



FP Newspapers Income Fund

Q3 - 2003

Quarterly Report

September 30, 2003

fp
NEWSPAPERS INCOME FUND

TSX: FP.UN

**Third Quarter Report
September 30, 2003**

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, 2003. 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.

Total revenue for FPLP for the three months ended September 30, 2003 was \$23.9 million, a \$1.2 million increase over the same period last year. Operating income before depreciation and amortization (“EBITDA”) of the partnership in the third quarter was \$5.3 million, a 6.1 per cent increase compared to \$5.0 million in 2002. Net earnings of the partnership was \$1.0 million compared to \$0.7 million in the third quarter last year.

The Fund earned \$1.4 million, or \$0.199 per Unit during the three months ended September 30, 2003 compared to \$1.3 million or \$0.183 per Unit in the third quarter of 2002. Cash available for distribution attributable to the Fund was \$0.30 per Unit for the third quarter, and distributions to unitholders were \$0.30 per Unit.

Operations

Revenue growth in the third quarter was primarily attributable to an increase in advertising revenues. Advertising revenue for the newspaper operations in the third quarter of 2003 was \$16.8 million compared to \$15.7 million in the prior year, an increase of \$1.1 million or 6.5 per cent. Increased display advertising, primarily in the automotive, telecommunications and travel sectors, offset partially by continued softness in the employment category, accounted for \$0.8 million of this increase. Advertising flyer distribution revenues continued to grow and accounted for \$0.3 million of the increased advertising revenues. Circulation revenue was \$5.4 million in the third quarter of 2003, a 2.4 per cent increase over 2002.

Overall, operating expenses excluding amortization were \$18.6 million a 5.1 per cent increase compared to \$17.7 million in 2002. Newsprint expense accounted for \$0.5 million of this increase resulting primarily from a 12.6 per cent increase in newsprint prices compared to the third quarter in 2002.

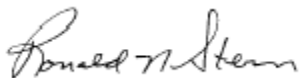
During the third quarter a number of new initiatives were undertaken. Murdoch Davis, who assumed the position of Publisher at the Winnipeg Free Press on July 21, led a series of meetings with employees from all departments with the goal of reinforcing plans to address the key challenges faced at the Free Press. The meetings emphasized the need for constant quality improvement throughout all areas of the business and the importance of first class customer service. During the third quarter, a sales and marketing task force was established to bring key managers from editorial, marketing and circulation together weekly to plan specific initiatives to increase newspaper circulation.

Distributions

Distributable cash attributable to the Fund for the trailing twelve months ended September 30, 2003 was \$9.1 million, or \$1.32 per Unit. During that same period, the Fund declared distributions of \$1.20, resulting in a payout ratio of 90.9 per cent.

Outlook

We are pleased with the growth in advertising revenues experienced during the quarter both in the display category as well as continued growth in flyer distribution revenues. However, advertising revenue overall is very difficult to forecast since advertising activity is driven by a number of factors, including general economic growth, consumer spending, employment trends and consumer confidence. Circulation revenue should continue to be modestly higher for the balance of the year due to the effect of January 2003 rate increases. We expect the cost of newsprint to remain at or around current levels throughout the fourth quarter. If newsprint prices remain at current levels newsprint prices will be approximately 5.0 per cent higher in the fourth quarter compared to 2002.



Ronald N. Stern
Chairman & Trustee



Rudy Redekop
President

October 30, 2003

Management's Discussion and Analysis
September 30, 2003

Formation and Legal Entities

FP Newspapers Income Fund (the "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 Fund owns securities entitling it to 49% of the distributable cash of FPLP.

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.

FP Newspapers Income Fund

The Fund earned \$1,447,000 in income from its investment in FPLP for the three months ended September 30, 2003. Of this amount \$1,970,000 was earned as interest on the 11.5% subordinated notes issued by FPLP to the Fund, and (\$523,000) represents the Fund's equity interest from its Class A limited partnership units. The Fund incurred \$75,000 in operating expenses, resulting in net earnings for the period of \$1,372,000.

