



FP Newspapers Inc.

Financial Statements

For the year 2014



March 11, 2015

Independent Auditor's Report

**To the Shareholders of
FP Newspapers Inc.**

We have audited the accompanying financial statements of FP Newspapers Inc., which comprise the balance sheets as at December 30, 2014 and December 30, 2013 and the statements of earnings and comprehensive income, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of FP Newspapers Inc. as at December 30, 2014 and December 30, 2013 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Accountants

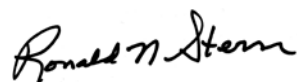
PricewaterhouseCoopers LLP
Richardson Building, One Lombard Place, Suite 2300, Winnipeg, Manitoba, Canada R3B 0X6
T: +1 204 926 2400, F: +1 204 944 1020

FP Newspapers Inc.
Balance Sheets
(in thousands of Canadian dollars)

	Note	As at December 30, 2014	As at December 30, 2013
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		\$ 442	\$ 444
Prepaid expenses and other assets		6	6
Income tax receivable		-	106
		448	556
LONG-TERM ASSETS			
Investment in FP Canadian Newspapers Limited Partnership	3	43,105	44,892
Deferred income tax asset	8	35	-
TOTAL ASSETS		\$ 43,588	\$ 45,448
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		\$ 81	\$ 100
Dividend payable	5	552	345
Income taxes payable		91	-
		724	445
LONG-TERM LIABILITIES			
Deferred income tax liability	8	-	692
TOTAL LIABILITIES		724	1,137
SHAREHOLDERS' EQUITY			
Share capital	6	71,373	71,373
Deficit		(28,509)	(27,062)
TOTAL SHAREHOLDERS' EQUITY		42,864	44,311
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 43,588	\$ 45,448

(See accompanying notes)

Approved by the Board of Directors



RONALD N. STERN
Director



HARVEY SECTER
Director

FP Newspapers Inc.
Statements of Earnings and Comprehensive Income
For the Years Ended December 30, 2014 and 2013
(in thousands of Canadian dollars except per share amounts)

	Note	2014	2013
Equity interest from FP Canadian Newspapers Limited Partnership Class A limited partner units	3	\$ 5,733	\$ 6,979
Administration expenses		(212)	(248)
Other income		1	1
Net earnings before income taxes		5,522	6,732
Current income tax (expense)	8	(1,523)	(1,513)
Deferred income tax (expense) recovery	8	48	(323)
Net earnings for the year		\$ 4,047	\$ 4,896
Items that will not be reclassified to net earnings:			
Equity interest of other comprehensive income (loss) from FP Canadian Newspapers Limited Partnership	3	(2,515)	2,226
Deferred income tax (expense) recovery	8	679	(601)
Comprehensive income for the year		\$ 2,211	\$ 6,521
Weighted average number of Common Shares outstanding	6	6,902,592	6,902,592
Net earnings per share – basic and diluted		\$ 0.586	\$ 0.709

FP Newspapers Inc.
Statements of Changes in Equity
For the Years Ended December 30, 2014 and 2013
(in thousands of Canadian dollars except per share amounts)

	Share Capital	Deficit	Total Shareholders' Equity
At December 30, 2012	\$ 71,373	\$ (29,441)	\$ 41,932
Net earnings for the year	-	4,896	4,896
Other comprehensive income for the year	-	1,625	1,625
Comprehensive income for the year	-	6,521	6,521
Dividends	-	(4,142)	(4,142)
At December 30, 2013	\$ 71,373	\$ (27,062)	\$ 44,311
Net earnings for the year	-	4,047	4,047
Other comprehensive income for the year	-	(1,836)	(1,836)
Comprehensive income for the year	-	2,211	2,211
Dividends	-	(3,658)	(3,658)
At December 30, 2014	\$ 71,373	\$ (28,509)	\$ 42,864

FP Newspapers Inc.
Statements of Cash Flows
For the Years Ended December 30, 2014 and 2013
(in thousands of Canadian dollars)

	Note	2014	2013
Cash provided by (used in):			
Operating activities			
Net earnings for the year		\$ 4,047	\$ 4,896
Items not affecting cash:			
Equity interest from Class A Units of FP Canadian Newspapers Limited Partnership	3	(5,733)	(6,979)
Deferred income tax expense (recovery)	8	(48)	323
Distributions received on Class A Units of FP Canadian Newspapers Limited Partnership	3	5,005	9,332
Net change in non-cash working capital items		178	(3,556)
		3,449	4,016
Financing activities			
Dividends paid		(3,451)	(4,142)
(Decrease) in cash and cash equivalents		(2)	(126)
Cash and cash equivalents – beginning of year		444	570
Cash and cash equivalents – end of year		\$ 442	\$ 444
Supplemental Cash Flow information:			
Income tax paid during the year		\$ 1,477	\$ 5,079

(See accompanying notes)

FP Newspapers Inc.

Notes to Financial Statements for the years ended December 30, 2014 and 2013

(tabular amounts in thousands of Canadian dollars)

1. GENERAL INFORMATION

FP Newspapers Inc. ("FPI"), which was incorporated under the Canada Business Corporations Act on March 17, 2010, is the successor to the business of FP Newspapers Income Fund (the "Fund"). FPI's year end is December 30. The Fund was an unincorporated limited-purpose trust established under the laws of Ontario on May 15, 2002 to invest in securities issues by FP Canadian Newspapers Limited Partnership ("FPLP"). In response to changes in the tax treatment of income trusts, the trustees of the Fund determined that it would be in the best interests of the Fund and its unitholders to convert the Fund from a trust to a corporation pursuant to a plan of arrangement (the "conversion"). Effective on December 31, 2010, all of the outstanding units of the Fund were exchanged on a one-for-one basis for common shares of FPI which are listed on the Toronto Stock Exchange under the symbol FP. FPI owns securities entitling it to 49% of the distributable cash as defined in the partnership agreement of FPLP. FPLP is a limited partnership formed under the laws of British Columbia on August 9, 1999. It owns the Winnipeg Free Press, the Brandon Sun and other newspapers, printing and media businesses. The address of FPI's registered office is Suite 2900, P.O. Box 11583, 650 West Georgia Street, Vancouver, British Columbia, V6B 4N8.

2. SIGNIFICANT ACCOUNTING POLICIES

FPI prepares its financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP") – Part 1 as set out in the CPA Canada Handbook – Accounting ("CPA Handbook"). Part 1 of the CPA Handbook incorporates International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These financial statements were approved by the Board of Directors of FPI on March 11, 2015.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying FPI's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise noted.

a) BASIS OF MEASUREMENT

The financial statements have been prepared under the historical cost convention.

b) INVESTMENTS IN ASSOCIATES

Associates are entities over which FPI has significant influence, but not control. The financial results of investments in its associates are included in FPI's results according to the equity method of accounting. Subsequent to the acquisition date, FPI's share of profits or losses of associates is recognized in the statement of earnings and its share of other comprehensive income (loss) of associates is included in other comprehensive income (loss).

Unrealized gains on transactions between FPI and an associate are eliminated to the extent of FPI's interest in the associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses arising from changes in interests in investments in associates are recognized in the statement of earnings.

FPI assesses at each reporting date whether there is any objective evidence that its interests in associates are impaired. If impaired, the carrying value of the investment in an associate is written down to its estimated recoverable amount (being the higher of fair value less cost of disposal and value in use) and charged to the statement of earnings. A reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

FP Newspapers Inc.

Notes to Financial Statements for the years ended December 30, 2014 and 2013

(tabular amounts in thousands of Canadian dollars)

c) CASH AND CASH EQUIVALENTS

Cash equivalents comprise only highly liquid investments with maturities at acquisition of less than 90 days and which are subject to insignificant risk of changes in value and are recorded at amortized cost, which approximates market value.

d) FINANCIAL INSTRUMENTS

Financial assets and liabilities are initially recorded at fair value including related transaction costs. FPI has made the following classifications:

Cash and cash equivalents are classified as “loans and receivables” and are measured at amortized cost using the effective interest rate method.

