

**Third Quarter Report
September 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 distributions to unitholders of FP Newspapers Income Fund (the "Fund") for the quarter ending September 30, 2002. This is our second quarterly report following the successful completion of the initial public offering of units on May 28, 2002. The Fund owns securities entitling it to 49% of the distributable cash of FP Canadian Newspapers Limited Partnership ("FPLP").

Operations

FPLP continued the increased investment in the editorial content of the newspapers during the third quarter. Editorial space increased by approximately 9.0% in the third quarter of 2002 versus the same period in 2001. This increased space was devoted to increased sports, lifestyles and entertainment, general news coverage and special features. Average seven-day circulation of newspapers during the third quarter is unchanged from the third quarter of 2001, a positive trend given the additional copies sold in September 2001 as a result of the tragedy in and around New York City.

During the third quarter a capital investment of \$0.3 million was made to purchase 40 print rolls for the mailroom at the Winnipeg Free Press. These print rolls are used to process advertising insert pieces into the daily newspaper. These additional print rolls will allow us to more effectively keep up with the growth in insert volumes while not compromising the deadlines for delivering our core newspapers.

Advertising revenue for the newspaper operations in the third quarter of 2002 was \$15.7 million compared to \$15.8 million in the prior year. Circulation revenue was \$5.2 million in the third quarter of 2002, unchanged from the prior year. Total revenue of the newspapers owned by FPLP for the three months ended September 30, 2002 was \$22.7 million, a \$0.3 million decrease over 2001. With the benefit of lower newsprint prices more than offsetting increased general and administration expenses, the operating profit before depreciation and amortization ("EBITDA") of the newspapers in the third quarter was \$5.0 million, a 2.5% increase compared to \$4.9 million in 2001.

Distributions

The Fund declared distributions of \$0.3375 per unit during the third quarter. The Fund's share of distributable cash generated by FPLP was \$0.275 per unit for the third quarter of 2002. Consistent with prior years, EBITDA and distributable cash are seasonably lower in the third quarter due to traditionally decreased advertising activity in July and August.

The Fund announced a distribution of \$0.10 per unit for October 2002, to be paid November 28, 2002 to holders of record on October 31, 2002.

Outlook

As a result of the loss of nine publishing days (including two Fridays and two Saturdays) due to the strike by the unionized workers at the Winnipeg Free Press, the fourth quarter revenue and earnings will be lower than the same

Management's Discussion and Analysis

September 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 September 30, 2002.

The Fund earned \$1,310,000 in income from its investment in FPLP for the three months ended September 30, 2002. Of this amount \$1,999,000 was earned as interest on the 11.5% subordinated notes issued by FPLP to the Fund, and (\$689,000) represents the Fund's equity interest from its Class A limited partnership units. The Fund incurred \$48,000 in operating expenses, resulting in net earnings for the period of \$1,262,000.

The Fund earned \$2,176,000 in income from its investment in FPLP for the period from May 28, 2002 to September 30, 2002. Of this amount \$2,707,000 was earned as interest on the 11.5% subordinated notes issued by FPLP to the Fund, and (\$531,000) represents the Fund's equity interest from its Class A limited partnership units. The Fund incurred \$66,000 in operating expenses, resulting in net earnings for the period from May 28, 2002 to September 30, 2002 of \$2,110,000.

The Fund's share of distributions declared by FPLP for the three months ended September 30, 2002 was \$2,367,000, or \$0.344 per unit. The Fund's share of distributions declared by FPLP for the period from May 28, 2002 to September 30, 2002 was \$3,269,000, or \$0.474 per unit. The Fund declared distributions to unitholders of \$0.3375 and \$0.4645 per unit for the three months ended September 30, 2002 and the period from May 28, 2002 to September 30, 2002.

The Fund is dependant on the operations of FPLP, its sole investment.