The Fund's share of distributions declared by FPLP for the three months ended September 30, 2003 comprising interest on subordinated notes and distributions on Class A units was \$2,349,000 or \$0.34 per unit. The Fund declared distributions to unitholders of \$0.30 per unit for the three months ended September 30, 2003. Cash available for distribution attributable to the Fund was \$2,094,000 or \$0.303 per unit for the quarter ended September 30, 2003.

Cash available for distribution attributable to the Fund for the trailing twelve months to September 30, 2003 is calculated as follows:

	\$Thousands
Distributable cash of FPLP:	
Operating income before amortization	22,444
Interest and sundry income	105
Interest expense on term loan	(3,090)
Capital expenditures	<u>(334)</u>
	<u>19,125</u>
49% attributable to the Fund	9,371
Administration expenses	<u>(260)</u>
Distributable cash attributable to the Fund	<u>9,111</u>
Distributable cash attributable to the Fund – per Unit	<u>\$1.32</u>

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

FP Canadian Newspapers Limited Partnership

Results of Operations

Revenue:	Three Months Ended September 30		Nine Months Ended September 30	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	\$ Thousands		\$ Thousands	
Advertising	\$16,761	\$15,743	\$52,539	\$50,690
Circulation	5,359	5,233	15,921	15,506
Commercial Printing	1,178	1,192	3,749	3,776
Promotions and Services	<u>587</u>	<u>509</u>	<u>950</u>	<u>1,124</u>
	<u>\$23,885</u>	<u>\$22,677</u>	<u>\$73,159</u>	<u>\$71,096</u>

Revenue for the three months ended September 30, 2003 was \$23.9 million, an increase of \$1.2 million or 5.3% over the third quarter of 2002. Advertising revenues increased by \$1.0 million or 6.5% primarily the result of increased display advertising primarily in the automotive, telecommunications and travel sectors offset partially by declines in employment related advertising. Circulation revenue increased by \$0.1 million or 2.4% resulting from circulation rate increases implemented during the first quarter partially offset by a 2.2 % decrease in average circulation unit sales.

Revenue for the nine months ended September 30, 2003 was \$73.2 million, an increase of \$2.1 million or 2.9% over the same period in 2002. Advertising revenues increased by \$1.8 million primarily the result of an increase of \$1.1 million from display and colour advertising together with an increase of \$0.9 million from flyer distribution revenues. Circulation revenue increased by \$0.4 million or 2.7% in the first nine months of 2003 resulting from circulation rate increases implemented during the first quarter partially offset by a 2.5% decrease in average circulation unit sales. Promotions and services revenue decreased by \$0.2 million or 15.5% in the first nine months of 2003 primarily due to the absence of on-line auction services revenue resulting from the sale of the 10digit internet operation in July 2002.

Expenses before amortization and interest:

	<u>Three Months</u> <u>Ended September 30</u>		<u>Nine Months</u> <u>Ended September 30</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	\$ Thousands		\$ Thousands	
Employee Compensation	\$9,144	\$8,977	\$27,620	\$27,263
Newsprint	3,652	3,157	11,174	10,098
Delivery of Newspapers	2,128	1,751	6,380	6,094
Other	<u>3,680</u>	<u>3,815</u>	<u>10,999</u>	<u>11,122</u>
	<u>\$18,604</u>	<u>\$17,700</u>	<u>\$56,173</u>	<u>\$54,577</u>

Operating expenses excluding amortization in the three months ended September 30, 2003 were \$18.6 million, an increase of \$0.9 million or 5.1 % over the third quarter of 2002. Employee remuneration, including pension and non-pension benefits costs and payroll taxes, increased by \$0.2 million or 1.9%. Newsprint expense increased by \$0.5 million or 15.7 % due to an average increase of 12.6 % in the price of newsprint combined with an increase in usage. Delivery expenses increased by \$0.4 million or 21.5% largely the result of a reduction in expense of \$0.3 million in the third quarter of 2002 relating to the reversal of an excess accrual of delivery costs.

Operating expenses excluding amortization in the nine months ended September 30, 2003 were \$56.2 million, an increase of \$1.6 million or 2.9% compared to the same period in 2002. Employee remuneration, including pension and non-pension benefits costs and payroll taxes, increased by \$0.4 million or 1.3%. Newsprint expense increased by \$1.1 million or 10.7% due to an average increase of 7.5% in the price of newsprint combined with an increase in usage.

