FP NEWSPAPERS INCOME FUND

Q1 - 2004
Quarterly Report
March 31, 2004

TSX: FP.UN

NEWSPAPERS fp INCOME FUND

First Quarter Report
March 31, 2004
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 March 31, 2004. FP Newspapers Income Fund owns a 49 per cent interest in FP Canadian Newspapers Limited Partnership ("FPLP"), which owns the Winnipeg Free Press and Brandon Sun newspapers.

Total revenue for FPLP for the three months ended March 31, 2004 was $24.4 million, a $0.6 million or 2.7 per cent increase over the same period last year. Total EBITDA[(1)] of FPLP for the first quarter was $5.4 million, a 3.5 per cent increase compared to $5.2 million in 2003. Net earnings of the partnership was $1.2 million compared to $1.1 million in the first quarter last year.

The Fund earned $1.5 million, or $0.215 per Unit during the three months ended March 31, 2004, compared to $1.4 million or $0.204 per Unit in the first quarter last year.

Operations

Revenue growth in the first quarter was attributable to a number of areas. Advertising revenue for the newspaper operations in the first quarter was $17.2 million compared to $16.9 million in the prior year, an increase of 1.7 per cent. Advertising flyer distribution revenues continued to show strong growth and accounted for $0.2 million of this increase. Total display advertising including colour revenues was lower in the first quarter of 2004 by $0.1 million which was primarily the result of lower spending by some national automotive customers. Commercial printing revenues increased by $0.1 million in the first quarter of 2004, resulting from an increase in printing jobs in both the Brandon and Winnipeg operations. Circulation revenue increased $0.1 million in the first quarter as a result of subscription and selective single copy rate increases implemented during the quarter.

Operating expenses excluding amortization were $19.0 million in the first quarter compared to $18.5 million last year, an increase of 2.5 per cent. Employee compensation costs accounted for $0.4 million of this increase, a result of contracted annual rate increases, increased labour hours required to handle the increased flyer distribution volumes, one time severance costs, costs for an additional publishing day in the quarter, as well as the impact of strategic executive appointments made in the second half of last year. Newsprint prices were lower in the first quarter than they were in the same quarter last year, but increased usage primarily from commercial printing, resulted in this expense increasing slightly compared to last year. Delivery costs increased by $0.1 million primarily from additional costs associated with increased flyer distribution volumes.

Readership for the Winnipeg Free Press, as reported by the National Audience Databank ("NADbank") for 2003, showed very impressive gains. The NADbank survey showed that 48 per cent of Winnipeg adults read the Free Press weekdays, 63 per cent on Saturdays and 47 per cent on Sundays all of which are up from a year earlier of 44 per cent on weekdays, 58 per cent on Saturdays, and 44 per cent on Sundays. We see the readership gains as an endorsement of the content improvements made during the past two years. Our local Winnipeg daily competitor suffered declines in all three categories during the same period.

We are pleased to report that Dan Lett, a senior reporter at the Winnipeg Free Press recently won a Citation of Merit in the annual Michener Awards for meritorious journalism in the public interest, and a nomination in the Investigations category of the National Newspaper Awards for his reporting on the weaknesses in the evidence against a man imprisoned in a murder case for more than a decade.

FPLP welcomed a new member of the executive team in early April. Ewan Pow has joined the Brandon Sun as Publisher. Mr. Pow has spent his entire career in the newspaper business with the last 16 years holding the position of Publisher and General Manager of the Neepawa Press, a community newspaper in Manitoba. Prior to this Mr. Pow served as the advertising and marketing director at the Brandon Sun.

The Computer-to-Plate ("CTP") technology at the Brandon Sun became operational in April. This technology provides significant improvements in the quality of printed newspaper pages.

Distributions

Distributable cash attributable to the Fund (2) for the three months ended March 31, 2004 was $2.1 million, or $0.306 per Unit compared to $0.338 last year. Since inception of the Fund on May 28, 2002, the FPLP has generated distributable cash attributable to the Fund (2) of $2.442 per Unit and the Fund has declared distributions of $2.290 per Unit, resulting in a cumulative payout ratio of 93.8%.

The Fund declared distributions to unitholders of $0.315 per Unit for the quarter, compared to $0.300 in the first quarter of 2003.

