 2006. Again, this was primarily due to the recognition of the impairment of goodwill, intangible assets and fixed assets in the amount of \$37.8 million in some of the acquired PBB transportation and logistics businesses.

Distributions

During the fourth quarter, the Fund declared distributions of \$11.6 million, or \$0.426 per unit, identical to distributions in the fourth quarter of 2006. Total distributions declared for 2007 were \$46.4 million, or \$1.704 per unit, compared with \$45.6 million, or \$1.697 per unit, in 2006.

Reporting segments

Effective starting in the fourth quarter of 2007, Livingston has modified its reporting segments as a result of increased business volumes in the former other services segment and as required by generally accepted accounting principles ("GAAP"). The Canadian brokerage, U.S. brokerage and transportation and logistics reporting segments are essentially the same, whereas the operations in the former other services segment have been segregated into either border services or the relevant Canadian or U.S. brokerage reporting segment.

Border services comprise managed services, which include imported vehicle registration, and technology services. Event logistics has been grouped with the Canadian brokerage reporting segment, and the Canadian and U.S. consulting businesses have been grouped with the Canadian and U.S. customs brokerage reporting segments, respectively. Details of the revised reporting segments are shown in Table 1. For comparative purposes, previous-year financial information has been reclassified to be consistent with the current-year reporting segments.

Supplementary information

The Fund has also provided supplementary information, in Tables 2 and 3, relating to Livingston's cash flows. There are now two

recommended guidelines for calculating cash available for distribution and payout ratio, giving rise to different and inconsistent calculations, particularly with respect to the Fund. For example, the recommended disclosure proposed by the Canadian Institute of Chartered Accountants for income trusts leads, in the Fund's case, to significant volatility in the calculation of distributable cash, and, therefore, management believes it is not a particularly relevant measure for the Fund. The Fund has adopted the Canadian Securities Administrators ("CSA") disclosure guidelines regarding operating cash flows, as these are more indicative of the Fund's performance. The Fund is cognizant that the tax changes coming in 2011 have resulted in income trusts becoming valued more along the lines of regular public corporations rather than on a distributable cash and payout ratio basis, as was formerly the case. Accordingly, these terms have become less relevant. Management believes this supplementary information should prove helpful to investors at this time, for transitional reasons. The Fund intends, however, to de-emphasize these concepts in future disclosures in favour of GAAP measures and EBITDA(1).

Livingston International Income Fund will provide its comprehensive Management's Discussion and Analysis, full financial statements and accompanying notes in its 2007 annual report, which will be mailed to unitholders and filed with SEDAR in advance of the Fund's annual meeting. The meeting is scheduled for May 13, 2008 at 10:00 a.m. EDT in the Gallery of the TSX Broadcast & Conference Centre, 130 King Street West, Toronto, Ontario.

Highlights

(in millions of dollars except per unit amounts, unaudited)	Three months ended Dec. 31		12 months ended Dec. 31	
	2007	2006	2007	2006
Net revenues	\$84.1	\$81.2	\$323.8	\$323.0
Net (loss) income	(24.7)	(3.3)	(15.3)	17.5
Cash flow from operations	71.5	42.9	40.5	73.7
EBITDA(1)	21.1	17.4	67.7	68.2
Distributions to unitholders	11.6	11.6	46.4	45.6
Distributions per unit to unitholders(x)	0.426	0.426	1.704	1.697

(x) The per-unit calculation is based on the weighted average number of units outstanding.

Conference call

Livingston International Income Fund invites interested investors, analysts and financial media to dial in to its conference call to review its fourth quarter and year-end financial results to be held on Wednesday, March 19, 2008 at 2:00 p.m. EDT. The number to call is **1-866-696-5896** or, in the Toronto area, **416 641-6128**, citing confirmation number 3252984.

A playback will also be available following the scheduled call, until April 19, by dialling **416 695-5800** in the Toronto area or **1-800-408-3053** and asking for the Livingston International 4th Quarter 2007 Financial Results conference call. The pass code for the playback is 3252984. An audio recording will also be archived on Livingston's web site for one month following the call.

About Livingston

Livingston International Income Fund owns, among other companies, Livingston International Inc., which is a leading North American provider of customs, transportation and integrated logistics services. Headquartered in Toronto, Ontario, Livingston International operates in four business segments: Canadian customs brokerage services; U.S. customs brokerage services; transportation and logistics services; and border services, comprising managed services, which include imported vehicle registration, and technology services. The Fund and its subsidiaries employ approximately 3,000 staff located at over 125 key border points, seaports, airports and other strategic locations across Canada and the United States.