Operating income before amortization (EBITDA) for the three and nine months ended September 30, 2003 was \$5.3 million and \$17.0 million, compared to \$5.0 million and \$16.5 million for the same periods in 2002. EBITDA margin was 22.1% and 23.2% for the three and nine month periods ended September 30, 2003 compared to 21.9% and 23.2% in the same periods in 2002.

Amortization of deferred financing costs was \$0.3 million and \$1.0 million for the three and nine months ended September 30, 2003 compared to \$0.4 million and \$0.8 million for the same periods in 2002. The increase for the nine months ended September 30 is related to financing expenses incurred in the second quarter of 2002 which are being amortized over ten years.

Interest expense on the term credit facility for the three and nine months ended September 30, 2003 was \$0.8 million and \$2.4 million compared to \$0.8 million and \$3.2 million in 2002. The decrease is primarily due to the reduction in the term loan by \$40.4 million in May 2002, in connection with the creation of the Fund. The average interest rate applicable to the term credit facility during the three and nine months ending September 30, 2003 was 5.5% and 5.3%. Interest expense on the subordinated notes was \$2.0 million and \$5.8 million for the three and nine months ended September 30, 2003 compared to \$2.0 million and \$2.7 million in 2002. The increase in subordinated note interest is due to these notes being issued on May 28, 2002 and therefore interest charges were incurred for the entire nine months in 2003 compared to a partial period in 2002.

Net income was \$1.0 million and \$4.3 million for the three and nine months ending September 30, 2003 which represented 4.1% and 5.9% of revenue compared to \$0.7 million and \$6.4 million representing 3.0% and 9.0% of revenue for the same period in 2002. The decrease for the nine months ended September 30, 2003 is primarily due to the introduction of interest expense on the subordinated notes, partially offset by lower interest expense on the term credit facility, and an increase in EBITDA.

Newspaper publishing is, to a certain extent, a seasonal business with a higher proportion of revenues and operating income occurring during the second and fourth quarters of the calendar year. Revenue and EBITDA of the Manitoba newspapers operation for 2001 and of FPLP for 2002 and the first, second and third quarters of 2003 were as follows:

<u>Revenue</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
		\$Thousands	
Quarter 1	\$ 23,706	\$ 23,610	\$ 23,026
Quarter 2	25,568	24,809	25,135
Quarter 3	23,885	22,677	22,981
Quarter 4		<u>23,544</u>	<u>26,197</u>
		<u>\$ 94,640</u>	<u>\$ 97,339</u>
<u>EBITDA</u>			
Quarter 1	\$ 5,204	\$ 5,139	\$ 4,521
Quarter 2	6,501	6,403	6,210
Quarter 3	5,281	4,977	4,858
Quarter 4		<u>5,458</u>	<u>7,368</u>
		<u>\$ 21,977</u>	<u>\$ 22,957</u>

The distribution policy of FPLP is to make distributions in approximately equal monthly amounts based on expected operating results for each fiscal year.

Liquidity and Capital Resources

Cash Flow from Operations

During the three months ended September 30, 2003, cash generated from operating activities was \$2.7 million, compared to \$3.0 million for the third quarter of 2002. The net change in non-cash working capital in the third quarter of 2003 was \$0.2 million compared to \$0.8 million for the same period of 2002. The largest item contributing to this decrease was an increase in accounts receivable resulting from increased revenues in 2003.

During the nine months ended September 30, 2003 cash generated from operating activities was \$10.7 million compared to \$12.2 million for the same period in 2002. The overall increase in interest expense on the term loan and subordinated notes resulted in a decrease in operating cash of \$2.3 million. The net change in non-cash working capital for the nine months ending September 30, 2003 was \$1.8 million compared to \$1.5 million in 2002.

Capital Expenditures

Purchases of property plant and equipment for the three and nine months ended September 30, 2003 were \$0.1 million and \$0.2 million compared to \$0.3 million and \$0.8 million for the same period in 2002. Capital spending in the fourth quarter is expected to increase compared to previous quarters in 2003 however it is expected that total capital spending for the year will be significantly lower than the full year plan of \$1.0 million.

