

**Second Quarter Report  
June 30, 2002**

**Report to Unitholders**



Dear Fellow Unitholders:

We are pleased to provide you with a report on the results of our operations and related distribution to unitholders of FP Newspapers Income Fund (the "Fund") for the period to June 30, 2002. This is our first quarterly report following the successful completion of the initial public offering of units on May 28, 2002. As previously reported, the underwriting group exercised the overallotment option, resulting in the issuance of an additional 328,695 units of the Fund on June 27, 2002. The Fund now owns securities entitling it to 49% of the distributable cash of FP Canadian Newspapers Limited Partnership ("FPLP").

### **Operations**

FPLP continued to invest in the quality of the editorial content of the newspapers during the first and second quarters, adding a twice weekly feature in the Winnipeg Free Press spotlighting leading opinion makers including Lloyd Axworthy and Preston Manning called 'A View From The West'. In addition, an expanded and redesigned entertainment section debuted, along with increased feature coverage in science, technology and lifestyles reporting. Average seven-day circulation of the newspapers during the month of June 2002 is up 0.2% year-on-year. This compares with a year-on-year decline of 5.9% for the month of November 2001, the month in which the newspapers were acquired by FPLP. In addition, a survey commissioned by the Winnipeg Free Press and conducted by Probe Research Inc. showed strong readership gains, the key metric of interest to advertisers.

Advertising revenue for the newspaper operations in the second quarter of 2002 was \$18.1 million compared to \$18.2 million in the prior year, and circulation revenue was unchanged at \$5.2 million in the second quarter in both years. Total revenue of the newspapers owned by FPLP for the three months ended June 30, 2002 was \$24.8 million, a \$0.3 million decrease over 2001. The operating profit before depreciation and amortization ("EBITDA") of the newspapers in the second quarter was \$6.4 million, a 3.1% increase compared to \$6.2 million in 2001.

### **Distributions**

The Fund declared its first distribution of \$0.127 per unit, on June 19, 2002 to holders of record on June 30, 2002, for the period from May 28 to June 30, 2002. This initial distribution will be paid July 30, 2002. A second distribution of \$0.1125 for the month of July was declared and will be paid August 29, 2002.

The Fund generated distributable cash of \$0.155 per unit for the period May 28 to June 30, 2002. This excess, together with available cash balances in FPLP, will be used to maintain stable monthly distributions during the third quarter when EBITDA and distributable cash are seasonably lower due to traditionally decreased advertising activity in July and August.

### **Outlook**

By continuing to focus on improving the quality of our product, we believe the newspapers will maintain the strong readership and advertising support which they enjoy today. We expect the improving economic outlook in Canada will lead to improved consumer confidence and ultimately, to growth in advertising spending. Although the third quarter historically contributes less profits than the second and fourth quarters, we are entering this period with a strong cash position and reduced operating costs.

Ronald N. Stern  
Chairman & Trustee

Rudy Redekop  
President & Publisher

July 29, 2002

## Management's Discussion and Analysis

**June 30, 2002**

### **FP Newspapers Income Fund**

*FP Newspapers Income Fund was created on May 15, 2002 and commenced operations on May 28, 2002 when it completed an Initial Public Offering and purchased an interest in FP Canadian Newspapers Limited Partnership (FPLP). The consolidated financial statements of the Fund report the results of operations for the period from May 28, 2002 to June 30, 2002.*

The Fund earned \$866,000 in income from its investment in FPLP for the period. Of this amount \$708,000 was earned as interest on the 11.5% subordinated notes issued by FPLP to the Fund, and the remaining \$158,000 represents the Fund's share of equity earnings on its Class A limited partnership units. The Fund incurred \$18,000 in operating expenses, resulting in net earnings for the period of \$848,000.

Subsequent to June 30, 2002, FPLP declared and paid a distribution to the Fund in respect of the Class A limited partnership units of \$184,790. The initial distribution to unitholders of the Fund was paid on July 30, 2002 totaling \$877,000, or \$0.127 per unit.

During the period to June 30, 2002, the Fund completed the Initial Public Offering and issued a total of 6,902,592 units for proceeds of \$69.0 million, all of which was used to acquire a 49% interest in FPLP. The Fund is dependant on the operations of FPLP, its sole investment.

