FP Newspapers Income Fund

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Quarterly Report

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NEWS RELEASE

NEWSPAPERS fp INCOME FUND

FP Newspapers Income Fund reports Fourth Quarter 2002 results

Winnipeg, February 24, 2003 – **FP Newspapers Income Fund (TSX:FP.UN)** today announced financial results for the fourth quarter ended December 31, 2002.

The Fund holds a 49 per cent interest in FP Canadian Newspapers Limited Partnership (FPLP), which owns the Winnipeg Free Press and the Brandon Sun newspapers. The Fund's results are tied to those of the FPLP, which recorded operating income before depreciation and amortization for the fourth quarter of $5.5 million on revenues of $23.5 million, and net income of $1.3 million. The Fund commenced operations on May 28, 2002, therefore comparative numbers are not presented.

"While our results for the quarter were impacted by a nine-day strike at the Winnipeg Free Press during October, our revenue returned to pre-strike levels for November and December," said Ron Stern, Chairman of FPLP. "Our newspapers are characterized by consistent operations and experience greater stability than the industry average. We now have labour and delivery contracts in place effective through late 2005. Together, these expenses represent greater than 50 per cent of total costs, making us well-positioned to benefit from future increases in advertising spending."

"Both the Winnipeg Free Press and the Brandon Sun are proven market leaders, and FPLP continued to reinforce that position during the fourth quarter with investment in editorial content," Stern continued. "Looking forward, we are confident the papers' will maintain the stable financial performance experienced over the past four years."

Operations

As a result of the strike by unionized workers at the Winnipeg Free Press, revenue of FPLP declined by $2.6 million for the month of October 2002 compared with the prior year. Following settlement of the strike, revenue returned to pre-strike levels, and in November and December 2002 was $17.6 million, the same as the prior year.

Operating profits before depreciation and amortization ("EBITDA") of the newspapers owned by FPLP for the three months ended December 31, 2002 was $5.5 million, a 25.8% decrease from $7.4 million in 2001. EBITDA declined $2.0 million in October compared to 2001, primarily due to the lost publishing revenue resulting from the strike at the Winnipeg Free Press. EBITDA for November and December increased $0.1 million year-on-year, due primarily to lower newsprint prices.

FPLP continued the increased investment in the editorial content of the newspapers during the fourth quarter. Editorial space at the Winnipeg Free Press increased by more than 1,000 pages, or approximately 11% in 2002 compared to 2001. Average seven-day circulation of newspapers during the fourth quarter was unchanged from the fourth quarter of 2001.

Distributions

The Fund declared distributions of $0.30 per unit during the fourth quarter. The Fund's share of distributable cash generated by FPLP was $0.326 per unit for the fourth quarter of 2002. 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.

Outlook

As a result of the contract settlements at the Winnipeg Free Press, wage rates will increase by 2% in 2003 compared to 2002. Compensation related expenses accounted for 49.4% of expenses before interest, depreciation, amortization and taxes, while newsprint and delivery costs accounted for 18.6% and 11.2% respectively. Newsprint prices are expected to increase slowly in 2003. Three major newsprint producers announced a 10.4% increase effective March 1, 2003, but the result of this announcement is still uncertain. A 10% increase in newsprint prices would decrease EBITDA by $1.3 million compared to 2002. Because approximately 50% of operating expenses before depreciation and amortization are contractually committed for 2003, earnings respond quickly to changes in revenue. Circulation rates were increased an average of 5.6% effective in January 2003. Although advertising volumes are very difficult to forecast, many industry commentators are expecting increased print advertising spending in Canada in 2003, after a flat 2002. During the period 1996 to 2001, estimated total daily newspaper advertising in Canada grew at a compound annual rate of 4.1%. However, advertising spending is highly dependant on consumer spending which can change quickly due to a variety of factors.

Conference Call

FP Newspapers Income Fund invites you to participate in a conference call on Tuesday, February 25, 2003 at 10:00 a.m. (EST) to discuss the results.

The dial-in number is (416) 695-5806, or toll free at 1-800-273-9672. To ensure your participation, please dial in five minutes before the start of the conference call. The call also will be webcast live at ***www.winnipegfreepress.com*** or ***www.newswire.ca/webcast/viewEventCNW.html?eventID=483340*****.** Management's presentation will be followed by a question and answer period.

For those unable to participate, a taped rebroadcast will be available to listeners upon completion of the call until midnight on March 4, 2003. To access the rebroadcast, please dial (416) 695-5800 and enter passcode number 1378503.