Accounts receivable are classified as “loans and receivables” and are measured at amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities, and dividend payable are classified as “other financial liabilities” and are measured at amortized cost using the effective interest rate method.

e) INCOME TAXES

The income tax expense for the year comprises current and deferred tax. Tax is recognized in the statements of earnings, except to the extent that it relates to items recognized in other comprehensive income (loss) or directly in equity. In this case the tax is also recognized in other comprehensive income (loss) or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. FPI establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authority.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

The income tax basis for the investment in FPLP and FPCN General Partner Inc. is determined in a manner that is consistent with its expected recovery. As FPI expects to recover the investment by receiving distributions from the investee, the tax basis represents the sum of the investor’s share of the tax bases of the underlying assets and liabilities of the investee.

f) DIVIDENDS

Dividends are recognized in FPI’s financial statements in the period in which the dividends are approved by the Board of Directors.

g) SHARE CAPITAL

FPI share capital is classified as equity. Incremental costs directly attributable to their issuance are recognized as a deduction from equity.

h) EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net earnings for the period attributable to equity owners of FPI by the weighted average number of shares outstanding during the year.

FP Newspapers Inc.**Notes to Financial Statements for the years ended December 30, 2014 and 2013**

(tabular amounts in thousands of Canadian dollars)

Diluted earnings per share are calculated by adjusting the weighted average number of shares outstanding and corresponding earnings impact for dilutive instruments. No dilutive instruments were outstanding during the years presented.

Accounting policies

The accounting policies followed in these financial statements are consistent with those of the previous financial year except as described below.

Changes in accounting policies and disclosures

FPI has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2014. These changes were made in accordance with the applicable transitional provisions.

IAS 32, Financial Instruments – Presentation

IAS 32 applies to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; and the right for offsetting financial assets and financial liabilities. A right to offset may be currently available or it may be contingent on a future event. An entity must have a legally enforceable right of set-off. The standard did not affect FPI as its financial instruments currently do not have a legally enforceable right of set-off.

IFRIC 21, Levies

IFRIC 21 provides guidance on the accounting for a liability to pay a levy, if that liability is within the scope of IAS 37, Provisions, Contingent Liabilities and Contingent Assets. Levies are imposed by governments in accordance with legislation and do not include income taxes, which are accounted for under IAS 12, Income Taxes or fines or other penalties imposed for breaches of legislation. The interpretation was issued to address diversity in practice around when the liability to pay a levy is recognized. The adoption of IFRIC 21 did not affect the financial statements or disclosures as it was determined that no changes were required to the existing accounting treatment of levies.

Accounting standards and amendments issued but not yet effective**IFRS 9 – Financial Instruments**

IFRS 9, *Financial Instruments*, first issued in November 2009 with final version released in July 2014 by the IASB, brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39. IFRS 9 introduces a principles-based approach to the classification of financial assets based on an entity's business model and the nature of the cash flows of the asset. All financial assets, including hybrid contracts, are measured as at fair value through profit or loss ("FVTPL"), fair value through other comprehensive income or amortized cost. For financial liabilities, IFRS 9 includes the requirements for classification and measurement previously included in IAS 39. IFRS 9 also introduces an expected loss impairment model for all financial assets not carried at FVTPL. The model has three stages: (1) on initial recognition, 12-month expected credit losses are recognized in profit and loss and a loss allowance is established; (2) if credit risk increases significantly and the resulting credit risk is not considered to be low, full lifetime expected credit losses are recognized; and (3) when a financial asset is considered credit-impaired, interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than its gross carrying amount. Finally, IFRS 9 introduces a new hedge accounting model that aligns the accounting for hedge relationships more closely with an entity's risk management activities. The standard is effective for annual periods beginning on or after January 1, 2018. FPI is assessing the impact of adopting this standard on its financial statements.

IFRS 15 – Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, a new standard that specifies the steps and timing for entities to recognize revenue as well as requiring them to provide more informative, relevant disclosures. IFRS 15 supersedes IAS 11, *Construction Contracts*, and IAS 18, *Revenue*, as well as various IFRIC and SIC interpretations regarding revenue. Adoption of IFRS 15 is mandatory and will be effective for the Company's beginning on January 1, 2017, with earlier adoption permitted. FPI is assessing the impact of adopting this standard on its financial statements.

FP Newspapers Inc.**Notes to Financial Statements for the years ended December 30, 2014 and 2013**

(tabular amounts in thousands of Canadian dollars)

3. INVESTMENT IN FP CANADIAN NEWSPAPERS LIMITED PARTNERSHIP

FPI holds all of the Class A limited partner units of FPLP, which entitles it to 49% of the distributable cash, as defined in the Partnership Agreement of FPLP.

The investment in FPLP is summarized as follows:

	Class A limited partner units
Balance at December 30, 2012	\$ 45,019
Equity interest in net earnings and comprehensive income for the year ended December 30, 2013	9,205
Distributions received for the year ended December 30, 2013	(9,332)
Balance at December 30, 2013	\$ 44,892
Equity interest in net earnings and comprehensive income for the year ended December 30, 2014	3,218
Distributions received for the year ended December 30, 2014	(5,005)
Balance at December 30, 2014	\$ 43,105

The equity interest from FPI's investment in Class A limited partner units and the equity interest in the other comprehensive income of FPLP are calculated as follows:

	2014	2013
Net earnings of FPLP	\$ 11,699	\$ 14,242
Interest attributable to FPI	49%	49%
Equity interest in net earnings of FPLP	5,733	6,979
Other comprehensive income (loss) of FPLP	(5,133)	4,543
Interest attributable to FPI	49%	49%
Equity interest in other comprehensive income (loss) of FPLP	\$ (2,515)	\$ 2,226

FPLP has a year-end of December 31, 2014. FPI has consolidated FPLP as at and for the year ended December 31, 2014 for convenience purposes and the impact was not material.

A discounted future cash flow model was used to determine the "value in use" for FPI's investment in FPLP. The future cash flows are based on management's best estimate over the next five years considering historical and expected operating plans, current strategies, economic conditions and the general outlook for the industry and markets in which FPLP operates. Cash flows beyond the five year period are extrapolated using long-term growth rates and pre-tax discount rate ranges as follows:

	2014	2013
Long-term growth rate	0%	0%
Pre-tax discount rate	14% to 17%	14% to 17%

FPI has concluded that there were no impairments as a result of this assessment at December 30, 2014. At December 30, 2014, the reasonable range of "value in use", based on the high-end of the range, was greater than its carrying value by an excess of \$5,000,000. If the long-term growth rates were to decline by approximately 2.0% or if the discount rates were to increase by approximately 1.0%, the carrying amount would exceed the reasonable range for recoverable amount.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these financial statements requires FPI to use judgment in applying its accounting policies and make estimates and assumptions about future events. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. The following discusses the most significant accounting judgments and estimates that FPI has made in the preparation of the financial statements:

Investment in FPLP

FPI has determined that the most significant estimates involve transactions and balances related to its investment in FPLP (note 3). The equity interest from FPI's Class A limited partner units depends on the accuracy of the estimates made in the preparation of the financial statements of FPLP. The actual equity interest may vary from the estimates made in FPLP. The method which FPI bases its impairment assessment of FPLP is described in note 3.

5. DIVIDENDS

During 2014 FPI changed the dividend frequency from a monthly dividend to a quarterly dividend following the September 2014 dividend. FPI declared a dividend payable in respect of the quarter ending December 2014 of \$552,000 or \$0.08 per share, which was paid January 30, 2015 to shareholders of record on December 31, 2014. Prior to this change, FPI was paying monthly dividends of \$0.05 per share.

6. SHARE CAPITAL AND ACCUMULATED OTHER COMPREHENSIVE INCOME

The articles of incorporation of FPI provide that an unlimited number of common shares and one voting preferred share may be issued. Each common share is transferable and represents an equal undivided beneficial interest in any dividends of FPI and in the net assets of FPI in the event of termination or winding up of FPI. All common shares have equal rights and privileges. Each common share entitles the holder thereof to participate equally in the allocations and distributions and to one vote at all meetings of FPI shareholders for each share held. The common shares issued are not subject to future calls or assessments. As at December 30, 2014, 6,902,592 Common Shares were issued with a paid-up share capital amount of \$71,373,000. The preferred share is held by FPCN Media Management Ltd. ("FPCN"). The preferred share entitles the holder the right to elect one-third of FPI's directors, but does not entitle the holder thereof to any economic rights as a common shareholder of FPI. If and when Canstar Publications Ltd. and R.I.S. Media Ltd. (the General Partners of FPLP) cease to own at least ten percent of the outstanding partnership units of FPLP, the preferred share held by FPCN will automatically be redeemed by FPI for a redemption price of \$1.00 and be cancelled.