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

	As at September 30, 2002
<hr/>	
ASSETS	
Current Assets:	
Cash	\$ 46
Interest receivable	652
	<hr/> 698
Investment in FP Canadian Newspapers Limited Partnership (note 2)	68,074
	<hr/> \$ 68,772
LIABILITIES AND UNITHOLDERS' EQUITY	
Current Liabilities:	
Accounts payable and accrued liabilities	\$ 66
Distribution payable to unitholders (note 3)	776
	<hr/> 842
 Unitholders' equity	 67,930
	<hr/> \$ 68,772

FP Newspapers Income Fund
Consolidated Statement of Earnings and Unitholders' Equity
(unaudited, in thousands of Canadian dollars)

	Three months ended September 30, 2002	Period from May 15, 2002 (date established) to September 30, 2002
Earnings from investment in FP Canadian Newspapers Limited Partnership		
Interest income on subordinated notes	\$ 1,999	\$ 2,707
Equity interest from Class A units (note 4)	(689)	(531)
	1,310	2,176
Administrative costs	(48)	(66)
Net earnings for the period	\$ 1,262	\$ 2,110
Unitholders' equity, beginning of period	68,997	-
Net proceeds from issuance of trust units	-	69,026
Cash distributions declared during the period	(2,329)	(3,206)
Unitholders' equity, end of period	\$ 67,930	\$ 67,930
Earnings per trust unit	\$ 0.183	\$ 0.306
Number of trust units outstanding	6,902,592	6,902,592

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

	Three months ended September 30, 2002	Period from May 15, 2002 (date established) to September 30, 2002
Cash from (used in):		
Operating activities:		
Net earnings for the period	\$ 1,262	\$ 2,110
Item not affecting cash:		
Equity interest from Class A units of FP Canadian Newspapers Limited Partnership (note 4)	689	531
Change in non-cash working capital	104	(586)
	2,055	2,055
Investing activities:		
Subscription for Class A units in FP Canadian Newspapers Limited Partnership	-	(72)
Subscription for subordinated notes	-	(68,954)
Distributions received on Class A units of FP Canadian Newspapers Limited Partnership	421	421
	421	(68,605)
Financing activities:		
Units issued	-	69,026
Distributions to Unitholders	(2,430)	(2,430)
	(2,430)	66,596
Change in cash balance	46	46
Cash balance, beginning of period	-	-
Cash balance, end of period	\$ 46	\$ 46

Notes to the Consolidated Financial Statements as at September 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. Distributions Payable

The Fund declared a distribution payable for September 2002 of \$0.1125 per unit. The distribution is payable October 30, 2002 to unitholders of record on September 30, 2002 and is in respect of the month of September 2002.

4. Equity interest from Class A Units

FP Newspapers Income Fund owns securities entitling it to 49% of the distributable cash of FPLP. For accounting purposes, the equity interest from the Fund's investment in Class A units of FPLP is calculated as follows:

	Three months ended September 30, 2002	Period from May 15, 2002 (date established) to September 30, 2002
Net Income of FPLP	\$ 674	\$ 1,733
Interest on subordinated notes	1,999	2,707
Net income before interest on subordinated notes	\$ 2,673	\$ 4,440
Fund's 49% interest on net income before interest on subordinated notes	1,310	2,176
Interest on subordinated notes	(1,999)	(2,707)
Equity interest from Class A units	\$ (689)	\$ (531)

5. Distributable cash of FPLP

FP Newspapers Income Fund owns securities entitling it to 49% of the distributable cash of FPLP. Distributable cash earned by FPLP is summarized as follows:

	Three months ended September 30, 2002	Period from May 15, 2002 (date established) to September 30, 2002
Operating income before depreciation and amortization	\$ 4,977	\$ 7,628
Interest on term loan	(787)	(1,112)
Interest income	25	29
Capital expenditures	(348)	(448)
Distributable cash of FPLP before interest on subordinated notes	\$ 3,867	\$ 6,097
49% attributable to the Fund	\$ 1,895	\$ 2,988
49% attributable to the Fund per unit of the Fund	\$ 0.275	\$ 0.433
Distributions declared by FPLP on securities held by the Fund:		
Interest on subordinated notes	\$ 1,999	\$ 2,707
Distributions on Class A units	377	562
	\$ 2,376	\$ 3,269
Per Fund unit	\$ 0.344	\$ 0.474