Financing Activities

Distributions to partners of FPLP for the three and nine months ended September 30, 2003 totaled \$2.8 million and \$8.6 million and have been determined in accordance with the Amended and Restated Agreement of Limited Partnership dated May 24, 2002. Distributions to partners for the three months ended September 30, 2002 totaled \$3.3 million however comparison for the nine month period ending September 30, 2002 is not meaningful because the distributions were governed by the partnership agreement in effect prior to the creation of the Fund.

Cash and cash equivalents at September 30, 2003 total \$4.2 million. In addition, FPLP has an unused operating line of \$10.0 million which may be used to fund working capital needs.

Business Risks and Uncertainties

Revenue

Advertising revenue, which accounts for greater than 70% of total revenue, is historically dependant upon general economic conditions and the specific spending plans of high volume advertisers. A significant downturn in the national or regional economy would likely decrease advertising revenue earned by our newspapers. Similarly, a change in promotional strategy by significant users of newspaper advertising, such as the automotive industry, financial services industry and national retailers, could reduce or increase revenue.

Employee Relations

The majority of FPLP's employees are unionized and their employment is governed by the terms of collective agreements. A strike, like the one that occurred in October 2002 at the Winnipeg Free Press, could restrict or eliminate the ability of FPLP to earn revenue from its publishing business during a strike. Contracts are now in place with unionized employees at the Winnipeg Free Press which run to October 2005. A collective agreement covering 80 members of the CEP at the Brandon Sun expires December 31, 2005. A five-year contract with the 20 members of the GCIU in Brandon expires December 31, 2005.

Expenses

Newspaper publishing is both capital and labour intensive, and as a result newspapers have relatively high fixed cost structures. During periods of declining revenue, significant portions of costs may remain fixed, resulting in decreased earnings. Newsprint is a significant cost for FPLP, accounting for \$13.5 million of expenses in 2002. Newsprint costs vary widely from time to time. If newsprint costs rise rapidly, there is no assurance that advertising and circulation revenues can be increased to offset the increased newsprint expense.

Outlook

The outlook for operations is described in the Report to Unitholders.

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

	As at September 30, 2003	As at December 31, 2002
ASSETS		
Current Assets:		
Cash	\$ 176	\$ 60
Interest receivable	642	664
Other receivable	-	1
Prepaid Expenses	71	17
	<u>889</u>	<u>742</u>
Investment in FP Canadian Newspapers Limited Partnership	65,786	67,546
	<u>\$ 66,675</u>	<u>\$ 68,288</u>
LIABILITIES AND UNITHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 13	\$ 88
Distribution payable to unitholders (note 2)	690	690
Due to related parties	-	100
	<u>703</u>	<u>878</u>
Unitholders' equity:		
Trust units	69,026	69,026
Cumulative Earnings	8,435	3,661
Cumulative Distributions	(11,489)	(5,277)
	<u>65,972</u>	<u>67,410</u>
	<u>\$ 66,675</u>	<u>\$ 68,288</u>

FP Newspapers Income Fund
Consolidated Statements of Earnings and Cumulative Earnings
(unaudited, in thousands of Canadian dollars except for per unit information)

	Three months ended September 30, 2003	Three months ended September 30, 2002	Nine months ended September 30, 2003	Period from May 15, 2002 (date established) to September 30, 2002
<hr/>				
Earnings from investment in FP Canadian Newspapers Limited Partnership				
Interest income on subordinated notes	\$ 1,970	\$ 1,999	\$ 5,845	\$ 2,707
Equity interest from Class A units (note 3)	(523)	(689)	(871)	(531)
	1,447	1,310	4,974	2,176
Administrative costs	(75)	(48)	(200)	(66)
Net earnings for the period	\$ 1,372	\$ 1,262	\$ 4,774	\$ 2,110
Cumulative Earnings, beginning of period	7,063	848	3,661	-
Cumulative Earnings, end of period	\$ 8,435	\$ 2,110	\$ 8,435	\$ 2,110
<hr/>				
Number of Trust Units outstanding	6,902,592	6,902,592	6,902,592	6,902,592
<hr/>				
Earnings per trust unit	\$ 0.199	\$ 0.183	\$ 0.692	\$ 0.306

FP Newspapers Income Fund
Consolidated Statements of Cash Flows
(unaudited, in thousands of Canadian dollars)