About FP Newspapers Income Fund

FP Canadian Newspapers Limited Partnership owns the Winnipeg Free Press, the Brandon Sun, and their related businesses. The Winnipeg Free Press newspaper publishes seven days a week, serving Winnipeg and Manitoba with an average seven-day circulation of approximately of 129,000. The Brandon Sun also publishes seven days a week, serving the region with an average circulation of approximately 15,000. Based in Winnipeg, the businesses employ approximately 580 people in Winnipeg and Brandon. Further information can be found in the disclosure documents filed by FP Newspapers Income Fund with the securities regulatory authorities available at www.sedar.com.

Forward-looking statements

This document may contain forward-looking statements, relating to the Fund's operations or to the environment in which it operates, which are based on the Fund's operations, estimates, forecasts and projections. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict, and/or are beyond the Fund's control. A number of important factors could cause actual outcomes and results to differ materially from those expressed in these forward-looking statements. These factors include those set forth in other public filings. Consequently, readers should not place any undue reliance on such forward-looking statements. In addition, these forward-looking statements relate to the date on which they are made. FP Newspapers Income Fund disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Management's Discussion and Analysis

December 31, 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 December 31, 2002.

The Fund earned $1,611,000 in income from its investment in FPLP for the three months ended December 31, 2002. Of this amount, $1,999,000 was earned as interest on the 11.5% subordinated notes issued by FPLP to the Fund and ($388,000) represents the Fund's equity interest from its Class A limited partnership units. The Fund incurred $60,000 in operating expenses, resulting in net earnings for the period of $1,551,000.

The Fund earned $3,787,000 in income from its investment in FPLP for the period from May 28, 2002 to December 31, 2002. Of this amount $4,706,000 was earned as interest on the 11.5% subordinated notes issued by FPLP to the Fund and ($919,000) represents the Fund's equity interest from its Class A limited partnership units. The Fund incurred $126,000 in operating expenses, resulting in net earnings for the period from May 28, 2002 to December 31, 2002 of $3,661,000.

The Fund's share of distributions declared by FPLP for the three months ended December 31, 2002 was $1,999,000, or $0.29 per unit. The Fund's share of distributions declared by FPLP for the period from May 28, 2002 to December 31, 2002 was $5,267,000, or $0.763 per unit. The Fund declared distributions to unitholders of $0.30 and $0.7645 per unit for the three months ended December 31, 2002 and the period from May 28, 2002 to December 31, 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 December 31, 2002
ASSETS		
Current Assets:		
Cash	$	60
Interest receivable		664
Other receivable		1
Prepaid expenses		17
		742
Investment in FP Canadian Newspapers		
Limited Partnership (note 2)		67,546
	$	**68,288**
LIABILITIES AND UNITHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	$	88
Distribution payable to unitholders (note 3)		690
		778
Due to related parties (note 6)		100
		878
Unitholders' equity		67,410
	$	**68,288**

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

	Three months ended December 31, 2002	Period from May 15, 2002 (date established) to December 31, 2002
Earnings from investment in FP Canadian Newspapers Limited Partnership		
Interest income on subordinated notes	$ 1,999	$ 4,706
Equity interest from Class A units (note 4)	(388)	(919)
	1,611	3,787
Administrative costs	(60)	(126)
Net earnings for the period	$ 1,551	$ 3,661
Unitholders' equity, beginning of period	67,930	-
Net proceeds from issuance of trust units (note 7)	-	69,026
Cash distributions declared during the period	(2,071)	(5,277)
Unitholders' equity, end of period	**$ 67,410**	**$ 67,410**
Earnings per trust unit	$ 0.225	$ 0.530
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 December 31, 2002
(unaudited in thousands of Canadian dollars)

	Three months ended December 31, 2002	Period from May 15, 2002 (date established) to December 31, 2002
Cash from (used in):		
Operating activities:		
Net earnings for the period	$ 1,551	$ 3,661
Item not affecting cash:		
Equity interest from Class A units of FP Canadian Newspapers Limited Partnership (note 4)	388	919
Change in non-cash working capital	(8)	(594)
	1,931	3,986
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	140	561
	140	(68,465)
Financing activities:		
Units issued	-	69,026
Distributions to Unitholders	(2,157)	(4,587)
Loan from related parties	100	100
	(2,057)	64,539
Change in cash balance	14	60
Cash balance, beginning of period	46	-
Cash balance, end of period	**$ 60**	**$ 60**

Notes to the Consolidated Financial Statements as at December 31, 2002
(tabular amounts in thousands of Canadian dollars)

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 of FP Canadian Newspapers Limited Partnership ("FPLP"). As the Fund has only existed since May 15, 2002, no comparative figures are presented.