Outlook

Although the first quarter saw growth in some revenue categories, FPLP's largest segment, display advertising, showed a small decline in the first quarter. Overall advertising revenues for the first quarter increased by 1.7 per cent compared to our full year forecast of 2 to 4 per cent. Advertising revenue 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 the rate increases which took effect during the first quarter. Commercial printing revenue increases should continue over the remainder of this year due primarily to new on-going commercial printing jobs.

The overall increase in employment compensation costs of 4.9 per cent in the first quarter of 2004 was partly due to severance costs, costs for an additional leap year publishing day as well as additional labour requirements associated with the increase in flyer distribution revenues. FPLP is currently finalizing a capital project to invest in additional mailroom equipment which would allow us to more efficiently handle these increased flyer volumes. While we will continue to carefully monitor this expense, we expect the full-year compensation expense increase will be approximately 3%.

While the timing of newsprint price increases are difficult to predict, FPLP has been informed of a 2.9 per cent price increase effective May 1, and there is a possibility of further increases later this year. A 2.9 per cent increase in newsprint prices effective May 1 would result in overall newsprint prices being approximately 2 per cent lower in the second quarter of 2004 compared to the second quarter of 2003.

In April FPLP entered into an asset disposal agreement for certain surplus components of one of its three press lines. The net proceeds to FPLP from this disposal will be U.S.$0.7 million. While this entire press line is out of service during the removal process, there will be no impact on revenues as production has been accommodated with the remaining two press lines.

Ronald N. Stern
Chairman & Trustee
April 29, 2004

Rudy Redekop
President

Management's Discussion and Analysis
April 29, 2004

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 is dependant on the operations of FPLP, its sole investment. The Fund earned $1,543,000 in income from its investment in FPLP for the three months ended March 31, 2004 compared to $1,470,000 for the same period last year. Interest income on the 11.5% subordinated notes issued by FPLP to the Fund was $1,914,000 for the quarter compared to $1,927,000 last year, and the Fund's equity interest from its Class A limited partnership units was ($373,000) versus ($457,000) last year. Operating expenses incurred by the Fund were $60,000 compared to $63,000 last year and net earnings was $1,483,000 versus $1,407,000 last year.

The Fund declared distributions to unitholders of $0.315 per Unit for the three months ended March 31, 2004 compared to $0.300 in the first quarter of 2003. Cash available for distribution attributable to the Fund(2) was $2,115,000 or $0.306 per Unit for the quarter ended March 31, 2004 and $2,333,000 or $0.338 per Unit in the first quarter of 2003. The cash available for distribution attributable to the Fund(2) in the first quarter of 2003 included a loan from related parties for $190,000.

FP Canadian Newspapers Limited Partnership
Results of Operations

Revenue:

	Three Months Ended March 31	
	2004	2003
	$ Thousands	
Advertising	$17,249	$16,958
Circulation	5,323	5,216
Commercial Printing	1,421	1,279
Promotions and Services	361	253
	$24,354	$23,706

Revenue for the three months ended March 31, 2004 was $24.4 million, an increase of $0.6 million, or 2.7% compared to the first quarter of 2003. Advertising revenues increased by $0.3 million or 1.7% primarily the result of increased flyer distribution revenue and classified advertising. FPLP's largest advertising revenue category, display advertising, including colour, was slightly lower in the first quarter of 2004 by $0.1 million, primarily the result of lower spending by some national automotive customers together with a shift by some advertisers from display advertising to flyer distribution. Commercial printing revenues increased by $0.1 million or 11.1% resulting from an increase in printing work at both the Brandon and Winnipeg operations. Circulation revenue increased by $0.1 million or 2.1%, primarily resulting from the subscription and single copy rate increases implemented during the quarter partially offset by a slight decrease in average unit sales. Promotions and services revenue increased by $0.1 million or 42.7% largely from a licensed NHL hockey collector pin promotion carried out by the Winnipeg Free Press.