### **FP Canadian Newspapers Limited Partnership**

*FPLP is a limited partnership formed on August 9, 1999. FPLP acquired the business and assets, and assumed certain liabilities, of the Winnipeg Free Press and Brandon Sun newspapers effective November 29, 2001. Prior to the acquisition of the newspaper publishing business the results of operations were insignificant, and accordingly, no comparison of the results for the period ended June 30, 2002 is made to the same period in 2001.*

### **Results of Operations**

Revenue for the three months and six months ended June 30, 2002 was \$24.8 million and \$48.4 million, respectively. Although advertising volumes are on target, overall rates are below expectations due to the negative variances in the mix of advertising, especially in the second quarter. Operating expenses excluding depreciation and amortization in the three and six months ended June 30, 2002 were \$18.4 million and \$36.9 million respectively, largely meeting expectations. For the six months ended June 30, 2002, compensation and benefits costs accounted for 49.6% of these expenses while newsprint accounted for 18.8%. Operating income before depreciation and amortization (EBITDA) was \$6.4 million and \$11.5 million for the three and six month periods ended June 30, 2002, both marginally lower than expected.

Depreciation of property plant and equipment in the three and six months ended June 30, 2002 was \$1.1 and \$2.1 million, all of which relates to the newspaper publishing business acquired in late 2001.

Interest expense on the term credit facility was \$1.2 million and \$2.4 million for the three and six months ended June 30, 2002. The amount owing under the term credit facility was reduced from \$100.0 million to \$59.6 million, on May 28, 2002; therefore the related interest expense will be correspondingly lower in future periods. Interest expense on the subordinated notes issued May 28, 2002 of \$0.7 million, is an expense for the three and six month period ended June 30, 2002, and is included in earnings of the Fund.

Net income for the three and six months ended June 30, 2002 was \$3.1 and \$5.8 million, and represented 12.5% and 11.9% of revenue respectively. Newspaper publishing is to a certain extent a seasonal business with a higher proportion of revenues and profit occurring during the second and fourth quarters of the calendar year.

## **Liquidity and Capital Resources**

### ***Cash Flow from Operations***

During the three months ended June 30, 2002, cash generated from operating activities was \$5.6 million, including \$1.2 million from an increase in accounts payable and accrued liabilities. The increase in accounts payable and accrued liabilities is primarily related to expenses incurred in the issuance of subordinated notes in May and June 2002. During the six months ended June 30, 2002, cash generated from operating activities was \$9.2 million, including \$0.8 million from a decrease in non-cash working capital items. Significant changes in non-cash working capital items included a \$1.7 million decrease in accounts receivable due to lower revenues in June compared to December and improved collections statistics, partially offset by a reduction in prepaid expenses of \$0.8 million.

### ***Capital Expenditures***

Purchases of property plant and equipment totalled \$0.2 million and \$0.5 million for the three and six months ended June 30, 2002. Capital expenditures for the first six months of 2002 were consistent with planned expenditures of approximately \$1.0 million for the full year.

### ***Financing Activities***

On January 4, 2002 FPLP borrowed \$100 million under the term credit facility. These funds were used to return a portion of the capital contributed by the limited partners in the prior year. On May 28 and June 27, 2002, in connection with the Initial Public Offering of the Fund, FPLP issued Class A limited partnership units and subordinated notes to the Fund for proceeds totaling \$69.0 million. These funds were used to reduce borrowings under the term credit facility by \$40.4 million, to make distributions as a partial return of capital to the general partners of \$24.3 million, and to pay expenses of the financing of \$4.3 million. Also on May 28, 2002, in connection with the investment by the Fund, a special distribution of \$8.9 million was made to the general partners. Further details are provided in the Final Prospectus dated May 16, 2002 filed by the Fund (available at [www.sedar.com](http://www.sedar.com)).

### **Outlook**

Cash and cash equivalents at June 30, 2002 total \$4.6 million. In addition, FPLP has an unused operating line of \$10.0 million which may be used to fund working capital needs. Revenue in the second half of 2002 is expected to be approximately equal to revenue generated from the newspaper operations in the last half of 2001. Although compensation and delivery costs have increased year-on-year, newsprint costs are expected to remain lower and more than offset these increases.