These 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.

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 December 2002 of $0.10 per unit. The distribution totalling $690,259 is payable January 30, 2003 to unitholders of record on December 30, 2002 and is in respect of the month of December 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 December 31, 2002	Period from May 15, 2002 (date established) to December 31, 2002
Net Income of FPLP	$ 1,289	$ 3,022
Interest on subordinated notes	1,999	4,706
Net income before interest on subordinated notes	$ 3,288	$ 7,728
Fund's 49% interest on net income before interest on subordinated notes	1,611	3,787
Interest on subordinated notes	(1,999)	(4,706)
Equity interest from Class A units	$ (388)	$ (919)

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 December 31, 2002	Period from May 15, 2002 (date established) to December 31, 2002
Operating income before depreciation and amortization	$ 5,458	$ 13,086
Interest on term loan	(736)	(1,848)
Interest income	11	40
Capital expenditures	(138)	(586)
Distributable cash of FPLP before interest on subordinated notes	$ 4,595	$ 10,692
49% attributable to the Fund	$ 2,252	$ 5,239
49% attributable to the Fund per unit of the Fund	$ .326	$ .759
Distributions declared by FPLP on securities held by the Fund:		
Interest on subordinated notes	$ 1,999	$ 4,706
Distributions on Class A units	-	561
	$ 1,999	$ 5,267
Per Fund unit	$ 0.290	$ 0.763

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. Due to related parties

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 decided to spread the impact of reduced distributions from FPLP caused by the strike over a longer period and have therefore caused the Fund to 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.

At December 31, 2002 the Fund has borrowed $100,000 under the line of credit.

7. Unitholders

On May 28, 2002, the Fund through an Initial Public Offering sold 6,573,897 trust units at $10 per unit and on June 27, 2002 sold a further 328,695 additional trust units at $10 per unit. The total proceeds of $69,025,920 were used to purchase securities of FPLP.

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 December 31, 2002 is made to the same period in 2001.

Results of Operations

Revenue for the three months and twelve months ended December 31, 2002 was $23.5 million and $94.6 million, respectively. Revenues in the fourth quarter were impacted by the loss of 9 publishing days in October due to the strike at the Winnipeg Free Press. Total revenues at the newspapers owned by FPLP for the two months following the strike were unchanged at $17.6 million compared to November and December of 2001. Operating expenses excluding depreciation and amortization in the three and twelve months ended December 31, 2002 were $18.1 million and $72.7 million respectively. For the twelve months ended December 31, 2002, compensation and benefits costs accounted for 49.4% of these expenses while newsprint accounted for 18.6%. Operating income before depreciation and amortization (EBITDA) was $5.5 million and $22.0 million for the three and twelve month periods ended December 31, 2002.

Depreciation of property, plant and equipment in the three and twelve months ended December 31, 2002 was $1.1 and $4.3 million, all of which relates to the newspaper publishing business acquired in late 2001 and capital expenditures since the acquisition.

Interest expense on the term credit facility was $0.7 million and $3.9 million for the three and twelve months ended December 31, 2002. The average interest rate applicable to the term credit facility during the fourth quarter was 4.90%. Interest expense on the subordinated notes issued May 28, 2002 was $2.0 million and $4.7 million, for the three and twelve month period ended December 31, 2002, and is included in earnings of the Fund.

Net income for the three and twelve months ended December 31, 2002 was $1.3 and $7.7 million, and represented 5.5% and 8.2% of revenue respectively.

Liquidity and Capital Resources

Cash Flow from Operations

During the three months ended December 31, 2002, cash generated from operating activities was $0.2 million. The net change in non-cash working capital resulted in a use of cash of $2.6 million, including $1.6 million from an increase in accounts receivable which results from normal increases in revenues in the fourth quarter. Also included in the fourth quarter cash flow is $0.9 million from a decrease in accounts payable and accrued liabilities which results primarily from the payment of costs relating to the initial public offering. During the twelve months ended December 31, 2002, cash generated from operating activities was $12.4 million, net of $1.0 million from an increase in non-cash working capital items.

Capital Expenditures

Purchases of property plant and equipment totaled $0.1 million and $0.9 million for the three and twelve months ended December 31, 2002. Capital expenditures for the twelve months ended December 31, 2002 were slightly below planned expenditures of $1.0 million.