	Three months ended September 30, 2003	Three months ended September 30, 2002	Nine months ended September 30, 2003	Period from May 15, 2002 (date established) to September 30, 2002
Cash from (used in):				
Operating activities:				
Net earnings for the period	\$ 1,372	\$ 1,262	\$ 4,774	\$ 2,110
Item not affecting cash:				
Equity interest from Class A units of FP Canadian Newspapers Limited Partnership (note 3)	523	689	871	531
Change in non-cash working capital	(50)	104	(106)	(586)
	1,845	2,055	5,539	2,055
Investing activities:				
Distributions received on Class A units of FP Canadian Newspapers Limited Partnership	377	421	889	421
Subscription for Class A units in FP Canadian Newspapers Limited Partnership	-	-	-	(72)
Subscription for subordinated notes	-	-	-	(68,954)
	377	421	889	(68,605)
Financing activities:				
Distributions to Unitholders	(2,070)	(2,430)	(6,212)	(2,430)
Units Issued	-	-	-	69,026
Proceeds of loan from Related Parties	-	-	190	-
Repayment of loan from Related Parties	-	-	(290)	-
	(2,070)	(2,430)	(6,312)	66,596
Change in cash balance	152	46	116	46
Cash balance, beginning of period	24	-	60	-
Cash balance, end of period	\$ 176	\$ 46	\$ 176	\$ 46

FP Newspapers Income Fund
Notes to the Consolidated Financial Statements as at September 30, 2003
(unaudited, tabular amounts in thousands of dollars except per unit information)

1. Basis of presentation

FP Newspapers Income Fund (the "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 Fund owns securities entitling it to 49% of the distributable cash of FPLP.

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.

These interim consolidated financial statements of the Fund have been prepared by management in accordance with accounting principles generally accepted in Canada for interim financial statements and include the accounts of the Fund and its wholly-owned subsidiary, FPCN Holdings Trust. However, these interim financial statements do not include all the information and disclosures required for annual financial statements. These statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements of the Fund as at December 31, 2002. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto and other financial information contained in the audited financial statements for the period ended December 31, 2002.

2. Distributions Payable

The Fund recorded a distribution payable at September 30, 2003 of \$0.10 per unit. The distribution is payable October 30, 2003 to unitholders of record on September 30, 2003 and is in respect of the month of September 2003.

3. Equity interest from Class A Limited Partnership 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 limited partnership units of FPLP is calculated as follows:

	Three months ended September 30, 2003	Three months ended September 30, 2002	Nine months ended September 30, 2003	Period from May 15, 2002 (date established) to September 30, 2002
Net Income of FPLP	\$ 983	\$ 674	\$ 4,305	\$ 1,733
Interest on subordinated notes	1,970	1,999	5,845	2,707
Net income before interest on subordinated notes	\$ 2,953	\$ 2,673	\$ 10,150	\$ 4,440
49% interest attributable to the fund	1,447	1,310	4,974	2,176
Less: Interest from subordinated notes	(1,970)	(1,999)	(5,845)	(2,707)
Equity interest from Class A limited partnership units	\$ (523)	\$ (689)	\$ (871)	\$ (531)

4. 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 calculated as follows:

	Three months ended September 30, 2003	Three months ended September 30, 2002	Nine months ended September 30, 2003	Period from May 15, 2002 (date established) to September 30, 2002
Operating income before amortization	\$ 5,281	\$ 4,977	\$ 16,986	\$ 7,628
Interest on term loan	(819)	(787)	(2,354)	(1,112)
Interest income	25	25	74	29
Capital expenditures	(60)	(348)	(196)	(448)
Distributable cash of FPLP before interest on subordinated notes	\$ 4,427	\$ 3,867	\$ 14,510	\$ 6,097
49% attributable to the Fund	\$ 2,169	\$ 1,895	\$ 7,110	\$ 2,988
49% attributable to the Fund per unit of the Fund	\$ 0.314	\$ 0.275	\$ 1.030	\$ 0.433
Distributions declared by FPLP on securities held by the Fund:				
Interest on subordinated notes	\$ 1,970	\$ 1,999	\$ 5,845	\$ 2,707
Distributions on Class A limited partnership units	379	377	1,012	562
	\$ 2,349	\$ 2,376	\$ 6,857	\$ 3,269
Per Fund unit	\$ 0.340	\$ 0.344	\$ 0.993	\$ 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.