Operating expenses, excluding amortization:

	Three Months Ended March 31	
	2004	2003
	$ Thousands	
Employee Compensation	$9,583	$9,139
Newsprint	3,657	3,620
Delivery of Newspapers	2,188	2,063
Other	3,539	3,680
	$18,967	$18,502

Operating expenses excluding amortization in the three months ended March 31, 2004 were $19.0 million, an increase of $0.5 million or 2.5% over the first quarter of 2003. Employee remuneration, including pension and non-pension benefits costs and payroll taxes, increased by $0.4 million or 4.9% primarily the result of the contracted annual rate increases of 2.0%, an increase in part-time hours due to increased advertising flyer volumes, severance payments and labour costs for an additional leap year publishing day. Cost increases unique to the first quarter of 2004 accounted for approximately $0.2 million of the increase in employee compensation cost, or 2.0% compared to the first quarter of 2003. Newsprint expense was largely unchanged in the first quarter of 2004, the result of an overall decrease of approximately 1.5% in the average price of newsprint used offset by an increase in consumption resulting primarily from increased commercial printing work. Delivery costs increased by $0.1 million or 6.1% compared to the same quarter last year largely the result of costs associated with the increase in advertising flyer distribution. Other expenses decreased by $0.1 million or 3.8% resulting primarily from a decrease in discretionary promotional expenses.

EBITDA(1) for the three months ended March 31, 2004 was $5.4 million, compared to $5.2 million for the same period in 2003. EBITDA(1) margin was 22.1% compared to 22.0% for the same period last year.

Interest expense on the term credit facility and the subordinated notes for the three months ended March 31, 2004 was $0.7 million and $1.9 million which was unchanged from the first quarter of last year.

Net earnings was $1.2 million for the three months ending March 31, 2004 which represented 5.1% of revenue compared to $1.1 million representing 4.5% of revenue for the same period in 2003.

Newspaper publishing is, to a certain extent, a seasonal business with a higher proportion of revenues and operating earnings occurring during the second and fourth quarters of the calendar year. Revenue and EBITDA(1) of FPLP by quarter for 2002 and 2003 and the first quarter of 2004 was as follows:

	2004	2003	2002
Revenue		$Thousands	
Quarter 1	$ 24,354	$ 23,706	$ 23,610
Quarter 2		25,568	24,809
Quarter 3		23,885	22,677
Quarter 4		26,647	23,544*
		$ 99,806	$ 94,640
EBITDA(1)			
Quarter 1	$ 5,387	$ 5,204	$ 5,139
Quarter 2		6,501	6,403
Quarter 3		5,281	4,977
Quarter 4		7,264	5,458*
		$ 24,250	$ 21,977

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

* The decline in revenue and EBITDA in the fourth quarter of 2002 resulted primarily from the loss of nine publishing days at the Winnipeg Free Press due to a labour interruption.

Liquidity and Capital Resources

Cash Flow from Operations

During the three months ended March 31, 2004, cash generated from operating activities was $4.4 million, compared to $4.7 million for the first quarter of 2003. The net change in non-cash working capital in the first quarter of 2004 was $1.6 million compared to $2.1 million for the same period of 2003. The largest items contributing to this decrease were timing differences of compensation payments and trade accounts payable.

Capital Expenditures

Maintenance capital purchases representing the replacement of capital in order to sustain current business operations, totalled $0.1 million for the three months ended March 31, 2004. It is expected that maintenance capital expenditures will be higher in the second quarter as a replacement of a portion of the fleet vehicles in Winnipeg and Brandon as well as an upgrade of a computer server is planned.

Reserve for Maintenance Capital

Under the terms of the Amended and Restated Agreement of Limited Partnership dated May 24, 2002, the Managing General Partner is required to determine reserves which are necessary or desirable to withhold from any distributions to Partners, including among other things for capital expenditures and operating expenses. During the first quarter of 2004, the Managing General Partner determined that it was desirable to increase the reserve by $0.1 million for future maintenance capital spending resulting in the cumulative reserve at March 31, 2004 of $0.8 million. Increases in the reserve for future maintenance capital is shown as a deduction in determining distributable cash(2) of FPLP. Decreases in the reserve for future maintenance capital would be shown as an increase in the determination of distributable cash(2). The reserve is a non-GAAP measure established and utilized at the discretion of the board of directors of FPLP, and has no impact on the GAAP financial statements.