7. INDEMNIFICATIONS

FPI has agreed to indemnify its current and former trustees and officers to the extent permitted by law against any and all charges, costs, expenses, amounts paid in settlement and damages incurred by the trustees and officers as a result of any lawsuit or any other judicial, administrative or investigative proceeding in which the trustees and officers are sued as a result of their service. These indemnification claims will be subject to any statutory or other legal limitation period. The nature of such indemnification prevents FPI from making a reasonable estimate of the maximum potential amount it could be required to pay to counterparties. FPI has directors' and officers' liability insurance coverage, pursuant to a joint policy covering FPCN General Partner Inc., FPLP and FPI, of up to \$15 million in joint coverage.

FP Newspapers Inc.**Notes to Financial Statements for the years ended December 30, 2014 and 2013**

(tabular amounts in thousands of Canadian dollars)

8. INCOME TAXES

Income tax expense is made up of the following:

	2014	2013
Current income tax	\$ (1,523)	\$ (1,513)
Deferred income tax (expense) recovery	48	(323)
Income tax (expense) recognized in net earnings	(1,475)	(1,836)
Deferred income tax (expense) recovery recognized in OCI	679	(601)

The income tax (expense) reflects an effective income tax rate which differs from its combined Canadian federal and provincial statutory income tax rate as follows:

	2014	2013
Income tax (expense) at combined Canadian statutory income tax rate of 27.0% (2013 27.0%)	\$ (1,491)	\$ (1,818)
Difference between current tax rate and deferred income tax rate in temporary differences	(15)	(24)
Adjustments in respect of prior year	3	6
Other	28	-
Total income tax (expense)	\$ (1,475)	\$ (1,836)

FP Newspapers Inc.**Notes to Financial Statements for the years ended December 30, 2014 and 2013**

(tabular amounts in thousands of Canadian dollars)

Deferred taxes

Based on FPI's assets and liabilities as at December 30, 2014 and 2013, and its share of the assets and liabilities of its investment in FPLP, FPI's deferred tax assets and liabilities and the movement during the year are attributable to the following:

	December 30, 2013	Recognized in profit or loss	Recognized in other comprehensive income (loss)	December 30, 2014
Property, plant and equipment	\$ 2,852	\$ (187)	\$ -	\$ 2,665
Intangible assets	793	(49)	-	744
Goodwill	(2,620)	225	-	(2,395)
Pension benefit obligation	(322)	120	(679)	(881)
Partnership income deferred	1	(169)	-	(168)
Other	(12)	12	-	-
Total deferred income tax liabilities (asset)	\$ 692	\$ (48)	\$ (679)	\$ (35)

	December 30, 2012	Recognized in profit or loss	Recognized in other comprehensive income (loss)	December 30, 2013
Property, plant and equipment	\$ 3,031	\$ (179)	\$ -	\$ 2,852
Intangible assets	853	(60)	-	793
Goodwill	(2,862)	242	-	(2,620)
Pension benefit obligation	(1,220)	297	601	(322)
Partnership income deferred for tax	(7)	8	-	1
Other	(27)	15	-	(12)
Total deferred income tax liabilities (asset)	\$ (232)	\$ 323	\$ 601	\$ 692

Unrecognized deferred tax assets

Deferred tax assets in the amount of \$3,107,000 (December 30, 2013 \$3,092,000) have not been recognized in respect of FPI's investment in FPLP as it is not probable that the temporary difference will reverse in the foreseeable future.

9. CAPITAL MANAGEMENT

FPI was established for the purpose of investing in the securities of FPLP which entitle it to 49% of the distributable cash, as defined in the partner agreement of FPLP. FPI does not have a capital management program given its limited purpose.

10. FINANCIAL INSTRUMENTS

The fair value of current assets and liabilities including cash and cash equivalents, accounts payable and accrued liabilities and dividends payable approximates their carrying value due to the short-term nature of these financial instruments.

FPI does not carry any assets or liabilities at their fair value, and therefore does not prepare a fair value hierarchy.



FP Canadian Newspapers Limited Partnership

Consolidated Financial Statements

For the year 2014



March 11, 2015

Independent Auditor's Report

To the Unitholders of FP Canadian Newspapers Limited Partnership

We have audited the accompanying consolidated financial statements of FP Canadian Newspapers Limited Partnership, which comprise the consolidated balance sheets as at December 31, 2014 and December 31, 2013 and the consolidated income statements and statements of comprehensive income, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of FP Canadian Newspapers Limited Partnership as at December 31, 2014 and December 31, 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Accountants

PricewaterhouseCoopers LLP
Richardson Building, One Lombard Place, Suite 2300, Winnipeg, Manitoba, Canada R3B 0X6
T: +1 204 926 2400, F: +1 204 944 1020

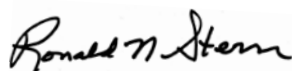
FP Canadian Newspapers Limited Partnership
Consolidated Balance Sheets
(in thousands of Canadian dollars)

	Note	As at December 31, 2014	As at December 31, 2013
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	\$ 16,231	\$ 10,300
Accounts receivable	14	11,018	11,955
Inventories		1,264	1,201
Prepaid expenses and other assets		799	4,087
		29,312	27,543
LONG-TERM ASSETS			
Property, plant and equipment	4	36,033	34,817
Investment		-	54
Intangible assets	5	6,168	6,396
Goodwill	5	71,250	71,250
TOTAL ASSETS		\$ 142,763	\$ 140,060
LIABILITIES AND UNITHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	7, 12	\$ 7,172	\$ 6,984
Provision	17	167	-
Prepaid subscriptions and deferred revenue		2,699	2,786
Finance lease obligation	11	1,673	905
Mortgage loan	6	53	52
Term loan	6, 15	1,000	1,000
		12,764	11,727
LONG-TERM LIABILITIES			
Accrued pension benefit liability	7	6,660	2,437
Finance lease obligation	11	4,011	1,917
Mortgage loan	6	767	819
Term loan	6, 15	45,274	46,228
TOTAL LIABILITIES		69,476	63,128
UNITHOLDERS' EQUITY			
Partner units	8	98,280	98,280
Deficit		(24,993)	(21,346)
Accumulated other comprehensive loss		-	(2)
TOTAL UNITHOLDERS' EQUITY		73,287	76,932
TOTAL LIABILITIES AND UNITHOLDERS' EQUITY		\$ 142,763	\$ 140,060

(Commitments and contingencies Note 11)

(See accompanying notes)

Approved by the Board of Directors of the Managing General Partner



RONALD N. STERN
Director



HARVEY SECTER
Director

FP Canadian Newspapers Limited Partnership
Consolidated Income Statements and Statements of Comprehensive Income
For the Years Ended December 31, 2014 and 2013
(in thousands of Canadian dollars)

	Note	2014	2013
Revenue			
Print Advertising		\$ 63,524	\$ 70,341
Print Circulation		25,334	25,980
Commercial Printing		5,268	4,951
Digital		3,850	3,447
Promotion and services		1,063	1,553
TOTAL REVENUE		99,039	106,272
Operating expenses			
Employee compensation		40,186	42,589
Newsprint and other paper		8,623	9,065
Delivery		15,998	16,531
Other		16,151	18,085
Depreciation and amortization	4, 5	4,363	4,232
Restructuring charge		369	-
OPERATING INCOME		13,349	15,770
Other income	9	157	147
Finance costs	9	(1,807)	(1,675)
NET EARNINGS FOR THE YEAR		\$ 11,699	\$ 14,242
Items that may be reclassified subsequently to net earnings:			
Unrealized gain on investment		2	33
Items that will not be reclassified subsequently to net earnings:			
Remeasurements for defined benefit pension plan	7	(5,133)	4,543
COMPREHENSIVE INCOME FOR THE YEAR		\$ 6,568	\$ 18,818

(See accompanying notes)

FP Canadian Newspapers Limited Partnership
Consolidated Statements of Changes in Equity
For the years ended December 31, 2014 and 2013
(in thousands of Canadian dollars)