### **Supplementary Information**

*Prior to November 29, 2001, the Winnipeg Free Press and the Brandon Sun (the "Manitoba Newspaper Operations" or "MNO") were operated as a division of The Thomson Corporation. Note 3 to the FPLP financial statements for the three and six months ended June 30, 2002 contains supplementary revenue and operating expense information of the MNO, with comparative information for the prior year. Because the cost basis of the assets and the capital structure of the MNO was materially different under the prior owner, no supplementary information is provided regarding depreciation, amortization or interest expense, nor net income. Reference should also be made to the audited financial statements of the MNO included in the Final Prospectus of the Fund dated May 16, 2002.*

## **Operating Results of the Manitoba Newspaper Operations**

### **Three months ended June 30, 2002 compared to three months ended June 30, 2001**

Revenue for the second quarter of 2002 was \$24.8 million, a decrease of \$0.3 million or 1.3% over the second quarter of 2001 in which revenue was \$25.1 million. This decrease was primarily a result of a \$0.2 million or 12.1% decrease in commercial printing revenue. Advertising revenue decreased by \$0.1 million, or 0.7%, primarily due to a decrease in classified advertising, the largest portion of which was employment advertising.

Operating expenses excluding depreciation and amortization for the second quarter of 2002 were \$18.4 million, a decrease of \$0.5 million or 2.7% over the second quarter of 2001. Employee remuneration, including pension and non-pension benefits costs and payroll taxes, increased \$0.3 million or 3.5%, primarily as a result of expenses accruing on the new pension plans established by FPLP on November 29, 2001. The cost of newsprint decreased by \$1.1 million to \$3.5 million, or 23.1% primarily due to a 28.0% decrease in newsprint prices versus the second quarter of 2001, partially offset by an increase in usage. Delivery costs increased \$0.3 million or 13.3%, due to increased delivery rates and an increase in advertising insert volumes.

EBITDA in the second quarter of 2002 was \$6.4 million, compared to \$6.2 million in the second quarter of 2001, representing a 3.1% increase. EBITDA margin improved to 25.8% in the second quarter of 2002, compared to 24.7% in the same period in 2001.

#### **Six months ended June 30, 2002 compared to six months ended June 30, 2001**

Revenue for the first half of 2002 was \$48.4 million, an increase of \$0.3 million or 0.5% over the first six months of 2001. This was primarily a result of a \$0.4 million or 1.8% increase in local advertising, partially offset by a \$0.3 million decline in revenue earned from commercial printing.

Operating expenses excluding depreciation and amortization for the first half of 2002 were \$36.9 million, a decrease of \$0.6 million or 1.5% over the first six months of 2001. Employee remuneration, including pension and non-pension benefits costs and payroll taxes, increased \$0.7 million or 3.8%, primarily as a result of expenses accruing on the new pension plans established by FPLP on November 29, 2001. The cost of newsprint decreased by \$1.7 million to \$6.9 million, or 19.6% primarily due to a 25.5% decrease in newsprint prices versus the first half of 2001, partially offset by an increase in usage. Delivery costs increased \$0.4 million or 9.5%, due to increased delivery rates and an increase in advertising insert volumes.

EBITDA in the six months ended June 30, 2002 was \$11.5 million compared to \$10.7 million in the same period of 2001, representing a 7.6% increase. EBITDA margin for the six months ended June 30, 2002 improved to 23.8% from 22.3% in the same period of the prior year.

**FP Newspapers Income Fund**  
**Consolidated Balance Sheet**  
**(unaudited, in thousands of Canadian dollars)**

As at June 30, 2002

ASSETS	
Current Assets:	
Cash	-
Interest receivable	\$ 708
	<u>708</u>
Investment in FP Canadian Newspapers Limited Partnership (note 2)	69,184
	<u>\$ 69,892</u>
LIABILITIES AND UNITHOLDERS' EQUITY	
Current Liabilities:	
Accounts payable and accrued liabilities	\$ 18
Distribution payable to unitholders	877
	<u>895</u>
Unitholders' equity	68,997
	<u>\$ 69,892</u>

**FP Newspapers Income Fund**  
**Consolidated Statement of Earnings and Unitholders' Equity**  
**For the period from May 15, 2002 (date established) to June 30, 2002**  
**(unaudited, in thousands of Canadian dollars)**

Earnings from investment in FP Canadian Newspapers Limited Partnership	
Interest income on subordinated notes	\$ 708
Equity earnings from Class A units	158
	<u>866</u>
Administrative costs	(18)
Net earnings for the period	\$ 848
Unitholders' equity, beginning of period	-
Net proceeds from issuance of trust units	69,026
Cash distributions declared during the period	(877)
Unitholders' equity, end of period	<u>\$ 68,997</u>
Earnings per trust unit	\$ 0.123
Number of trust units outstanding	6,902,592