Financing Activities

Distributions to partners of FPLP for the three months ended March 31, 2004 totaled $2.6 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 March 31, 2003 totaled $2.7 million.

Cash and cash equivalents at March 31, 2004 total $7.1 million. Cash and cash equivalents may be used to pay future distributions, to reduce debt, to fund future capital expenditures, or for other general purposes. Cash flow from operations, together with cash balances on hand and unutilized credit facilities, are expected to be sufficient to fund FPLP's operating requirements, capital expenditures and anticipated distributions.

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. Collective agreements covering unionized employees at the Brandon Sun expire 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 $15.1 million of expenses in 2003. 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 earlier in this document.

Non GAAP Measures

(1) EBITDA

EBITDA is not a recognized measure under Canadian generally accepted accounting principles (GAAP). FPLP believes that in addition to net earnings, EBITDA is a useful supplemental measure as it provides investors with an indication of cash available for distribution prior to debt service and capital expenditures. Investors should be cautioned that EBITDA should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of FPLP's performance. FPLP's method of calculating EBITDA may differ from other issuers and, accordingly, EBITDA may not be comparable to measures used by other issuers. FPLP determines EBITDA as follows:

	Three Months Ended March 31	
	2004	2003
	$ Thousands	
Operating earnings	$ 4,192	$ 4,029
Add:		
Amortization of property, plant and equipment	1,105	1,085
Amortization of intangible assets	90	90
EBITDA	$ 5,387	$ 5,204

(2) Distributable Cash Attributable to the Fund

The Fund believes that in addition to the disclosure of cash flow from operations, distributable cash attributable to the Fund is an important supplemental measure of cash flow. This measure is a useful supplemental measurement as it provides investors with an indication of the amount of cash available for distribution to unitholders and because such calculations are required by the terms of the partnership agreement governing FPLP and by the terms of the deed of trust governing the Fund. Distributable cash attributable to the Fund is not a defined term under Canadian generally accepted accounting principles and it should not be construed as an alternative to using net earnings or the statement of cash flows as measures of profitability and cash flow. Readers should be cautioned that the method of calculating distributable cash may not be comparable to similar measures presented by other issuers. Management has determined distributable cash attributable to the Fund as follows:

	Three Months Ended March 31 2004	Three Months Ended March 31 2003	Period from May 28, 2002 to March 31 2004
Distributable cash of FPLP:			
EBITDA[(1)]	$ 5,387	$ 5,204	$ 42,723
Interest and sundry income	25	39	178
Interest expense on term loan	(727)	(722)	(5,689)
Net maintenance capital expenditures	(107)	(19)	(1,052)
Increase in reserve for future maintenance capital	(143)	-	(784)
	$ 4,435	$ 4,502	$ 35,376
49% attributable to the Fund	$ 2,173	$ 2,206	$ 17,334
Administration expenses	(60)	(63)	(479)
Loan from related party	-	190	-
Interest income	2	-	4
Distributable cash attributable to the Fund	$ 2,115	$ 2,333	$ 16,859
Distributable cash attributable to the Fund – per Unit	$ 0.306	$ 0.338	$ 2.442

A reconciliation of FPLP's distributable cash to cash flows from operating activities, as reported in FPLP's first quarter Statements of Cash Flows is as follows:

	Three Months Ended March 31 2004	Three Months Ended March 31 2003
	$ Thousands	
Cash flow from operating activities of FPLP	$ 4,388	$ 4,663
Add (subtract)		
Interest on subordinated notes *	1,914	1,927
Net change in non-cash working capital items **	(1,617)	(2,069)
Net maintenance capital expenditures	(107)	(19)
Increase in reserve for future maintenance capital ***	(143)	-
Distributable cash of FPLP	$ 4,435	$ 4,502

* Distributable cash of FPLP is determined before deduction of interest on the subordinated notes, since these amounts are paid to the Fund as holder of the subordinated notes.

** While changes in non-cash working capital is a component in determining cash flow from operations in the statements of cash flows, changes in non-cash working capital are not normally included in the calculation of distributable cash, as these changes can often be financed with an available operating line of credit, or represent only a temporary source of cash, due to seasonal fluctuations.