	Partner Units	Deficit	Accumulated Other Comprehensive (Loss) Income	Total Unitholders' Equity
UNITHOLDERS' EQUITY –				
DECEMBER 31, 2012	\$ 98,280	\$ (21,091)	\$ (35)	\$ 77,154
Net earnings for the year	-	14,242	-	14,242
Other comprehensive income for the year	-	4,543	33	4,576
Comprehensive income for the year	-	18,785	33	18,818
Distributions paid	-	(19,040)	-	(19,040)
UNITHOLDERS' EQUITY –				
DECEMBER 31, 2013	\$ 98,280	\$ (21,346)	\$ (2)	\$ 76,932
Net earnings for the year	-	11,699	-	11,699
Other comprehensive (loss) income for the year	-	(5,133)	2	(5,131)
Comprehensive income for the year	-	6,566	2	6,568
Distributions paid	-	(10,213)	-	(10,213)
UNITHOLDERS' EQUITY –				
DECEMBER 31, 2014	\$ 98,280	\$ (24,993)	\$ -	\$ 73,287

(See accompanying notes)

FP Canadian Newspapers Limited Partnership
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2014 and 2013
(in thousands of Canadian dollars)

	Note	2014	2013
CASH PROVIDED BY (USED IN):			
OPERATING ACTIVITIES			
Net earnings for the year		\$ 11,699	\$ 14,242
Items not affecting cash:			
Depreciation and amortization	4, 5	4,363	4,232
Accretion of deferred financing costs		46	46
(Gain) on disposal of property, plant and equipment		(10)	(1)
Loss on interest rate swap		1	1
Excess of pension contributions over expense		(911)	(2,241)
		15,188	16,279
Net change in non-cash working capital items		512	(2,532)
		15,700	13,747
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(800)	(291)
Purchase of intangibles		(230)	(22)
Proceeds from sale of property, plant and equipment		10	2
		(1,020)	(311)
FINANCING ACTIVITIES			
Distributions to partners		(10,213)	(19,040)
Proceeds from financing leases		3,974	-
Principal repayments of finance lease		(1,459)	(891)
Principal repayments of mortgage loan		(51)	(48)
Principal repayment of term loan		(1,000)	(1,000)
		(8,749)	(20,979)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		5,931	(7,543)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		10,300	17,843
CASH AND CASH EQUIVALENTS - END OF YEAR		\$ 16,231	\$ 10,300
Supplemental Cash Flow Information:			
Interest paid during the year		\$ 1,639	\$ 1,656
Interest received during the year		141	168

(See accompanying notes)

FP Canadian Newspapers Limited Partnership

Notes to Consolidated Financial Statements for the Years ended December 31, 2014 and 2013

(tabular amounts in thousands of Canadian dollars)

1. GENERAL INFORMATION

FP Canadian Newspapers Limited Partnership (“FPLP”) is a limited partnership formed on August 9, 1999 in accordance with the laws of British Columbia. FPLP publishes, prints and distributes daily and weekly newspapers and specialty publications, delivers advertising materials in the Manitoba market and provides commercial printing services. The address of the registered office of its managing general partner, FPCN General Partner Inc. is Suite 2900, P.O. Box 11583, 650 West Georgia Street, Vancouver, British Columbia, V6B 4N8.

These consolidated financial statements include the operating businesses owned by FPLP. The managing general partner of FPLP is FPCN General Partner Inc. (“FPGP”). These consolidated financial statements include only the assets, liabilities, revenues and expenses of FPLP and its subsidiaries and do not include the other assets, liabilities, revenues and expenses, including income taxes of the partners.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (“Canadian GAAP”) – Part 1 as set out in the CPA Canada Handbook – Accounting (“CPA Handbook”). Part 1 of the CPA Handbook incorporates International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

The consolidated financial statements were approved by the Board of Directors of FPGP on March 11, 2015.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying FPLP’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise noted.

a) BASIS OF MEASUREMENT

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities to fair value, including available for-sale investments and derivative financial instruments.

b) PRINCIPLES OF CONSOLIDATION AND SPECIAL PURPOSE ENTITIES

The consolidated financial statements include the operating businesses owned by FPLP and its subsidiary. A subsidiary is an entity (including structured entities) which FPLP controls. FPLP controls an entity when it is exposed to, or has the rights to, variable returns from its investment in the entity and has the ability to affect these returns through its power over that entity. Subsidiaries are fully consolidated from the date on which control is obtained and are de-consolidated from the date that control ceases. All significant inter-company and intra-company transactions and balances have been eliminated.

c) REVENUE RECOGNITION

Advertising revenue, net of agency commissions, where applicable, is recognized when the advertisements are published. Circulation revenue is recognized based on the date of publication which is also the delivery date. Subscription revenue is recognized as earned over the term of the subscription on a straight-line basis. Digital revenue is recognized when advertisements are placed on the Company’s websites or when an ad-network places our customer’s ads on other websites. Other digital revenue includes contract term services which are recognized on a straight-line basis. Other revenue is recognized when the related service or product has been delivered. Amounts received relating to services to be performed in future periods are recorded as deferred revenue on the balance sheet.

FP Canadian Newspapers Limited Partnership

Notes to Consolidated Financial Statements for the Years ended December 31, 2014 and 2013

(tabular amounts in thousands of Canadian dollars)

d) INVENTORIES

Inventories, primarily newsprint and printing supplies, are stated at the lower of cost and net realizable value. Cost is determined using the on a first-in, first-out method. Net realizable value is the estimated selling price in the normal course of business, less estimated selling expenses. If carrying value exceeds net realizable amount, a write-down is recognized. The write-down may be reversed in a subsequent period if the circumstances which caused it no longer exist.

e) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to FPLP and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the statement of income during the period in which they are incurred.

Depreciation on property, plant and equipment is calculated on the straight-line basis over the estimated useful lives of the assets. The estimated useful lives are as follows:

Buildings	40 years
Building improvements	10 years
Leasehold improvements	Over remaining term of the lease
Machinery and equipment	7 - 25 years
Computer equipment, furniture and fixtures, and vehicles	4 - 10 years

FPLP allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant components and depreciates separately each such component. Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

f) INTANGIBLE ASSETS

Intangible assets which are considered to have finite lives are initially recorded at cost and are subsequently amortized on a straight-line basis in the statements of income over the period of their expected useful lives as follows:

Subscriber base	15 years
News archives	10 years
Software	4 years

Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

Mastheads are considered to have an indefinite life and are therefore recorded at cost and not amortized. The assessment if indefinite life is reviewed each period to determine whether the indefinite life assumption continues to be supportable. If it is deemed unsupported the change in the useful life from indefinite to finite life is made and amortization is recognized on a prospective basis.

g) IMPAIRMENT OF NON-FINANCIAL ASSETS

Property, plant and equipment and intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Long-lived assets that are not amortized are subject to an annual impairment test or more frequently if events or conditions indicate that the asset might be impaired. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units or CGUs). The recoverable amount is the higher of an asset's or CGU's fair value less costs to dispose and value in use. An impairment loss is recognized for the amount by which the asset's or CGU's carrying amount exceeds its recoverable amount. FPLP has identified each individual newspaper as a CGU, as each newspaper has separately identifiable independent cash inflows.

FP Canadian Newspapers Limited Partnership

Notes to Consolidated Financial Statements for the Years ended December 31, 2014 and 2013

(tabular amounts in thousands of Canadian dollars)

Goodwill is reviewed for impairment annually or at any time if an indicator of impairment exists. Goodwill acquired through a business combination is allocated to each CGU or group of CGUs that are expected to benefit from the related business combination. A group of CGUs represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, which is not higher than an operating segment. Accordingly, management has allocated its goodwill to its single operating segment, which is at the entity level, and the level at which goodwill is monitored.

FPLP evaluates impairment losses, other than goodwill impairment, for potential reversals when events or circumstances warrant such consideration.

h) BUSINESS COMBINATIONS

FPLP uses the acquisition method of accounting to record business combinations. The acquisition method of accounting requires FPLP to recognize, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree measured at the acquisition-date fair values. The consideration transferred is measured at fair value calculated as the sum of the acquisition-date fair values of the assets transferred, the liabilities assumed and any equity interests issued by FPLP. Contingent consideration is recognized as part of the consideration transferred. Goodwill as of the acquisition date is measured as the excess of the consideration transferred and the amount of any non-controlling interest acquired over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, measured at fair value. Goodwill is not amortized.