The Distribution Policy of FPLP is to make distributions in approximately equal monthly amounts based on expected operating results for each fiscal year. Based on historical trends, distributions are expected to exceed distributable cash generated in the first and third calendar quarter, and distributable cash generated is expected to exceed distributions in the second and fourth quarter, each year.

6. Subsequent event

Unionized workers at the Winnipeg Free Press were on strike from October 9, 2002 to October 17, 2002. As a result, the Winnipeg Free Press did not publish for 9 days. Trustees of the Fund have decided to spread the impact of reduced distributions from FPLP caused by the strike over a longer period and have therefore approved the Fund enter into a loan agreement dated October 31, 2002.

The loan agreement provides for an unsecured, non-revolving line of credit of up to \$2 million. The loan matures on October 31, 2005 and is non-interest bearing until December 31, 2003. Thereafter, the amounts outstanding under the loan bear interest at rates consistent with FPLP's existing operating line of credit. The loan is provided by Canstar Publications Ltd. and R.I.S. Media Ltd., companies whom together control FPLP.

Beginning January 1, 2003, funds borrowed under the line of credit will be repayable out of distributable cash of the Fund to the extent that such distributable cash exceeds 10 cents per unit per month, with any remaining balance due at the end of the three-year term. The line of credit may be drawn down by the Fund at any time through December 31, 2003, provided that there is no event of default under FPLP's credit facilities.

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 September 30, 2002 is made to the same period in 2001.

Results of Operations

Revenue for the three months and nine months ended September 30, 2002 was \$22.7 million and \$71.1 million, respectively. Although advertising volumes are on target, overall rates are below expectations due to the negative variances in the mix of advertising. Operating expenses excluding depreciation and amortization in the three and nine months ended September 30, 2002 were \$17.7 million and \$54.6 million respectively. For the nine months ended September 30, 2002, compensation and benefits costs accounted for 50.0% of these expenses while newsprint accounted for 18.5%. Operating income before depreciation and amortization (EBITDA) was \$5.0 million and \$16.5 million for the three and nine month periods ended September 30, 2002.

Depreciation of property, plant and equipment in the three and nine months ended September 30, 2002 was \$1.1 and \$3.2 million, all of which relates to the newspaper publishing business acquired in late 2001.

Interest expense on the term credit facility was \$0.8 million and \$3.2 million for the three and nine months ended September 30, 2002. Interest expense on the subordinated notes issued May 28, 2002 was \$2.0 million and \$2.7 million, for the three and nine month period ended September 30, 2002, and is included in earnings of the Fund.

Net income for the three and nine months ended September 30, 2002 was \$0.7 and \$6.4 million, and represented 3.0% and 9.0% 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 September 30, 2002, cash generated from operating activities was \$3.0 million, including \$0.6 million from an increase in accounts payable and accrued liabilities. The increase in accounts payable and accrued liabilities is primarily related to an increase in the number of days accrued for payroll costs. During the nine months ended September 30, 2002, cash generated from operating activities was \$12.2 million, including \$1.5 million from a decrease in non-cash working capital items. Significant changes in non-cash working capital items included a \$1.9 million decrease in accounts receivable due to lower revenues in September compared to December and improved collection statistics.

Capital Expenditures

Purchases of property plant and equipment totaled \$0.3 million and \$0.8 million for the three and nine months ended September 30, 2002. During the third quarter an investment of \$0.3 million was made to purchase additional mailroom equipment at the Winnipeg Free Press to allow for continued growth in our insert distribution business. Capital expenditures for the first nine 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).