Forward-looking statements

Certain statements in this release are forward-looking statements, which reflect management's current beliefs and expectations. Many factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including risks related to dependence on cross-border trade, economic conditions, tax matters, currency exchange rates, disruptions in border crossings, contract changes and regulatory change, among others. Undue reliance should not be placed on forward-looking statements. Refer to the forward-looking statements description on page 4 of Livingston's past interim financial statements filed on www.sedar.com as well as at www.livingstonintl.com.

Non-GAAP measures

The Fund provides some non-GAAP measures as supplementary information that management believes would be useful to investors to explain the Fund's financial results. These non-GAAP measures include EBITDA(1) and certain information as described below related to the calculation of cash flows. See Table 4 for a reconciliation of EBITDA(1) to net income.

The information provided in Table 2 is derived from, and should be read in conjunction with, the consolidated statements of cash flows. Management believes this supplementary disclosure provides useful additional information related to the cash flows of the Fund, the repayment of debt and other investing activities. Certain subtotals, such as adjusted operating cash flows after maintenance capital expenditures and integration costs, and adjusted operating cash flows after maintenance capital expenditures, integration costs and other items (formerly reported as cash available for distribution) that are presented in Table 2, are not defined terms under GAAP. Management uses these subtotals as measures of internal performance and as a supplement to the consolidated statements of cash flows. Investors are cautioned that the Fund may calculate these measures differently than other companies or income trusts do and that, therefore, they may not be comparable.

Consolidated Balance Sheet
As at December 31, 2007 and 2006

(in thousands of dollars, unaudited)	December 31, 2007	December 31, 2006
Assets		
Current assets		
Cash and cash equivalents	27,286	36,043
Accounts receivable	262,375	291,712
Prepaid expenses	4,347	4,499
Income taxes recoverable	-	533
Future income taxes	2,708	2,862
	296,716	335,649
Property, plant and equipment	21,474	28,633
Goodwill	306,901	328,169
Intangible assets	91,027	128,890
Future income taxes	3,678	5,394
Employee future benefits - pension	6,250	4,150
Deferred finance fees	-	2,643
Other long-term assets	650	994
	726,696	834,522
Liabilities		
Current liabilities		
Operating facility for government remittances	90,271	80,803
Government remittances payable	117,784	162,656
Unitholder distributions payable	3,869	3,867
Accounts payable and accrued liabilities	83,260	76,496
Income taxes payable	2,826	-
Client deposits and advances	5,435	9,472
Current portion of long-term debt	460	1,188
	303,905	334,482
Long-term debt	106,859	111,498
Other liabilities	2,015	1,947
Future income taxes	17,651	29,227
Employee future benefits	9,112	8,582
	439,542	485,736
Unitholders' equity		
Units	408,350	408,349
Restricted units	-	34
	408,350	408,383

Accumulated earnings	48,728	64,064
Distributions to unitholders	(170,090)	(123,661)

Deficit	(121,362)	(59,597)

Accumulated other comprehensive income	166	-

	287,154	348,786

	726,696	834,522

Consolidated Statements of Income and Deficit
For the periods ended December 31, 2007 and 2006

(in thousands of dollars, except per unit amounts, unaudited)	Three months ended Dec. 31, 2007	Three months ended Dec. 31, 2006	12 months ended Dec. 31, 2007	12 months ended Dec. 31, 2006

Net revenues	83,512	80,444	321,217	320,195
Interest income	604	768	2,621	2,845

	84,116	81,212	323,838	323,040

Cost of services	46,833	45,852	186,382	181,329
Selling, general and administrative expenses	15,823	17,028	68,142	70,056
Costs related to the integration of PBB	328	947	1,643	3,465
Depreciation	2,355	3,091	10,926	10,970
Amortization	5,536	9,111	22,963	27,008
Impairment of goodwill and other assets	37,803	11,000	37,803	11,000

(Loss) income before the undernoted	(24,562)	(5,817)	(4,021)	19,212

Other expense (income)	420	(1,870)	4,423	(1,518)

Interest expense				
Long-term debt	2,096	1,934	8,203	7,586
Other	1,067	820	3,956	3,306