Acquisitions costs are expensed in the period they are incurred except for those costs to issue equity instruments which are offset against the related equity instruments and those costs to issue debt which are offset against the corresponding debt and amortized using the effective interest method.

i) PENSION PLANS

FPLP established defined benefit and defined contribution pension plans for certain of its employees. A defined contribution plan is a pension plan under which the group pays fixed contributions to a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The defined benefit pension plan provides benefits based on a set percentage of participants' earnings, the costs of which are shared between the participants and FPLP. The cost of defined contribution pension plans is charged to expense as the contributions become payable. For defined benefit plans, the level of benefit provided is based on the length of service and earnings of the employee. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The related pension liability recognized in the balance sheet is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets.

Actuarial valuations for defined benefit plans are carried out as dictated by legislative requirements. Where a deep market for high quality corporate bonds exists, the discount rate applied in arriving at the present value of the pension liability represents yields on high quality corporate bonds that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in full in the period in which they occur, in other comprehensive income and deficit without recycling to the statements of income in subsequent periods. Past service costs are recognized immediately in the statements of income.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the return on plan assets, (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset

FP Canadian Newspapers Limited Partnership

Notes to Consolidated Financial Statements for the Years ended December 31, 2014 and 2013

(tabular amounts in thousands of Canadian dollars)

j) TRANSACTION COSTS

Transaction costs on financial assets and financial liabilities, classified other than as held for trading, are included in the carrying amount of the respective instrument. Deferred financing costs represent costs in connection with obtaining the credit facilities. These deferred costs are initially capitalized and subsequently amortized, using the effective interest rate method, over the term of the debt.

k) CASH AND CASH EQUIVALENTS

For the purposes of the consolidated statements of cash flows, cash includes cash and short-term investments with maturities at the date of purchase of up to 90 days and which are subject to insignificant changes in value and are recorded at amortized cost, which approximates market value.

l) INCOME TAXES

FPLP is not a taxable entity, and accordingly, no provision for income taxes relating to FPLP is included in the consolidated financial statements since all income, deductions, gains, losses and credits are reportable on the tax returns of its partners.

m) PROVISIONS

Provisions for restructuring costs and legal claims are recognized when FPLP has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Restructuring provisions are primarily comprised of employee termination payments. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

n) FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognized when FPLP becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are initially recorded at fair value. FPLP has made the following classifications:

Cash and cash equivalents are classified as “loans and receivables” and are measured at amortized cost using the effective interest rate method.

Accounts receivable are classified as “loans and receivables” and are measured at amortized cost using the effective interest rate method.

Investment is classified as “available for sale” and is recorded at fair value, as determined by published price quotations in an active market. Gains and losses resulting from the periodic revaluation are recorded in other comprehensive income, unless the investment is sold or impaired which would require recognition in the statements of income.

Accounts payable and accrued liabilities, term loan and mortgage loan are classified as “other financial liabilities” and are measured at amortized cost using the effective interest rate method.

Derivatives are classified as “held-for-trading” and recorded at fair value with gains and losses resulting from periodic revaluation recorded in the statements of income.

o) UNITHOLDERS' EQUITY

General Partner Units and Class A limited partner Units are classified as equity. Incremental costs directly attributable to their issuance are recognized as a deduction from equity.

FP Canadian Newspapers Limited Partnership

Notes to Consolidated Financial Statements for the Years ended December 31, 2014 and 2013

(tabular amounts in thousands of Canadian dollars)

p) DISTRIBUTIONS

Distributions to partners are recognized in FPLP's financial statements in the period in which the distributions are approved by the Board of Directors of the FPGP.

q) ASSETS HELD FOR SALE

Assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

Accounting policies

The accounting policies followed in these consolidated financial statements are consistent with those of the previous financial year except as described below.

Changes in accounting policies and disclosures

FPLP has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2014. These changes were made in accordance with the applicable transitional provisions.

IAS 32, Financial Instruments – Presentation

IAS 32 applies to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; and the right for offsetting financial assets and financial liabilities. A right to offset may be currently available or it may be contingent on a future event. An entity must have a legally enforceable right of set-off. The standard did not affect FPLP as its financial instruments currently do not have a legally enforceable right of set-off.

IFRIC 21, Levies

IFRIC 21 provides guidance on the accounting for a liability to pay a levy, if that liability is within the scope of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. Levies are imposed by governments in accordance with legislation and do not include income taxes, which are accounted for under IAS 12, *Income Taxes* or fines or other penalties imposed for breaches of legislation. The interpretation was issued to address diversity in practice around when the liability to pay a levy is recognized. The adoption of IFRIC 21 did not affect the financial statements or disclosures as it was determined that no changes were required to the existing accounting treatment of levies.

Accounting standards and amendments issued but not yet effective

IFRS 9 – Financial Instruments

IFRS 9, *Financial Instruments*, first issued in November 2009 with final version released in July 2014 by the IASB, brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39. IFRS 9 introduces a principles-based approach to the classification of financial assets based on an entity's business model and the nature of the cash flows of the asset. All financial assets, including hybrid contracts, are measured as at fair value through profit or loss ("FVTPL"), fair value through other comprehensive income or amortized cost. For financial liabilities, IFRS 9 includes the requirements for classification and measurement previously included in IAS 39. IFRS 9 also introduces an expected loss impairment model for all financial assets not carried at FVTPL. The model has three stages: (1) on initial recognition, 12-month expected credit losses are recognized in profit and loss and a loss allowance is established; (2) if credit risk increases significantly and the resulting credit risk is not considered to be low, full lifetime expected credit losses are recognized; and (3) when a financial asset is considered credit-impaired, interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than its gross carrying amount. Finally, IFRS 9 introduces a new hedge accounting model that aligns the accounting for hedge relationships more closely with an entity's risk management activities. The standard is effective for annual periods beginning on or after January 1, 2018. FPLP is assessing the impact of adopting this standard on its financial statements.

FP Canadian Newspapers Limited Partnership

Notes to Consolidated Financial Statements for the Years ended December 31, 2014 and 2013

(tabular amounts in thousands of Canadian dollars)

IFRS 15 – Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, a new standard that specifies the steps and timing for entities to recognize revenue as well as requiring them to provide more informative, relevant disclosures. IFRS 15 supersedes IAS 11, *Construction Contracts*, and IAS 18, *Revenue*, as well as various IFRIC and SIC interpretations regarding revenue. Adoption of IFRS 15 is mandatory and will be effective for the Company's beginning on January 1, 2017, with earlier adoption permitted. FPLP is assessing the impact of adopting this standard on its financial statements.

3. USE OF ESTIMATES

The preparation of consolidated financial statements requires management to make estimates and assumptions about future events that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ significantly from those estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances.

Long Lived Assets

FPLP has estimated the useful life of property, plant and equipment, finite life intangible assets and the fair value of indefinite life intangible assets and goodwill, based on historical customer patterns, industry trends and existing competitive factors. Significant unfavourable long-term changes to these factors could result in a material impairment of the carrying value of such assets.

FPLP tests at least annually whether indefinite lived intangible assets and goodwill have suffered any impairment loss, in accordance with its accounting policy. The recoverable amounts have been determined based on the higher of fair value less cost to dispose and value-in-use calculations. The principal assumptions and impairment assessments are included in note 5.

Employee Benefits

The present value of the pension benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for pensions include the discount rate, mortality rates and the rate of compensation increases. Any changes in these assumptions will impact the carrying amount of the pension obligation. FPLP determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, FPLP considers the interest rates of high-quality corporate bonds that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension benefit obligations are based in part on current market conditions and recognized actuarial practices. The principal assumptions and sensitivities are included in note 7.