Outlook

Cash and cash equivalents at September 30, 2002 total \$4.0 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 fourth quarter of 2002 is expected to be lower than the same period in 2001 largely due to the loss of nine publishing days due to the strike by unionized workers at the Winnipeg Free Press. Management is taking actions to mitigate any lasting negative impact on advertising or circulation revenues as a result of this interruption in service.

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 September 30, 2002 compared to three months ended September 30, 2001

Revenue for the third quarter of 2002 was \$ 22.7 million, a decrease of \$0.3 million or 1.3% over the third quarter of 2001 in which revenue was \$23.0 million. This decrease was primarily a result of a \$0.2 million or 21.3% decrease in commercial print revenue due to a reduction in the printing volumes and in the price of newsprint versus the prior year. Advertising revenue decreased by \$0.1 or 0.6% versus the third quarter of 2001 resulting from a decrease in national advertising accounts partially offset by an increase in local advertising.

Operating expenses excluding depreciation and amortization for the third quarter of 2002 were \$17.7 million, a decrease of \$0.4 or 2.4% over the third quarter of 2001. Employee remuneration, including pension and non-pension benefits costs and payroll taxes, increased \$ 0.5 million or 5.8%, 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 \$0.8 million to \$3.2 million, or 20.2% primarily due to a 23.2% decrease in newsprint prices versus the third quarter of 2001, partially offset by an increase in usage.

EBITDA in the third quarter of 2002 was \$5.0 million, compared to \$4.9 million in the third quarter of 2001, representing a 2.5% increase. EBITDA margin increased to 21.9% in the third quarter of 2002, compared to 21.1% in the same period in 2001.

Nine months ended September 30, 2002 compared to nine months ended September 30, 2001

Revenue for the first nine months of 2002 was \$71.1 million, which is unchanged from the first nine months of 2001. This was primarily a result of a \$0.4 million or 9.5% decrease in commercial printing revenue, offset by a \$0.2 million increase in advertising revenue.

Operating expenses excluding depreciation and amortization for the first nine months of 2002 were \$54.6 million, a decrease of \$1.0 million or 1.8% over the first nine months of 2001. Employee remuneration, including pension and non-pension benefits costs and payroll taxes, increased \$1.2 million or 4.4%, 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 \$2.5 million to \$10.1 million, or 19.8% primarily due to a 24.1% decrease in newsprint prices versus the first nine months of 2001, partially offset by an increase in usage.

EBITDA in the nine months ended September 30, 2002 was \$16.5 million compared to \$15.6 million in the same period of 2001, representing a 6.0% increase. EBITDA margin for the nine months ended September 30, 2002 improved to 23.2% from 21.9% in the same period of the prior year.

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

	September 30, 2002	December 31, 2001
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 3,958	\$ 4,792
Accounts receivable	9,588	11,497
Inventories	1,219	826
Prepaid expenses	1,058	714
	<hr/> 15,823	<hr/> 17,829
Property, plant and equipment	70,132	72,443
Other assets (note 4)	6,427	3,003
Goodwill and intangibles	74,589	74,860
	<hr/> \$ 166,971	<hr/> \$ 168,135
LIABILITIES AND PARTNERS' CAPITAL		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 8,917	\$ 8,294
Prepaid subscriptions and deferred revenue	2,681	2,858
	<hr/> 11,598	<hr/> 11,152
Long-term liabilities (note 5)		
Term loan	59,600	-
Subordinated notes	68,954	-
	<hr/> 128,554	<hr/> -
Partners' capital (note 6)	26,819	156,983
	<hr/> \$ 166,971	<hr/> \$ 168,135