	3,163	2,754	12,159	10,892

(Loss) income before income taxes	(28,145)	(6,701)	(20,603)	9,838

Provision for (recovery of) income taxes				
Current	2,526	(812)	5,191	(263)
Future	(5,934)	(2,592)	(10,458)	(7,444)

	(3,408)	(3,404)	(5,267)	(7,707)

Net (loss) income for the period	(24,737)	(3,297)	(15,336)	17,545
Deficit - beginning of period	(85,018)	(44,694)	(59,597)	(31,534)
Distributions to unitholders	(11,607)	(11,606)	(46,429)	(45,608)

Deficit - end of period	(121,362)	(59,597)	(121,362)	(59,597)

Net (loss) income per unit	(0.91)	(0.12)	(0.56)	0.65
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Net (loss) income per unit, diluted	(0.91)	(0.12)	(0.56)	0.65
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Consolidated Statements of Comprehensive Income
For the period ended December 31, 2007

(in thousands of dollars, unaudited)	Three months ended Dec. 31, 2007	12 months ended Dec. 31, 2007
Net (loss) for the period	(24,737)	(15,336)
Other comprehensive income, net of tax:		
Changes in fair value of interest-rate swaps (net of tax of nil)	(682)	(274)
Amortization of deferred loss on settlement of interest-rate swaps (net of tax for the three-month period: \$22; for the year: \$91)	40	157
	(642)	(117)
Comprehensive income (loss) for the period	(25,379)	(15,453)

Consolidated Statements of Cash Flows
For the periods ended December 31, 2007 and 2006

(in thousands of dollars, except per unit amounts, unaudited)	Three months ended Dec. 31, 2007	Three months ended Dec. 31, 2006	12 months ended Dec. 31, 2007	12 months ended Dec. 31, 2006
Cash provided by (used in) Operating activities				
Net (loss) income for the period	(24,737)	(3,297)	(15,336)	17,545
Adjustment for non-cash items				
Depreciation and amortization	7,891	12,202	33,889	37,978
Future income taxes	(5,934)	(2,592)	(10,458)	(7,444)
Other liabilities	(79)	(28)	(217)	(114)
Non-cash interest and other expense	233	203	948	820
Change in the value of interest-rate swaps	-	(141)	-	(141)
Employee future benefits	269	(472)	(1,570)	(1,672)
Restricted units	-	10	-	535
Impairment of goodwill and other assets	37,803	11,000	37,803	11,000
Foreign-exchange loss (gain)	602	80	2,923	(95)
	16,048	16,965	47,982	58,412
Net change in current assets and liabilities	55,475	25,949	(7,435)	15,309
	71,523	42,914	40,547	73,721

Investing activities				
Acquisition of businesses, net of cash and cash equivalents acquired	(160)	(8,133)	(3,277)	1,480
Property, plant and equipment, net of disposals	(778)	(2,769)	(5,439)	(9,211)
	(938)	(10,902)	(8,716)	(7,731)

Financing activities				
Distributions to unitholders	(11,607)	(11,606)	(46,429)	(43,858)
Increase in long-term debt	-	5,000	-	80,000
Repayment of long-term debt (Decrease) increase in operating facility	(324)	(392)	(1,259)	(76,180)
Increase in deferred financing costs	(52,438)	601	8,596	1,341
	-	-	-	(2,616)
	(64,369)	(6,397)	(39,092)	(41,313)

Foreign-exchange gain (loss) on cash held in foreign currency	45	349	(1,496)	66

Increase (decrease) in cash and cash equivalents	6,261	25,964	(8,757)	24,743
Cash and cash equivalents - beginning of period	21,025	10,079	36,043	11,300

Cash and cash equivalents - end of period	27,286	36,043	27,286	36,043

Cash disbursements made for:				
Income taxes	835	1,458	4,649	6,768
Interest	2,931	2,551	11,212	10,072

Table 1
Consolidated Financial and Segmented Information
For the periods ended December 31, 2007 and 2006

	Three months ended Dec. 31, 2007	Three months ended Dec. 31, 2006	12 months ended Dec. 31, 2007	12 months ended Dec. 31, 2006
(in thousands of dollars, unaudited)				