FP Canadian Newspapers Limited Partnership
Notes to Consolidated Financial Statements for the Years ended December 31, 2014 and 2013
(tabular amounts in thousands of Canadian dollars)

4. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Machinery and equipment	Computer equipment and other	Total
At December 31, 2012				
Cost	10,865	58,486	5,896	75,247
Accumulated depreciation	(2,637)	(29,111)	(5,249)	(36,997)
Net book value	8,228	29,375	647	38,250
Year ended December 31, 2013				
Balance at beginning of year	8,228	29,375	647	38,250
Additions	11	232	48	291
Disposals – cost	-	(43)	(899)	(942)
Disposals – accumulated depreciation	-	43	899	942
Depreciation for the year	(355)	(3,113)	(256)	(3,724)
At December 31, 2013	7,884	26,494	439	34,817
At December 31, 2013				
Cost	10,876	58,675	5,045	74,596
Accumulated depreciation	(2,992)	(32,181)	(4,606)	(39,779)
Net book value	7,884	26,494	439	34,817
Year ended December 31, 2014				
Balance at beginning of year	7,884	26,494	439	34,817
Additions	597	194	9	800
Additions acquired under capital lease	-	4,321	-	4,321
Disposals – cost	-	(42)	(28)	(70)
Disposals – accumulated depreciation	-	42	28	70
Depreciation for the year	(359)	(3,337)	(209)	(3,905)
At December 31, 2014	8,122	27,672	239	36,033
At December 31, 2014				
Cost	11,473	63,148	5,026	79,647
Accumulated depreciation	(3,351)	(35,476)	(4,787)	(43,614)
Net book value	8,122	27,672	239	36,033

As at December 31, 2014, machinery and equipment includes finance leased assets with a cost of \$9,163,000 (2013 \$4,970,000), less accumulated depreciation of \$1,487,000 (2013 \$966,000) for a net book value of \$7,676,000 (2013 \$4,004,000).

FP Canadian Newspapers Limited Partnership
Notes to Consolidated Financial Statements for the Years ended December 31, 2014 and 2013
(tabular amounts in thousands of Canadian dollars)

5. INTANGIBLE ASSETS AND GOODWILL

	Subscriber base and Archives	Computer Software	Mastheads	Total Intangible Assets	Goodwill
At December 31, 2012					
Cost	5,252	3,296	5,207	13,755	71,250
Accumulated amortization	(3,958)	(2,915)	-	(6,873)	-
Net book value	1,294	381	5,207	6,882	71,250
Year ended December 31, 2013					
Opening net book value	1,294	381	5,207	6,882	71,250
Additions	-	22	-	22	-
Retirements	-	(795)	-	(795)	-
Retirements – Accumulated amortization	-	795	-	795	-
Amortization for the year	(312)	(196)	-	(508)	-
At December 31, 2013	982	207	5,207	6,396	71,250
At December 31, 2013					
Cost	5,252	2,523	5,207	12,982	71,250
Accumulated amortization	(4,270)	(2,316)	-	(6,586)	-
Net book value	982	207	5,207	6,396	71,250
Year ended December 31, 2014					
Opening net book value	982	207	5,207	6,396	71,250
Additions	-	230	-	230	-
Retirements	-	-	-	-	-
Retirements – Accumulated amortization	-	-	-	-	-
Amortization	(312)	(146)	-	(458)	-
At December 31, 2014	670	291	5,207	6,168	71,250
At December 31, 2014					
Cost	5,252	2,753	5,207	13,212	71,250
Accumulated amortization	(4,582)	(2,462)	-	(7,044)	-
Net book value	670	291	5,207	6,168	71,250

Goodwill is entirely attributable to FPLP, as it represents the lowest level at which management internally monitors goodwill. The CGU also includes all mastheads related primarily to the Winnipeg Free Press. The recoverable amount of the CGU is determined based on the value-in-use calculations using pre-tax cash flow projections based on management expectations covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the newspaper industry.

FP Canadian Newspapers Limited Partnership
Notes to Consolidated Financial Statements for the Years ended December 31, 2014 and 2013
(tabular amounts in thousands of Canadian dollars)

The key assumptions used for value-in-use calculations included the following:

	2014	2013
Long-term growth rate	0%	0%
Pre-tax discount rate	14% to 17 %	14% to 17 %

The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used reflect specific risks relating to FPLP.

FPLP has concluded that there were no impairments as a result of the testing for the years 2014 and 2013. At December 31, 2014, the reasonable range of recoverable amounts for the CGU, based on the high-end of the range, was greater than its carrying value by an excess of \$20,000,000. If the long-term growth rates were to decline by approximately 4.0% or if the discount rates were to increase by approximately 2.0%, the carrying amount would exceed the reasonable range for recoverable amount.

6. LONG-TERM DEBT AND SUBSEQUENT EVENT

The long-term debt agreement, which was originally scheduled to mature on January 31, 2016, was renewed on January 8, 2015 with a maturity date of January 31, 2020. On the renewal date, \$6,300,000 of principal was repaid reducing the outstanding principal to \$40,000,000. Principal repayments of \$1,000,000 are due on the first of June each year and a cash sweep is payable no later than 90 days after the end of each fiscal year, with the first cash sweep due no later than March 31, 2016 for the 2015 financial year. The cash sweep is equal to the lesser of \$3,500,000 or 25% of FPLP's annual distributable cash as defined in the agreement. Maximum principal balances under the agreement are \$30,000,000 on January 31, 2018 and \$20,000,000 on January 31, 2020. The renewal agreement includes negative covenants which must be observed in order to avoid an accelerated termination of the agreement. The financial covenants included in the agreement are detailed in note 15.

In 2011, a mortgage financing agreement was completed for the Derksen Printers real estate assets. The loan of \$820,000 (2013 \$871,000), which is to be repaid over 15 years, carries a five year fixed interest rate of 4.85%.

7. EMPLOYEE FUTURE BENEFIT PLANS

FPLP has a defined benefit pension plan as well as defined contribution plans. Its defined benefit pension plan provides benefits based on a set percentage of participants' earnings, the costs of which are shared between the participants and FPLP. Pension benefits are not indexed to the rate of inflation. The benefit payments are from trustee administered funds. Responsibility for governance of the plans, overseeing all aspects of the plans, including investment decisions and contribution schedules, lies with FPLP. FPLP has set up pension committees to assist in the management of the plans and has appointed experienced, independent professional experts such as investment managers, actuaries, custodians and trustees.

FPLP measures its accrued benefit obligation and the fair value of plan assets for accounting purposes as at December 31 of each year. The most recent actuarial valuation report for funding purposes was at December 31, 2013 and the next required valuation is as of December 31, 2014 and will be completed during 2015.

FP Canadian Newspapers Limited Partnership
Notes to Consolidated Financial Statements for the Years ended December 31, 2014 and 2013
(tabular amounts in thousands of Canadian dollars)

Information on FPLP's defined benefit pension plan is as follows:

	2014	2013
	\$	\$
PLAN ASSETS		
Fair value - beginning of year	32,522	25,580
Interest income	1,652	1,215
Return on plan assets, excluding amounts included in interest income	1,220	2,376
Employer contributions	2,331	4,675
Employee contributions	1,476	1,264
Benefit payments	(4,042)	(2,489)
Administration expenses	(80)	(99)
Fair value - end of year	35,079	32,522
PLAN OBLIGATIONS		
Accrued benefit obligation - beginning of year	34,959	34,800
Interest expense	1,691	1,536
Current service cost	1,321	2,028
Benefit payments	(4,042)	(2,489)
Loss from change in demographic assumptions	45	870
(Gain) loss from change in financial assumptions	5,579	(2,777)
Experience (gains) losses	710	(273)
Employee contributions	1,476	1,264
Accrued benefit obligation - end of year	41,739	34,959

FPLP's accrued pension liability is determined as follows:

	2014	2013
	\$	\$
Fair value of plan assets	35,079	32,522
Accrued benefit obligation	41,739	34,959
Accrued pension benefit liability	(6,660)	(2,437)

FPLP's pension plan expense is determined as follows:

	2014	2013
	\$	\$
Current service cost	1,321	2,028
Administration expenses	60	86
Interest expense	1,691	1,536
Interest income	(1,652)	(1,215)
Pension expense – defined benefit pension plan	1,420	2,435
Employer contributions to defined contribution pension plans	307	242
Total pension expense recognized in employee compensation	1,727	2,677

FPLP's components of employee benefits recognized in other comprehensive income are as follows:

	2014	2013
	\$	\$
Remeasurements for defined benefit pension plan	(5,134)	4,543

Cumulative actuarial (losses) recognized in other comprehensive income and deficit for the year ended December 31, 2014 was (\$13,781,000) (2013 (\$8,647,000)).

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Significant actuarial assumptions in measuring FPLP's accrued benefit obligations are as follows:

	2014	2013
	%	%
Discount rate	4.05	4.90
Rate of compensation increase	0.50	1.00

Significant actuarial assumptions in measuring FPLP's benefit costs are as follows:

	2014	2013
	%	%
Discount rate	4.90	4.45
Rate of compensation increase	1.00	1.00

The sensitivity of the defined benefit obligation to changes in assumptions is set out below.