*** Increases in the reserve for future maintenance capital is shown as a deduction in determining distributable cash. Decreases in the reserve for future maintenance capital would be shown as an increase in the determination of distributable cash. Such reserve is a non-GAAP measure established and utilized at the discretion of the board of directors of FPLP, and has no impact on the GAAP financial statements.

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

	As at March 31, 2004	As at December 31, 2003
ASSETS		
Current Assets:		
Cash	$ 342	$ 330
Interest receivable on subordinated notes	652	654
Prepaid Expenses	24	24
	1,018	1,008
Investment in FP Canadian Newspapers Limited Partnership	65,268	65,948
	$ 66,286	**$ 66,956**
LIABILITIES AND UNITHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 61	$ 40
Distribution payable to unitholders (note 2)	725	725
	786	765
Unitholders' equity:		
Trust units	69,026	69,026
Cumulative Earnings	12,277	10,794
Cumulative Distributions	(15,803)	(13,629)
	65,500	66,191
	$ 66,286	**$ 66,956**

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 March 31, 2004	2003
Earnings from investment in FP Canadian Newspapers Limited Partnership		
Interest income on subordinated notes	$ 1,914	$ 1,927
Equity interest from Class A units (note 3)	(373)	(457)
Other interest	2	-
	1,543	1,470
Administrative costs	(60)	(63)
Net earnings for the period	$ 1,483	$ 1,407
Cumulative Earnings, beginning of period	10,794	3,661
Cumulative Earnings, end of period	$ 12,277	$ 5,068
Number of Trust Units outstanding	6,902,592	6,902,592
Earnings per trust unit	$ 0.215	$ 0.204

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

	Three months ended March 31, 2004	2003
Cash from (used in):		
Operating activities:		
Net earnings for the period	$ 1,483	$ 1,407
Item not affecting cash:		
Equity interest from Class A units of FP Canadian Newspapers Limited Partnership (note 3)	373	457
Distributions received on Class A units of FP Canadian Newspapers Limited Partnership	307	22
Change in non-cash working capital	23	(7)
	2,186	1,879
Financing activities:		
Distributions to Unitholders	(2,174)	(2,071)
Proceeds of loan from Related Parties	-	190
	(2,174)	(1,881)
Change in cash balance	12	(2)
Cash balance, beginning of period	330	60
Cash balance, end of period	$ 342	$ 58

FP Newspapers Income Fund
Notes to the Consolidated Financial Statements as at March 31, 2004
(unaudited, tabular amounts in thousands of dollars)

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, 2003. 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 year ended December 31, 2003.

2. Distributions Payable

The Fund recorded a distribution payable at March 31, 2004 of $0.105 per unit. The distribution is payable April 29, 2004 to unitholders of record on March 31, 2004 and is in respect of the month of March 2004.

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 March 31, 2004	Three months ended March 31, 2003
Net earnings of FPLP	$ 1,231	$ 1,073
Plus: Interest on subordinated notes	1,914	1,927
Net earnings before interest on subordinated notes	$ 3,145	$ 3,000
49% interest attributable to the fund	1,541	1,470
Less: Interest from subordinated notes	(1,914)	(1,927)
Equity interest from Class A limited partnership units	$ (373)	$ (457)

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

	March 31, 2004	December 31, 2003
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 7,083	$ 5,434
Accounts receivable	10,107	11,088
Inventories	707	988
Prepaid expenses and deposits	1,114	1,395
	19,011	18,905
Property, plant and equipment (note 4)	64,695	65,194
Deferred financing costs	4,415	4,760
Intangibles	9,241	9,331
Goodwill	64,805	64,805
	$ 162,167	**$ 162,995**
LIABILITIES AND UNITHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities (note 4)	$ 9,496	$ 9,148
Prepaid subscriptions and deferred revenue	3,023	2,798
	12,519	11,946
Long-term liabilities:		
Term loan	59,600	59,600
Subordinated notes	66,954	66,954
	126,554	126,554
	139,073	138,500
Unitholders' equity:		
Partnership units	32,793	32,793
Cumulative earnings	18,648	17,417
Cumulative distributions	(28,347)	(25,715)
	23,094	24,495
	$ 162,167	**$ 162,995**