5. Distributable cash attributable to FP Newspapers Income Fund

Distributable cash attributable to the Fund is calculated as follows:

	Three months ended September 30, 2003	Three months ended September 30, 2002	Nine months ended September 30, 2003	Period from May 15, 2002 (date established) to September 30, 2002
49% of distributable cash of FPLP (note 4, above)	\$ 2,169	\$ 1,895	\$ 7,110	\$ 2,988
Loan from related parties	-	-	(100)	-
Administration expenses	(75)	(48)	(200)	(66)
Distributable cash attributable to the Fund	\$ 2,094	\$ 1,847	\$ 6,810	\$ 2,922
Distributable cash attributable to the Fund – per Unit	\$ 0.303	\$ 0.268	\$ 0.987	\$ 0.423
Distributions declared by the Fund – per Unit	\$ 0.300	\$ 0.338	\$ 0.900	\$ 0.465

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

	September 30, 2003	December 31, 2002
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 4,210	\$ 2,314
Accounts receivable	10,266	11,152
Inventories	1,106	1,086
Prepaid expenses	1,013	1,298
	<hr/> 16,595	<hr/> 15,850
Property, plant and equipment	66,080	69,188
Other assets	5,106	6,142
Intangibles	9,422	9,693
Goodwill	64,805	64,805
	<hr/> \$ 162,008	<hr/> \$ 165,678
LIABILITIES AND UNITHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 8,534	\$ 8,020
Prepaid subscriptions and deferred revenue	2,781	2,661
	<hr/> 11,315	<hr/> 10,681
Long-term liabilities:		
Term loan	59,600	59,600
Subordinated notes	67,954	67,954
	<hr/> 127,554	<hr/> 127,554
	<hr/> 138,869	<hr/> 138,235
Unitholders' equity:		
Partnership units	31,793	31,793
Cumulative earnings	14,385	10,080
Cumulative distributions	(23,039)	(14,430)
	<hr/> 23,139	<hr/> 27,443
	<hr/> \$ 162,008	<hr/> \$ 165,678

FP Canadian Newspapers Limited Partnership
Statements of Earnings and Cumulative Earnings
(unaudited, in thousands of Canadian dollars)

	Three month period ended September 30,		Nine month period ended September 30,	
	2003	2002	2003	2002
Revenue	\$ 23,885	\$ 22,677	\$ 73,159	\$ 71,096
Operating expenses, including selling, general and administration expenses	(18,604)	(17,700)	(56,173)	(54,577)
Operating income before amortization	5,281	4,977	16,986	16,519
Amortization of property, plant and equipment	(1,090)	(1,073)	(3,262)	(3,190)
Amortization of intangible assets	(90)	(91)	(271)	(272)
Operating income	4,101	3,813	13,453	13,057
Interest on term loan	(819)	(787)	(2,354)	(3,206)
Interest on subordinated notes	(1,970)	(1,999)	(5,845)	(2,707)
Amortization of deferred financing costs	(345)	(380)	(1,036)	(798)
Interest income	25	25	74	76
Sundry income	(9)	2	13	5
Net earnings for the period	\$ 983	\$ 674	\$ 4,305	\$ 6,427
Cumulative earnings beginning of period	13,402	8,117	10,080	2,364
Cumulative earnings end of period	\$ 14,385	\$ 8,791	\$ 14,385	\$ 8,791