	Impact on defined benefit obligation
Discount rate	
Increase by 0.5% per year	(3,645)
Decrease by 0.5% per year	4,161
Rate of compensation increase	
Increase by 0.5% per year	447
Decrease by 0.5% per year	(373)

Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. The defined benefit pension plan assets consist of investments in units of investment funds with the following asset allocation by asset category:

	2014	2013
	%	%
Canadian equities	29	29
United States equities	12	12
Non-North American equities	12	12
Canadian Government and corporate bonds	40	40
Real estate	7	7
	100	100

FPLP's management, in conjunction with its actuaries, reviews anticipated future long-term performance of individual asset categories and considers the asset allocation strategy adopted by FPLP. The determination of the long-term rate considers a number of factors including recent performance, and historical returns to the extent that the past is indicative of the expected long-term prospective rate. There can be no assurance that the plan will earn the expected rate of return.

Under Manitoba pension laws, solvency deficiencies must be funded over a five-year period, which may be extended to ten years unless more than one-third of the active plan members and pensioners object to the extension. FPLP received an extension to ten years for funding of the defined benefit pension solvency deficiency that was identified in the actuarial funding valuation completed at December 31, 2012 and December 31, 2011. At December 31, 2013, the aggregate solvency deficit in the defined benefit plan amounted to \$6,329,000. Special payments for past service of \$1,368,000 (2013 \$2,463,000) have been made to fund the defined benefit pension plan deficit over ten years.

Based on information currently available, expected current service costs excluding minimum funding requirements related to past solvency deficits to defined benefit plans for 2015 are \$1,603,000.

The weighted average duration of the defined benefit obligation is 18.7 years (2013 17.4 years).

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Through its defined benefit pension plan, FPLP is exposed to a number of risks, the most significant of which are detailed below:

Asset Volatility

The defined benefit pension plan liabilities are calculated using a discount rate set with reference to high quality corporate bond yields; if plan assets underperform this yield, this will create a deficit. The defined benefit plan holds a significant proportion of its portfolio in equities and real estate, which are expected to outperform corporate bonds in the long-term while contributing volatility and risk in the short-term.

FPLP believes that due to the long-term nature of the defined benefit pension plan liabilities a level of continuing equity investment is an appropriate element of the long-term strategy to manage the plan efficiently.

Changes in bond yields

A decrease in high quality corporate bond yields will increase the defined benefit pension plan liabilities, although this will partially offset by an increase in the value of the plan's bond holdings.

Life expectancy

The majority of the defined benefit pension plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the defined benefit pension plan's liabilities.

Each sensitivity analysis disclosed in this note is based on changing one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to variations in significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as for calculating the liability recognised in the consolidated balance sheet.

8. SHARE CAPITAL AND ACCUMULATED OTHER COMPREHENSIVE INCOME

FPLP may issue an unlimited number of general partner and limited partner Units.

	2014		2013	
	Number of Units	\$	Number of Units	\$
FPCN General Partner Inc. - managing general partner	10	10	10	10
Canstar Publications Ltd. and R.I.S. Media Ltd. - general partners	7,184,321	30,711	7,184,321	30,711
FP Newspapers Inc. - Class A limited partner Units	6,902,592	67,559	6,902,592	67,559
	14,086,923	98,280	14,086,923	98,280

FPLP's net earnings are allocated to the general partners in respect of the general partner Units and the limited partners in respect of the Class A limited partner Units in proportion to the distributions made to the partners in the year. Under the exchange agreement entered into between the holders of the general partner Units, the Class A limited partner Units and FP Newspapers Inc. ("FPI"), each general partner Unit may, at any time, at the option of the holder, be exchanged for an equal number of FPI's shares, subject to the exchange ratio and other provisions of the exchange agreement.

The Class A limited partner Units and the general partner Units are entitled to receive cash distributions equal to 49% and 51%, respectively, of FPLP's distributable cash flow as defined in the limited partnership agreement.

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9. OTHER INCOME AND FINANCE COSTS

	2014 \$	2013 \$
Other income		
Interest income	147	146
Gain on sale of property, plant and equipment	10	1
Total other income	157	147
Finance Costs		
Interest on finance leases	188	142
Interest on mortgage loan	41	43
Interest on term loan	1,532	1,443
Accretion of term loan related to financing costs	46	47
	1,807	1,675

10. INCOME TAXES

The deferred income tax expense for income taxes differs from the expense that would be obtained by applying Canadian combined statutory tax rates as a result of the following:

	2014 \$	2013 \$
Net earnings before income taxes	11,699	14,242
Canadian combined statutory tax rate	27.0%	27.0%
Income tax expense at the Canadian combined statutory tax rate	(3,159)	(3,845)
Income taxed in the hands of the partners	3,159	3,845
Income tax expense	-	-

11. COMMITMENTS AND CONTINGENCIES

a) LEASES AND OTHER COMMITMENTS

FPLP has entered into a series of five-year non-cancellable finance lease agreements to finance equipment projects at its printing facilities. The leases are fully secured by the assets subject to the lease. A summary of the future obligations under the leases are as follows:

	\$
2015	1,846
2016	1,814
2017	905
2018	855
2019	643
Total payments	6,063
Interest cost (rates ranging from 3.5% to 5.5%)	(379)
Present value of finance lease obligation	5,684

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FPLP also leases machinery and equipment under various third-party non-cancellable operating lease agreements with terms of up to six years. FPLP has entered into long-term sponsorship agreements, purchase agreements and various other commitments. Aggregate future minimum payments under the terms of these long-term commitments are as follows:

	\$
2015	1,292
2016	857
2017	738
2018	463
2019	274
Thereafter	355
Total payments	3,979

b) LEGAL MATTERS

FPLP is involved in various legal actions arising in the ordinary course of business. In the opinion of management, the ultimate resolution of these matters will not have a material adverse effect on FPLP's financial position, results of operations or cash flows.

12. RELATED PARTY TRANSACTION

FPLP is directly controlled by FPGP, which is ultimately controlled indirectly by Ronald Stern. FPLP incurs transactions with related parties in the normal course of operations. All related party transactions are with entities directly or indirectly controlled or significantly influenced by FPLP's controlling general partners.

For the year, total newsprint purchases from Alberta Newsprint Company, a company controlled indirectly by Ronald Stern, for 2014 were \$3,558,000 (2013 \$3,723,000). FPLP also reimbursed related parties for administration costs amounting to \$19,000 (2013 \$18,000). At December 31, 2014, accounts payable to related parties totalled \$365,000 (2013 \$399,000). Total advertising sales to related parties were \$30,000 (2013 \$41,000) and at December 31, 2014 accounts receivable from related parties totalled \$4,100 (2013 \$1,000).

Transactions with key management personnel

FPLP's key management personnel have authority and responsibility for overseeing, planning, directing and controlling the activities of FPLP and consist of the Board of Directors of FPCN General Partner Inc., the managing general partner of FPLP and FPLP's senior executive management team.

Total compensation expense for key management personnel, and the composition thereof is as follows:

	2014	2013
	\$	\$
Salaries and bonuses	659	836
Post-retirement pension benefits	63	79
	722	915

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13. SEGMENT REPORTING

FPLP has determined that it operates in one operating segment which includes the publishing, printing and distribution of daily and weekly newspapers and specialty products, and advertising materials in Manitoba.

14. FINANCIAL INSTRUMENTS

FPLP's financial assets and liabilities are comprised of cash and cash equivalents, accounts receivable, investment, interest rate swap, accounts payable and accrued liabilities and long-term debt which include the term-loan and mortgage loan. Cash and cash equivalents included cash equivalents of \$3,119,000 at December 31, 2014 (2013 \$3,089,000).

FPLP is exposed to financial risks arising from its financial assets and liabilities. The financial risks include credit risk, interest rate risk and liquidity risk.

a. CREDIT RISK

Credit risk is the risk a customer will fail to perform an obligation or fail to pay amounts due, causing a financial loss. Credit risk primarily arises from cash and cash equivalents and accounts receivable. The maximum exposure to credit risk is the carrying value of these financial assets. Cash and cash equivalents are all held at large chartered Canadian banks or Canadian subsidiaries of large international banks and FPLP does not expect the counterparties to fail to meet their obligations.