**FP Newspapers Income Fund**  
**Consolidated Statement of Cash Flows**  
**For the period from May 15, 2002 (date established) to June 30, 2002**  
**(unaudited, in thousands of Canadian dollars)**

Cash from (used in):	
Operating activities:	
Net earnings for the period	\$ 848
Item not affecting cash:	
Equity earnings from Class A units of FP Canadian Newspapers Limited Partnership	(158)
Change in non-cash working capital	(690)
<hr/>	
-	
Investing activities:	
Subscription for Class A units in FP Canadian Newspapers Limited Partnership	(72)
Subscription for subordinated notes	(68,954)
<hr/>	
(69,026)	
Financing activities:	
Units issued	69,026
<hr/>	
69,026	
<hr/>	
Change in cash balance	-
Cash balance, beginning of period	-
<hr/>	
Cash balance, end of period	\$ -
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**Notes to the Consolidated Financial Statements as at June 30, 2002**

**1. Basis of presentation**

FP Newspapers Income Fund (the "Fund") is a limited purpose trust formed under the laws of the Province of Ontario by a declaration of trust dated May 15, 2002. The Fund commenced operations on May 28, 2002 when it completed an Initial Public Offering and purchased securities entitling it to 46.67% of the distributable cash of FP Canadian Newspapers Limited Partnership ("FPLP"). As the Fund has only existed since May 15, 2002, no comparative figures are presented.

These interim consolidated financial statements of the Fund have been prepared by management in accordance with accounting principles generally accepted in Canada and include the accounts of the Fund and its wholly-owned subsidiary, FPCN Holdings Trust. These statements have been prepared following the same accounting policies and methods of computation as the consolidated balance sheet of the Fund as at May 15, 2002. These interim consolidated financial statements should be read in conjunction with the consolidated balance sheet and the notes thereto and other financial information contained in the Final Prospectus dated May 16, 2002.

**2. Investment in FP Canadian Newspapers Limited Partnership**

On May 28, 2002, FPCN Holdings Trust subscribed for 6,573,897 Class A limited partnership units of FPLP and \$65,670,000 principal amount of subordinated notes of FPLP. On June 27, 2002, FPCN Holdings Trust subscribed for a further 328,695 Class A limited partnership units of FPLP and \$3,283,500 principal amount of subordinated notes of FPLP. FPCN Holdings Trust holds all of the Class A limited partnership units of FPLP, which, together with the subordinated notes, entitles it to 49% of the distributable cash of FPLP.

The investment in subordinated notes of FPLP is recorded at cost, and interest income is recorded as revenue as it accrues. The investment in Class A limited partnership units of FPLP is accounted for using the equity method of accounting.

**3. Distribution**

The Fund declared its first distribution to unitholders of \$0.127 per unit. The distribution is payable July 30, 2002 to unitholders of record on June 28, 2002 and is in respect of the period from commencement of operations on May 28, 2002 to June 30, 2002.

**FP Canadian Newspapers Limited Partnership**  
**Balance Sheets**  
(unaudited, in thousands of Canadian dollars)

	June 30, 2002	December 31, 2001
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 4,649	\$ 4,792
Accounts receivable	9,812	11,497
Inventories	733	826
Prepaid expenses	1,561	714
	<hr/> 16,755	<hr/> 17,829
Property, plant and equipment	70,858	72,443
Other assets (note 4)	6,807	3,003
Goodwill and intangibles	74,679	74,860
	<hr/> <b>\$ 169,099</b>	<hr/> <b>\$ 168,135</b>
<b>LIABILITIES AND PARTNERS' CAPITAL</b>		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 8,346	\$ 8,294
Prepaid subscriptions and deferred revenue	2,717	2,858
	<hr/> 11,063	<hr/> 11,152
Long-term liabilities (note 5)		
Term loan	59,600	-
Subordinated notes	68,954	-
	<hr/> 128,554	<hr/> -
	139,617	11,152
Partners' capital (note 6)	29,482	156,983
	<hr/> <b>\$ 169,099</b>	<hr/> <b>\$ 168,135</b>

**FP Canadian Newspapers Limited Partnership**  
**Statements of Operations**  
(unaudited, in thousands of Canadian dollars)