Revenues(x)				
Canadian brokerage(xx)(+)	37,548	40,622	153,502	163,321
U.S. brokerage	12,205	13,805	53,563	55,213
Transportation and logistics(xx)	17,476	19,328	73,475	78,183
Border services	16,887	7,457	43,298	26,323
	84,116	81,212	323,838	323,040

Cost of services(x)				
Canadian brokerage	(17,175)	(18,968)	(72,733)	(76,038)
U.S. brokerage	(5,964)	(6,968)	(27,945)	(29,198)
Transportation and logistics	(14,391)	(15,733)	(61,055)	(61,473)
Border services	(9,303)	(4,183)	(24,649)	(14,620)
	(46,833)	(45,852)	(186,382)	(181,329)

Contribution margin				
Canadian brokerage	20,373	21,654	80,769	87,283

U.S. brokerage	6,241	6,837	25,618	26,015
Transportation and logistics	3,085	3,595	12,420	16,710
Border services	7,584	3,274	18,649	11,703
	37,283	35,360	137,456	141,711
Contribution margin, as a per cent of revenue				
Canadian brokerage	54.3%	53.3%	52.6%	53.4%
U.S. brokerage	51.1%	49.5%	47.8%	47.1%
Transportation and logistics	17.7%	18.6%	16.9%	21.4%
Border services	44.9%	43.9%	43.1%	44.5%
	44.3%	43.5%	42.4%	43.9%
Selling, general and administrative expenses	(15,823)	(17,028)	(68,142)	(70,056)
As a per cent of revenue	(18.8%)	(21.0%)	(21.0%)	(21.7%)
Costs related to the integration of PBB	(328)	(947)	(1,643)	(3,465)
EBITDA(1)	21,132	17,385	67,671	68,190
EBITDA(1) margin, as a per cent of revenue	25.1%	21.4%	20.9%	21.1%
Net (loss) income	(24,737)	(3,297)	(15,336)	17,545

- (x) In 2007, the Fund's reportable segments were changed to Canadian customs brokerage, U.S. customs brokerage, transportation and logistics, and border services. Prior year comparative financial information has been reclassified to conform to the current year's reporting segments.
- (xx) In the fourth quarter of 2006, revenue in the amount of \$1.5 million that was included in the transportation and logistics segment for the nine months ended September 30, 2006 was reclassified to the Canadian brokerage segment.
- (+) The Canadian brokerage reporting segment includes interest income.

Table 2
Summary of Cash Flows
For the periods ended December 31, 2007 and 2006

	Three months ended Dec. 31, 2007	Three months ended Dec. 31, 2006	12 months ended Dec. 31, 2007	12 months ended Dec. 31, 2006
Cash flows from operating activities	71,523	42,914	40,547	73,721
Add (deduct):				
Net change in current assets and liabilities(x)	(55,475)	(25,949)	7,435	(15,309)
Maintenance capital expenditures(xx)	(557)	(589)	(2,402)	(2,822)
Costs related to the integration of PBB, net of tax	328	947	1,643	3,465
Tax impact of integration costs	-	886	-	-
Adjusted operating cash flows after maintenance				

capital expenditures and integration costs	15,819	18,209	47,223	59,055
Employee future benefits	(269)	472	1,570	1,672
Realized foreign-exchange (gains) losses	(223)	(1,979)	1,581	(1,227)
Other(xxx)	120	188	136	(476)
Adjusted operating cash flows after maintenance capital expenditures, integration costs and other items	15,447	16,890	50,510	59,024
Distributions to unitholders(+)	11,607	11,606	46,429	43,858
Payout ratio based on adjusted operating cash flows after maintenance capital expenditures and integration costs(++)	73.4%	63.7%	98.3%	74.3%
Payout ratio based on adjusted operating cash flows after maintenance capital expenditures, integration costs and other items(+++)	75.1%	68.7%	91.9%	74.3%
Per unit, in dollars				
Adjusted operating cash flows after maintenance capital expenditures and integration costs	0.581	0.668	1.733	2.197
Adjusted operating cash flows after maintenance capital expenditures, integration costs and other items	0.567	0.620	1.854	2.196
Distributions to unitholders(+)	0.426	0.426	1.704	1.632
Weighted average units outstanding	27,247,667	27,242,675	27,247,630	26,880,958