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 December 31, 2002 total $2.3 million. In addition, FPLP has an unused operating line of $10.0 million that may be used to fund working capital needs. The outlook for operations was described earlier in this document.

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 twelve months ended December 31, 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 December 31, 2002 compared to three months ended December 31, 2001

Revenue for the fourth quarter of 2002 was $ 23.5 million, a decrease of $2.7 million or 10.3% over the fourth quarter of 2001 in which revenue was $26.2 million. This decrease is the result of the loss of nine publishing days in October (including two Fridays and two Saturdays) due to the strike by the unionized workers at the Winnipeg Free Press. Total revenue for the months of November and December 2002 was $17.6 million unchanged from the same months in 2001.

Operating expenses excluding depreciation and amortization for the fourth quarter of 2002 were $18.1 million, a decrease of $0.7 or 3.9% over the fourth quarter of 2001. Expenses in October 2002 were $0.6 million lower than October 2001 largely the result of the strike at the Winnipeg Free Press. Operating expenses in November and December decreased by $0.1 million compared to the same months in 2001. Employee remuneration, including pension and non-pension benefit costs and payroll taxes, increased $0.1 million, or 2.3%. The cost of newsprint decreased by $0.2 million, or 6.9% in November and December of 2002 primarily due to a 12.7% decrease in newsprint prices versus November and December of 2001, partially offset by an increase in usage.

EBITDA in the fourth quarter of 2002 was $5.5 million, compared to $7.4 million in the fourth quarter of 2001, representing a 25.9% decrease. EBITDA in November and December of 2002 was $5.1 million, compared to $5.0 million for the same months in 2001 representing a 1.6% increase. EBITDA margin in November and December increased to 28.7% compared to 28.2% for the same months in 2001.

Twelve months ended December 31, 2002 compared to Twelve months ended December 31, 2001

Revenue for the twelve months of 2002 was $94.6 million, a decrease of $2.7 million or 2.8% versus 2001. Revenue excluding the month of October was $88.7 million in 2002 which is unchanged from the same period in 2001 primarily a result of a $0.5 million or 12.7% decrease in commercial printing revenue, offset by an increase of $0.2 or 0.3% in advertising revenues and an increase of $0.2 or 38.0% in internet and electronic archive revenues.

Operating expenses excluding depreciation and amortization for the twelve months of 2002 were $72.7 million, a decrease of $1.7 million or 2.3% over the twelve months of 2001. Operating expenses excluding the month of October were $67.1 million in 2002 compared to $68.2 million for 2001 representing a 1.6% decrease. Employee remuneration, including pension and non-pension benefits costs and payroll taxes, increased $1.3 million or 4.0% largely the result of expenses accruing on the new pension plans established by FPLP on November 29, 2001. The cost of newsprint for the eleven months excluding October decreased by $2.7 million or 17.5% primarily due to a 22.1% decrease in newsprint prices partially offset by additional usage.

EBITDA in the twelve months ended December 31, 2002 was $22.0 million compared to $23.0 million in the same period of 2001, representing a 4.2% decrease. EBITDA for 2002 excluding the month of October increased by $1.0 million to $21.6 million versus $20.6 million in the same 11 month period in 2001. EBITDA margin for the twelve months ended December 31, 2002 fell to 23.2% from 23.6% in the same period of the prior year, but increased to 24.4% from 23.2% for the 11 months excluding October, compared to 2001.

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

	December 31, 2002	December 31, 2001
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 2,314	$ 4,792
Accounts receivable	11,152	11,497
Inventories	1,086	826
Prepaid expenses	1,298	714
	15,850	17,829
Property, plant and equipment	69,188	72,443
Other assets (note 4)	6,142	3,003
Goodwill and intangibles	74,498	74,860
	$ 165,678	**$ 168,135**
LIABILITIES AND PARTNERS' CAPITAL		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 8,020	**$** 8,294
Prepaid subscriptions and deferred revenue	2,661	2,858
	10,681	11,152
Long-term liabilities (note 5)		
Term loan	59,600	-
Subordinated notes	67,954	-
	127,554	-
Partners' capital (note 6)	27,443	156,983
	$ 165,678	**$ 168,135**