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 – Jan 1, 2002	-	\$ 156,831	116	36	156,983
Redemption	-	-	(116)	(36)	(152)
Return of capital	(24,285)	(100,000)	-	-	(124,285)
Net earnings allocated prior to redesignation	-	2,646	-	-	2,646
Redesignations	59,477	(59,477)	-	-	-
Contributions	10	72	-	-	82
Distributions	(8,900)	-	-	-	(8,900)
Net earnings allocated after Redesignation	2,988	119	-	-	3,107
Partners' Capital – June 30, 2002	29,290	191	-	-	29,481
Partners' Capital – June 30, 2002	29,290	191	-	-	29,481
Net earnings for the period	589	85	-	-	674
Distributions Paid	(2,915)	(421)	-	-	(3,336)
Partners' Capital – Sept. 30, 2002	26,964	(145)	-	-	26,819
Partners' Capital – Sept. 30, 2002	26,964	(145)	-	-	26,819
Contributions	-	1,000	-	-	1,000
Net earnings for the period	1,181	108	-	-	1,289
Distributions paid	(1,525)	(140)	-	-	(1,665)
Partners' Capital – Dec. 31, 2002	26,620	823	-	-	27,443
Partners' Capital – Dec. 31, 2002	26,620	823	-	-	27,443
Net earnings for the period	1,064	9	-	-	1,073
Distributions paid	(2,716)	(22)	-	-	(2,738)
Partners' Capital – March 31, 2003	24,968	810	-	-	25,778
Partners' Capital – March 31, 2003	24,968	810	-	-	25,778
Net earnings for the period	1,965	284	-	-	2,249
Distributions paid	(2,558)	(490)	-	-	(3,048)
Partners' Capital – June 30, 2003	24,375	604	-	-	24,979
Partners' Capital – June 30, 2003	24,375	604	-	-	24,979
Net earnings for the period	831	152	-	-	983
Distributions paid	(2,444)	(379)	-	-	(2,823)
Partners' Capital – Sept. 30, 2003	22,762	377	-	-	23,139

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,	
	2003	2002	2003	2002
Cash provided by (used in)				
Operating Activities:				
Net income for the period	\$ 983	\$ 674	\$ 4,305	\$ 6,427
Item not affecting cash				
Amortization	1,525	1,544	4,569	4,260
	2,508	2,218	8,874	10,687
Net change in non-cash working capital items (note 3)	218	775	1,785	1,538
	2,726	2,993	10,659	12,225
Investing Activities:				
Other investment	-	-	-	162
Purchases of property, plant and equipment	(60)	(348)	(196)	(801)
Proceeds from sale of property, plant and equipment	18	-	42	-
	(42)	(348)	(154)	(639)
Financing Activities:				
Proceeds from term loan	-	-	-	100,000
Contributions by partners	-	-	-	82
Distributions to partners	(2,823)	(3,336)	(8,609)	(12,236)
Return of capital	-	-	-	(124,284)
Redemption of partnership units	-	-	-	(152)
Deferred financing costs	-	-	-	(4,384)
Issuance of subordinated notes	-	-	-	68,954
Repayment of term loan	-	-	-	(40,400)
	(2,823)	(3,336)	(8,609)	(12,420)
Increase (decrease) in cash and cash equivalents	(139)	(691)	1,896	(834)
Cash and cash equivalents - Beginning of period	4,349	4,649	2,314	4,792
Cash and cash equivalents - End of period	\$ 4,210	\$ 3,958	\$ 4,210	\$ 3,958

**Notes to the Financial Statements as at September 30, 2003
(unaudited, tabular amounts in thousands of dollars)**

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.

Effective November 29, 2001, FPLP acquired the business and assets of the Winnipeg Free Press and the 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.

The Partnership's advertising revenues are seasonal. Revenue and accounts receivable are highest in the second and fourth quarters while expenses are relatively constant.

2. Summary of significant accounting policies

Basis of presentation

These 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. Net change in non-cash working capital

	Three month period ended September 30,		Nine month period ended September 30,	
	2003	2002	2003	2002
Accounts receivable	\$ (533)	\$ 224	\$ 886	\$ 1,909
Inventories	(105)	(486)	(20)	(393)
Prepaid expenses	412	502	285	(345)
Accounts payable and accrued liabilities	518	571	514	544
Prepaid subscriptions and deferred revenue	(74)	(36)	120	(177)
	\$ 218	\$ 775	\$ 1,785	\$ 1,538

4. Allocation of net income

The amended and restated Agreement of Limited Partnership dated May 24, 2002 sets out the method for allocating net income between the general and limited partner units. Net income is allocated to the general partner units and the Class A limited partner units in proportion to the distributions made to the partners over an annual basis ending December 31 each year. As the allocation is defined using an annual period, quarterly allocations are determined by using a proportionate share of cumulative distributions and cumulative net income to the end of each quarter.

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.

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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