	Three month period ended June 30,		Six month period ended June 30,	
	2002	2001	2002	2001
Revenue	\$ 24,809	\$ 2	\$ 48,419	\$ 4
Operating expenses, including selling, general and administration expenses	(18,406)	(4)	(36,877)	(4)
Operating income (loss) before depreciation and amortization	6,403	(2)	11,542	-
Depreciation of property, plant and equipment	(1,068)	-	(2,117)	-
Amortization of intangible assets	(91)	-	(181)	-
Operating income (loss)	5,244	(2)	9,244	-
Interest on term loan	(1,202)	-	(2,419)	-
Interest on subordinated notes	(708)	-	(708)	-
Amortization of deferred finance costs	(273)	-	(418)	-
Interest income	43	-	51	-
Sundry income (loss)	3	(5)	3	2
Net income (loss) for the period	\$ 3,107	\$ (7)	\$ 5,753	\$ 2

**FP Canadian Newspapers Limited Partnership**  
**Statements of Partners' Capital**  
(unaudited, in thousands of Canadian dollars)

	General partner units	Limited partner Class A units	Limited partner Class B units	Limited partner Class C units	Total
Partners' capital – Dec. 31, 2001	\$ -	\$ 156,831	\$ 116	\$ 36	\$ 156,983
Contributions	10	-	-	-	10
Return of capital	-	(100,000)	-	-	(100,000)
Redemption	-	-	(116)	(36)	(152)
Net income for the period	-	2,646	-	-	2,646
Redesignation	59,477	(59,477)	-	-	-
Partners' capital – Mar. 31, 2002	\$ 59,487	-	-	-	\$ 59,487
Distributions paid	(8,900)	-	-	-	(8,900)
Net income for the period	2,949	158	-	-	3,107
Return of capital	(24,284)	-	-	-	(24,284)
Contributions	-	72	-	-	72
Partners' capital - June 30, 2002	\$ 29,252	\$ 230	-	-	\$ 29,482

**FP Canadian Newspapers Limited Partnership**  
**Statements of Cash Flows**  
**(unaudited, in thousands of Canadian dollars)**

	Three month period ended June 30,		Six month period ended June 30,	
	2002	2001	2002	2001
Cash provided by (used in)				
Operating Activities:				
Net income (loss) for the period	\$ 3,107	\$ (7)	\$ 5,753	\$ 2
Item not affecting cash				
Depreciation and amortization	1,432	-	2,716	-
	4,539	(7)	8,469	2
Net change in non-cash working capital items (note 7)	1,088	(150)	763	6
	5,627	(157)	9,232	8
Investing Activities:				
Other investment	-	36	162	29
Purchases of property, plant and equipment	(230)	-	(453)	-
	(230)	36	(291)	29
Financing Activities:				
Term loan	(40,400)	-	59,600	-
Contributions by partners	72	-	82	-
Distributions to partners	(8,900)	-	(8,900)	-
Capital returned to partners	(24,284)	-	(124,284)	-
Redemption of partnership units	-	-	(152)	-
Deferred financing costs	(4,250)	-	(4,384)	-
Issuance of subordinated notes	68,954	-	68,954	-
	(8,808)	-	(9,084)	-
Increase (decrease) in cash and cash equivalents	(3,411)	(121)	(143)	37
Cash and cash equivalents - Beginning of period	8,060	158	4,792	-
Cash and cash equivalents - End of period	\$ 4,649	\$ 37	\$ 4,649	\$ 37

## 1. Nature of operations

FP Canadian Newspapers Limited Partnership ("FPLP") is a limited partnership formed on August 9, 1999 in accordance with the laws of British Columbia. Prior to November 26, 2001, the name of FPLP was Canstar Productions 1999-3 Limited Partnership.

Effective November 29, 2001, FPLP acquired the business and assets of the Winnipeg Free Press and Brandon Sun and related businesses in exchange for cash and the assumption of certain liabilities. These financial statements include only the assets, liabilities, revenues and expenses of FPLP and do not include the other assets, liabilities, revenues and expenses, including income taxes, of the partners.

The managing general partner of FPLP is FPCN General Partner Inc.

## 2. Summary of significant accounting policies

### Basis of presentation

These consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada for interim financial statements and reflect all adjustments which are, in the opinion of management, necessary for fair statement of the results of the interim period presented. However, these interim financial statements do not include all the information and disclosures required for annual financial statements. The accounting policies used in the preparation of these interim financial statements are the same as those used in the most recent annual financial statements. These interim statements should be read in conjunction with the recent annual financial statements of FPLP.

## 3. Supplementary information

Prior to November 29, 2001, the business and assets of the Winnipeg Free Press, the Brandon Sun and related businesses (the "Manitoba Newspapers Operation" or "MNO") were operated as a division of The Thomson Corporation. On November 29, 2001, the MNO was acquired by FPLP.