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

	Three month period ended December 31, 2002	Three month period ended December 31, 2001	Twelve month period ended December 31, 2002	Twelve month period ended December 31, 2001
Revenue	$ 23,544	$ 9,272	$ 94,640	$ 9,278
Operating expenses, including selling, general and administration expenses	(18,086)	(6,500)	(72,663)	(6,504)
Operating income before depreciation and amortization	5,458	2,772	21,977	2,774
Amortization of property, plant and equipment	(1,076)	(358)	(4,266)	(358)
Amortization of intangible assets	(90)	(30)	(362)	(30)
Operating income	4,292	2,384	17,349	2,386
Interest on term loan	(736)	-	(3,942)	-
Interest on subordinated notes	(1,999)	-	(4,706)	-
Amortization of deferred finance costs	(286)	(40)	(1,084)	(40)
Interest income	11	-	87	-
Sundry income	7	7	12	15
Net income for the period	**$ 1,289**	**$ 2,351**	**$ 7,716**	$ **2,361**

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
Net income for the period	1,677	(388)	-	-	1,289
Distributions paid	(1,525)	(140)	-	-	(1,665)
Contributions	-	1,000	-	-	1,000
Partners' capital – Dec. 31, 2002	$ 27,851	$ (408)	-	-	$ 27,443

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

	Three month period ended December 31, 2002	Three month period ended December 31, 2001	Twelve month period ended December 31, 2002	Twelve month period ended December 31, 2001
Cash provided by (used in)				
Operating Activities:				
Net income for the period	$ 1,289	$ 2,351	$ 7,716	$ 2,361
Item not affecting cash				
Depreciation and amortization	1,452	428	$ 5,712	428
	2,741	2,779	13,428	2,789
Net change in non-cash working capital items (note 7)	(2,588)	805	(1,049)	811
	153	3,584	12,379	3,600
Investing Activities:				
Acquisition	-	(150,327)	-	(150,327)
Other investment	-	(53)	-	(12)
Purchases of property, plant and equipment	(139)	(59)	(939)	(59)
Disposals of property, plant and equipment	7	-	7	-
Proceeds from sale of film asset	-	-	162	-
	(132)	(150,439)	(770)	(150,398)
Financing Activities:				
Proceeds from term loan	-	-	100,000	-
Repayment of term loan	-	-	(40,400)	-
Contributions by partners	-	155,000	82	155,000
Distributions to partners	(1,665)	(529)	(13,901)	(529)
Capital returned to partners	-	-	-	-
Redemption of partnership units	-	-	-	-
Deferred financing costs	-	(2,881)	(4,385)	(2,881)
Issuance of subordinated notes	-	-	68,954	-
Return of partners' capital	-	-	(124,437)	-
	(1,665)	151,590	(14,087)	151,590
Increase (decrease) in cash and cash equivalents	(1,644)	4,735	(2,478)	4,792
Cash and cash equivalents - Beginning of period	3,958	57	4,792	-
Cash and cash equivalents - End of period	**$ 2,314**	**$ 4,792**	**$ 2,314**	**$ 4,792**

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 December 31, 2002	Three month period ended December 31, 2001	Twelve month period ended December 31, 2002	Twelve month period ended December 31, 2001
Revenue	$ 23,544	$ 26,197	$ 94,640	$ 97,339
Operating expenses, including selling, general and administrative expenses	18,086	18,829	72,663	74,382
Operating income before depreciation and amortization (EBITDA)	$ 5,458	$ 7,368	$ 21,977	$ 22,957

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

	December 31, 2002		December 31, 2001
Deferred finance costs – net of amortization of $1,124	$	6,142	$	2,841
Investments – at cost		-		162
	$	6,142	$	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 December 31, 2002, FPLP has outstanding 7,184,331 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 December 31, 2002	Three month period ended December 31, 2001	Twelve month period ended December 31, 2002	Twelve month period ended December 31, 2001
Accounts receivable	$ (1,564)	$ (670)	$ 345	$ (668)
Inventories	133	158	(260)	158
Prepaid expenses	(240)	(244)	(584)	(244)
Accounts payable and accrued liabilities	(897)	1,494	(353)	1,498
Prepaid subscriptions and deferred revenue	(20)	67	(197)	67
	$ (2,588)	$ 805	$ (1,049)	$ 811

For further information:

Kevin Karr
Vice President, Corporate Development & Secretary
Phone: 604-646-3782
Fax: 604-681-8861
e-mail: kkarr@estrellagroup.com

Dan Koshowski
Chief Financial Officer
Phone: 204-697-7425
Fax: 204-632-0281
e-mail: Dan.Koshowski@freepress.mb.ca