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

	Three month period ended September 30,		Nine month period ended September 30,	
	2002	2001	2002	2001
Revenue	\$ 22,677	\$ 2	\$ 71,096	\$ 6
Operating expenses, including selling, general and administration expenses	(17,700)	-	(54,577)	(4)
Operating income before depreciation and amortization	4,977	2	16,519	2
Depreciation of property, plant and equipment	(1,073)	-	(3,190)	-
Amortization of intangible assets	(91)	-	(272)	-
Operating income	3,813	2	13,057	2
Interest on term loan	(787)	-	(3,206)	-
Interest on subordinated notes	(1,999)	-	(2,707)	-
Amortization of deferred finance costs	(380)	-	(798)	-
Interest income	25	-	76	-
Sundry income	2	6	5	8
Net income for the period	\$ 674	\$ 8	\$ 6,427	\$ 10

FP Canadian Newspapers Limited Partnership
Statement 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	(24,285)	-	-	-	(24,285)
Contributions	-	72	-	-	72
Partners' capital – June 30, 2002	\$ 29,251	\$ 230	-	-	\$ 29,481
Net income for the period	\$ 1,363	(689)	-	-	674
Distributions paid	(2,915)	(421)	-	-	(3,336)
Partners' capital – Sept. 30, 2002	\$ 27,699	\$ (880)	-	-	\$ 26,819

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

	Three month period ended September 30,		Nine month period ended September 30,	
	2002	2001	2002	2001
Cash provided by (used in)				
Operating Activities:				
Net income for the period	\$ 674	\$ 8	\$ 6,427	\$ 10
Item not affecting cash				
Depreciation and amortization	1,544	-	4,260	-
	2,218	8	10,687	10
Net change in non-cash working capital items (note 7)	775	-	1,538	6
	2,993	8	12,225	16
Investing Activities:				
Other investment	-	12	162	41
Purchases of property, plant and equipment	(348)	-	(801)	-
	(348)	12	(639)	41
Financing Activities:				
Term loan	-	-	59,600	-
Contributions by partners	-	-	82	-
Distributions to partners	(3,336)	-	(12,236)	-
Capital returned to partners	-	-	(124,284)	-
Redemption of partnership units	-	-	(152)	-
Deferred financing costs	-	-	(4,384)	-
Issuance of subordinated notes	-	-	68,954	-
	(3,336)	-	(12,420)	-
Increase (decrease) in cash and cash equivalents	(691)	20	(834)	57
Cash and cash equivalents - Beginning of period	4,649	37	4,792	-
Cash and cash equivalents - End of period	\$ 3,958	\$ 57	\$ 3,958	\$ 57

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 most 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 September 30, 2002		2001		Nine month period ended September 30, 2002		2001	
Revenue	\$	22,677	\$	22,981	\$	71,096	\$	71,142
Operating expenses, including selling, general and administrative expenses		17,700		18,127		54,577		55,558
Operating income before depreciation and amortization (EBITDA)	\$	4,977	\$	4,854	\$	16,519	\$	15,584

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

	September 30, 2002	December 31, 2001
Deferred finance costs – net of amortization of \$838	\$ 6,427	\$ 2,841
Investments – at cost	-	162
	\$ 6,427	\$ 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 September 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 September 30,		Nine month period ended September 30,	
	2002	2001	2002	2001
Accounts receivable	\$ 224	\$ -	\$ 1,909	\$ 2
Inventories	(486)	-	(393)	-
Prepaid expenses	502	-	(345)	-
Accounts payable and accrued liabilities	571	-	544	4
Prepaid subscriptions and deferred revenue	(36)	-	(177)	-
	\$ 775	\$ -	\$ 1,538	\$ 6

8. Subsequent event

On October 9, 2002 unionized workers at the Winnipeg Free Press represented by the Media union of Manitoba (CEP Local 191) and the Graphic Communications International union (Local 900M) went on strike. New 3-year contracts were ratified by union members on October 17, 2002. The Winnipeg Free Press did not publish for nine days as a result of this strike. Management estimates the financial impact of the strike in October, including lost profits and incremental expenses, to be approximately \$2.5 million. The financial impact beyond October will depend on future trends in advertising and circulation revenues, which may be affected by the strike to some extent.

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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:

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