- (x) The net change in current assets and liabilities has been excluded as these are non-cash in nature. These items also tend to fluctuate significantly from quarter to quarter primarily as a result of the timing of billings and the payment of government remittances around the end of the period.
- (xx) Maintenance capital expenditures are additions, replacements or improvements to property, plant and equipment to maintain Livingston's business operations. These expenditures involve the replacement of information technology equipment and software as well as certain improvements to facilities.
- (xxx) Other consists of items where the cash and accrual amounts differ for other liabilities, restricted units, change in value of interest-rate swaps, unrealized foreign exchange and non-foreign exchange items included in other expense (income).
- (+) Distributions are the amounts paid in the period, not what was actually declared.
- (++) The payout ratio is calculated by dividing the cash distributions to unitholders by the adjusted operating cash flows after maintenance capital expenditures and integration costs, consistent with the new CSA guideline for the calculation of distributable cash and payout ratio.
- (+++)
- The Fund had previously calculated the payout ratio on the basis of adjusted operating cash flows after maintenance capital

expenditures, integration costs and other items, which include employee future benefits, realized foreign-exchange (gains) losses and other (defined above in footnote(xxx)).

Table 3
Cash Flows from Operating Activities, Net Income and Cash Distribution Analysis
For the periods ended December 31, 2007 and 2006

(in thousands of dollars, unaudited)	Three months ended Dec. 31, 2007	Three months ended Dec. 31, 2006	12 months ended Dec. 31, 2007	12 months ended Dec. 31, 2006
Cash flows from operating activities	71,523	42,914	40,547	73,721
Net (loss) income	(24,737)	(3,297)	(15,336)	17,545
Distributions to unitholders	11,607	11,606	46,429	45,608
Excess (shortfall) of cash flows from operating activities over cash distributions paid	59,916	31,308	(5,882)	28,113
Excess (shortfall) of net (loss) income over cash distributions paid	(36,344)	(14,903)	(61,765)	(28,063)

For the quarter ended December 31, 2007, there was an excess of \$59.9 million of cash flows from operating activities over cash distributions paid and a shortfall of \$36.3 million of net (loss) income over cash distributions paid. The excess of cash flows from operating activities over cash distributions paid related mainly to the net change in current assets and liabilities of \$55.5 million for the quarter ended December 31, 2007. The distributions were funded through cash flows from operating activities.

For the year ended December 31, 2007, there was a shortfall of \$5.9 million of cash flows from operating activities over cash distributions paid and a shortfall of \$61.8 million of net (loss) income over cash distributions paid. The shortfall was primarily funded through cash flows prior to the net change in current assets and liabilities. In the event that cash flows do not cover distributions, distributions have to date been funded through the excess of cash flows from operating activities over cash distributions paid in prior periods.

Net (loss) income includes a non-cash charge for the impairment of goodwill, intangible and fixed assets related to certain transportation and logistics businesses from the PBB acquisition. The shortfall of net (loss) income over cash distributions paid was primarily due to the nature of this charge, together with other non-cash charges for depreciation of fixed assets and amortization of intangible assets.

Table 4
Reconciliation of Net Income to EBITDA(1)
For the periods ended December 31, 2007 and 2006

(in thousands of dollars, unaudited)	Three months ended Dec. 31, 2007	Three months ended Dec. 31, 2006	12 months ended Dec. 31, 2007	12 months ended Dec. 31, 2006
Net (loss) income	(24,737)	(3,297)	(15,336)	17,545
(Deduct) add:				

Income taxes	(3,408)	(3,404)	(5,267)	(7,707)
Interest expense	3,163	2,754	12,159	10,892
Other expense (income)	420	(1,870)	4,423	(1,518)
Depreciation	2,355	3,091	10,926	10,970
Amortization	5,536	9,111	22,963	27,008
Impairment of goodwill and other assets	37,803	11,000	37,803	11,000
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EBITDA(1)	21,132	17,385	67,671	68,190
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(1) While EBITDA (earnings before interest, taxes, other expense (income), depreciation, amortization and impairment of goodwill, intangible and fixed assets) is not a recognized measure under Canadian GAAP, management believes it to be a useful supplemental measure. Investors are cautioned that EBITDA should not be construed as an alternative to net income as an indicator of Livingston's performance or cash flows. Livingston's method of calculating EBITDA may differ from that of other companies or income trusts and may not be comparable to measures used by other companies or income trusts.

Source: Canada NewsWire (March 18, 2008 - 5:07 PM EST)

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