The accompanying financial information has been prepared from the historical financial records of the MNO and FPLP. For periods prior to November 29, 2001, the operating expenses include an allocation of expenses incurred by the corporate office of the prior owner. These allocations, which took into consideration personnel, business volume or another appropriate basis of allocation, included charges for newsprint, insurance, employee benefits, information management and certain maintenance contracts.

This supplementary financial information may not necessarily be indicative of results that would have been attained if the MNO had been operated as a separate legal entity or through a limited partnership for periods prior to November 29, 2001. This supplementary financial information should be read in conjunction with the audited combined financial statements of the MNO included in the Final Prospectus of the FP Newspapers Income Fund dated May 16, 2002.

	Three month period ended June 30,		Six month period ended June 30,	
	2002	2001	2002	2001
Revenue	\$ 24,809	\$ 25,135	\$ 48,419	\$ 48,163
Operating expenses, including selling, general and administrative expenses	(18,406)	(18,925)	(36,877)	(37,432)
Operating income before depreciation and amortization (EBITDA)	\$ 6,403	\$ 6,210	\$ 11,542	\$ 10,731

The supplementary financial information excludes depreciation and amortization expense because the basis of accounting for the related assets was different, and therefore not comparable, prior to the November 29, 2001 acquisition of the MNO by FPLP. Similarly, information regarding interest expense and net income is excluded because it does not provide useful comparative information.

#### 4. Other assets

	June 30, 2002	December 31, 2001
Deferred finance costs – net of amortization of \$458	\$ 6,807	\$ 2,841
Investments – at cost	-	162
	\$ 6,807	\$ 3,003

#### 5. Long-term debt

- a. The term loan facility matures in May 2005. FPLP has also arranged for an additional \$10 million available under an Operating Facility from a Canadian chartered bank, with a term ending May 28, 2003. Amounts borrowed under the credit facilities will primarily be in the form of bankers' acceptances at varying interest rates and would normally mature over periods of 30 to 90 days. Substantially all of the assets of FPLP have been pledged as security for the credit facilities. FPLP is subject to covenants under the terms of the credit facilities, including thresholds for leverage and interest coverage, and is subject to certain restrictions under negative covenants.
- b. The subordinated notes are unsecured, pay interest at 11.5% per annum and mature in May 2012, subject to prepayment in whole or in part on the occurrence of certain events. The Class A limited partnership units together with the subordinated notes are entitled to receive cash distributions equal to 49% of FPLP's distributable cash flow as defined, but determined before deduction of interest on the subordinated notes.

#### 6. Partners' capital

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

At June 30, 2002, FPLP has issued 7,513,026 general partner units and 6,902,592 Class A limited partnership units.

The holders of the Class A limited partnership units are required to make a contribution of \$10 per unit for an aggregate contribution of \$69,025,920. The contribution in respect of the 6,902,592 Class A limited partnership units issued was payable as to \$72,418 on closing, \$1,000,000 on or before December 31, 2002, \$1,000,000 on or before December 31, 2003, \$2,000,000 on or before each of December 31, 2004 and 2005, \$3,000,000 on or before December 31, 2006 and \$1,000,000 on or before December 31, 2007, and as to the balance of \$58,953,502 on May 28, 2012.

The Class A limited partnership units together with the subordinated notes are entitled to receive cash distributions equal to 49% of FPLP's distributable cash flow as defined, but determined before deduction of interest on the subordinated notes.

## 7. Net change in non-cash working capital

	Three month period ended June 30,		Six month period ended June 30,	
	2002	2001	2002	2001
Accounts receivable	\$ 102	\$ 4	\$ 1,685	\$ 2
Inventories	(30)	-	93	-
Prepaid expenses	(157)	-	(847)	-
Accounts payable and accrued liabilities	1,179	(154)	(27)	4
Prepaid subscriptions and deferred revenue	(6)	-	(141)	-
	\$ 1,088	\$ (150)	\$ 763	\$ 6

## 8. Subsequent event

On July 29, 2002, FPLP distributed \$1,009,550 and \$184,790 to the holders of general partnership units and Class A limited partnership units respectively and \$707,617 to the holder of the subordinated notes.

### Investor Relations:

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### Listing:

The units of FP Newspapers Income Fund are traded on the Toronto Stock Exchange under the symbol FP.UN

### Transfer Agent:

CIBC Mellon Trust Company

### Auditors:

PricewaterhouseCoopers LLP, Winnipeg