As FPLP is in the business of publishing newspapers and performing printing services for third parties, included in the accounts receivable are primarily amounts owed from advertisers and advertising agencies, circulation customers and commercial print clients. FPLP does not hold collateral as security for these balances. FPLP's credit risk relating to these accounts receivable is spread over a large number of national and local advertising clients and advertising agencies, in addition to many circulation retail customers and third-party printing clients. FPLP manages credit risk on a customer-by-customer basis and establishes a reasonable allowance for uncollectible amounts with this allowance netted against the accounts receivable on the consolidated balance sheet. The adequacy of the allowance is reviewed on a regular basis and is estimated based on past experience, specific risks associated with the customers and other relevant information. The 10 largest receivable amounts total \$4,171,000 (2013 \$4,289,000) and approximately 81% (2013 82%) of these balances are owed from national advertising agencies. The largest amount due from a single national agency is \$703,000 (2013 \$881,000) which represents 6% of total receivables.

Accounts receivable are impaired when there is evidence that collection is unlikely. Collection is determined to be unlikely if the customer is in bankruptcy or FPLP has exhausted all efforts to obtain payment. At December 31, 2014, FPLP estimates the value of impaired accounts receivable is \$78,000 (December 31, 2013 \$9,000) and these amounts are included as part of the allowance for doubtful accounts.

The age of receivables and allowance for doubtful accounts is as follows:

	2014	2013
	\$	\$
Accounts receivable:		
Current	6,186	6,944
Up to three months past due	4,707	4,971
Greater than three months past due	207	252
Impaired	78	9
	11,178	12,176
Allowance for doubtful accounts	(160)	(221)
	11,018	11,955

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The following table summarizes the changes in the allowance for doubtful accounts for trade receivables:

	2014	2013
	\$	\$
Balance at beginning of year	(221)	(378)
Provision for impairment	(199)	(185)
Receivables written-off during the year – uncollectible	45	81
Unused amounts reversed	215	261
Balance at end of year	(160)	(221)

b. INTEREST RATE RISK

Interest rate risk is the risk that the fair value (fair value interest rate risk) or future cash flows (cash flow interest rate risk) of a financial instrument will fluctuate because of changes in market interest rates primarily related to the HSBC credit facility (see note 6). FPLP is exposed to cash flow interest rate risk due to fluctuations in interest rates as the amounts borrowed under the HSBC credit facility are in the form of prime rate loans or bankers' acceptances at varying interest rates ranging in terms from 30 to 180 days.

An assumed 1% increase in FPLP's short term borrowing rates during the year ended December 31, 2014, would have decreased net income by \$467,000 (2013 \$412,000), with an equal but opposite effect for an assumed 1% decrease in short term borrowing rates.

c. LIQUIDITY RISK

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. FPLP believes that it has access to sufficient capital through current cash and cash equivalent balances, future internally generated cash flows and external sources (bank credit markets and debt capital markets) to meet current spending forecasts. As at December 31, 2014, FPLP's cash and cash equivalents on hand was \$16,231,000.

The following are the contractual maturities of the financial liabilities:

	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
	\$	\$	\$	\$	\$
At December 31, 2014					
Accounts payable and accrued liabilities and provisions	7,172	7,172	-	-	-
Mortgage loan principal and interest	880	92	788	-	-
Finance lease obligations principal and interest	6,063	1,846	3,574	643	-
Long-term debt principal and interest	47,985	2,532	45,453	-	-
Total	62,100	11,642	49,815	643	-
At December 31, 2013					
Accounts payable and accrued liabilities	6,984	6,984	-	-	-
Mortgage loan principal and interest	970	92	878	-	-
Finance lease obligations principal and interest	3,006	1,006	2,000	-	-
Long-term debt principal and interest	50,235	2,455	47,780	-	-
Total	61,195	10,537	50,658	-	-

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d. FAIR VALUES, INCLUDING VALUATION METHODS AND ASSUMPTIONS

Fair value hierarchy

Financial assets and liabilities are classified in a hierarchy that is based on significance of the inputs used in making the measurements. The levels in the hierarchy are:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Financial assets and liabilities whose fair values are disclosed

The fair value of current assets and liabilities including cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximates their carrying value due to the short-term nature of these financial instruments. The fair value of the HSBC term loan, based on Level 3 fair value hierarchy inputs, is approximately \$46,324,000 (2013 \$47,324,000). The fair value of the mortgage loan, based on Level 3 fair value hierarchy inputs, approximates its carrying value.

The fair value of long term debt and mortgage loan has been calculated by discounting the expected cash flows of each debt using a discount rate of 3.20% and 4.85%, respectively. The discount rate is determined using a risk free benchmark bond yield for instruments of similar maturity adjusted for the Company's specific credit risk. In determining the adjustment for credit risk, the Company considers market conditions, the underlying values of properties and other assets secured by the associated loan and other indicators of the Company's credit worthiness

Financial asset or liability measured at fair value

	Level 1	Level 2	Level 3	Total
Financial asset or liability	\$	\$	\$	\$
2014				
Investment	-	-	-	-
	-	-	-	-
<hr/>				
	Level 1	Level 2	Level 3	Total
Financial asset or liability	\$	\$	\$	\$
2013				
Investment	54	-	-	54
	54	-	-	54

15. CAPITAL MANAGEMENT

FPLP's objective for managing the capital structure is to take advantage of leverage with the prudent use of debt, while maintaining flexibility through historically setting distribution levels that are less than the cumulative amounts available for distribution. There are no set quantitative targets established for monitoring the capital structure. Management continuously monitors capital markets in the context of the general economic environment, FPLP's financial position and outlook, and strategic development plans. FPLP can alter the mix within the capital structure by repaying debt, increasing debt, adjusting distributions to partners or raising additional equity capital.

FP Canadian Newspapers Limited Partnership**Notes to Consolidated Financial Statements for the Years ended December 31, 2014 and 2013**

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FPLP's capital consists of cash and cash equivalents, debt and Unitholders' equity. The components at December 31, 2014 and December 31, 2013 were as follows:

	2014	2013
	\$	\$
Term loan	46,274	47,228
Finance leases and mortgage loan	6,504	3,693
Cash and cash equivalents	(16,231)	(10,300)
External net debt	36,547	40,621
Unitholders' equity	73,287	76,932
Total capitalization	109,834	117,553
External net debt as a percentage of total capitalization	33.3%	34.6%

The HSBC credit facility includes negative covenants which must be observed in order to avoid an accelerated termination of the agreement. These covenants include certain restrictions on paying distributions, the sale of assets, the purchase of investments and acquisitions, share capital, allowing encumbrances and certain issuances of loans or financial assistance. FPLP is restricted from making distributions which exceed distributable cash by more than \$1.0 million annually, as defined by the agreement. FPLP is required to maintain a leverage ratio of no greater than 3.5 to 1.0, prior to January 31, 2018 and 3.0 to 1.0 after that, a fixed charge coverage ratio of no less than 2.0 to 1.0 and a current ratio of no less than 1.2 to 1.0, all defined in the agreement and measured quarterly on a trailing 12-month basis. Financial amounts used in the calculations are specifically defined in the credit agreement, but are substantially equal to the corresponding terms used in the external financial reports filed by FPLP. At December 31, 2014 FPLP was in compliance with all the terms and conditions of its debt agreement.

16. INDEMNIFICATION

The managing general partner and FPLP have agreed to indemnify FPLP's current and former directors and officers to the extent permitted by law against any and all charges, costs, expenses, amounts paid in settlement and damages incurred by the directors and officers as a result of any lawsuit or any other judicial, administrative or investigative proceeding in which the directors and officers are sued as a result of their service. These indemnification claims will be subject to any statutory or other legal limitation period. The nature of such indemnification prevents the partnership from making a reasonable estimate of the maximum potential amount it could be required to pay to counterparties. The general partner has directors' and officers' liability insurance coverage, pursuant to a joint policy covering FPGP, FPLP and FPI, of up to \$15.0 million in joint coverage.

17. RESTRICTING CHARGE

In 2014, FPLP incurred a restructuring charge of \$369,000 consisting of severance payments in relation to employee reductions primarily achieved through attrition from retirements. During 2014, \$202,000 of the restructuring charge was paid and a provision of \$167,000 at December 31, 2014 will be paid in 2015.