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

	Three months ended March 31, 2004	2003
Revenue	$ 24,354	$ 23,706
Operating expenses, excluding amortization	(18,967)	(18,502)
	5,387	5,204
Amortization of property, plant and equipment	(1,105)	(1,085)
Amortization of intangible assets	(90)	(90)
Operating earnings	4,192	4,029
Interest on term loan	(727)	(722)
Interest on subordinated notes	(1,914)	(1,927)
Amortization of deferred financing costs	(345)	(346)
Interest income	25	21
Sundry income	-	18
Net earnings for the period	1,231	1,073
Cumulative earnings - beginning of period	17,417	10,080
Cumulative earnings - end of period	$ 18,648	$ 11,153

FP Canadian Newspapers Limited Partnership
Statements of Unitholders' Equity
(unaudited, in thousands of Canadian dollars)

	General partner units	Limited partner Class A units	Total
Unitholders' Equity – Jan. 1, 2003	**26,620**	**823**	**27,443**
Net earnings for the period	1,064	9	1,073
Distributions paid	(2,716)	(22)	(2,738)
Unitholders' Equity – March 31, 2003	**24,968**	**810**	**25,778**
Unitholders' Equity – 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)
Unitholders' Equity – June 30, 2003	**24,375**	**604**	**24,979**
Unitholders' Equity – June 30, 2003	24,375	604	24,979
Net earnings for the period	831	152	983
Distributions paid	(2,444)	(379)	(2,823)
Unitholders' Equity – Sept. 30, 2003	**22,762**	**377**	**23,139**
Unitholders' Equity – Sept. 30, 2003	22,762	377	23,139
Contributions	-	1,000	1,000
Net earnings for the period	2,691	341	3,032
Distributions paid	(2,360)	(316)	(2,676)
Unitholders' Equity – Dec. 31, 2003	**23,093**	**1,402**	**24,495**
Net earnings for the period	1,087	144	1,231
Distributions paid	(2,324)	(308)	(2,632)
Unitholders' Equity – March 31, 2004	**21,856**	**1,238**	**23,094**

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

	Three months ended March 31, 2004	2003
Cash provided by (used in)		
Operating Activities:		
Net earnings for the period	$1,231	$ 1,073
Item not affecting cash		
Amortization	1,540	1,521
	2,771	2,594
Net change in non-cash working capital items	1,617	2,069
	4,388	4,663
Investing Activities:		
Purchases of property, plant and equipment	(113)	(35)
Proceeds from sale of property, plant and equipment	6	16
	(107)	(19)
Financing Activities:		
Distributions to partners	(2,632)	(2,738)
Increase in cash and cash equivalents	1,649	1,906
Cash and cash equivalents - Beginning of period	5,434	2,314
Cash and cash equivalents - End of period	**$7,083**	**$4,220**

FP Canadian Newspapers Limited Partnership
Notes to the Financial Statements as at March 31, 2004
(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 except as indicated below. These interim statements should be read in conjunction with the audited financial statements of FPLP for the year ended December 31, 2003.

CICA Accounting Guideline 13 ("AcG 13)

FPLP adopted CICA Accounting Guideline 13, "Hedging Relationships" effective January 1, 2004. In accordance with AcG 13 each of FPLP's hedging relationships are documented and subject to an effectiveness test on a quarterly basis for reasonable assurance that they are and will continue to be effective. As required by this Guideline a derivative that does not qualify for hedge is reported on a mark to market basis in earnings. The adoption of this guideline had no impact on the financial statements.

3. 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.

4. Non cash transactions

FPLP has entered into an interim funding agreement relating to a technology upgrade at one of its printing operations. The interim funding agreement facilitates the purchase of the required equipment and upon completion of the project, a capital lease agreement will be entered into. At March 31, 2004, funds directly advanced from the interim funding counterparty to the vendors including accrued interest totaled $499,000 and this amount is included in the accounts payable and accrued liabilities caption on the balance sheet. Variable rate interest is charged on these advances and during the first quarter this rate averaged 4.4 per cent.

5. Subsequent event

FPLP entered into an asset disposal agreement dated April 13, 2004 to sell certain surplus components of one of its three printing presses for net proceeds of U.S. $725,000. An initial deposit of U.S. $100,000 was received when the agreement was completed and the remaining proceeds will be received as the components are removed.

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

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