F P NEWSPAPERS INCOME FUND

Q1 - 2005
Quarterly Report
March 31, 2005

TSX: FP.UN

First Quarter Report
March 31, 2005
Report to Unitholders

fp NEWSPAPERS INCOME FUND

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, 2005. 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 daily newspapers and Canstar Community News Limited that operates five weekly newspapers in the Winnipeg area as well as delivery businesses in Winnipeg, Brandon and Thunder Bay.

Total revenue for FPLP for the three months ended March 31, 2005 was $26.8 million, a $1.1 million or 4.4% increase over the same period last year. The acquisition during the third quarter in 2004 of the community newspapers and advertising distribution businesses accounted for $1.7 million of this increase. The reduction in revenue on a same store basis is primarily due to a reduction of three Friday/Saturday publishing days. We had anticipated a decrease in revenue due to the 11.5 per cent decline in Friday/Saturday publishing days. The reduction in auto category advertising was greater than expected and not fully off-set by growth in other categories of advertising. Total EBITDA(1) of FPLP for the first quarter was $4.3 million. Excluding the acquired businesses, EBITDA(1) was $4.3 million for the first quarter compared to $5.4 million last year. The partnership had net earnings of $0.5 million in the first quarter compared to $1.2 million in the same quarter last year.

The Fund earned $1.1 million, or $0.156 per Unit during the three months ended March 31, 2005 compared to $1.5 million, or $0.215 per Unit for the same quarter last year. The decline in earnings in the first quarter is primarily due to circumstances unique to this period and is not indicative of what is expected for the balance of the year.

Operations

Overall revenue in the first quarter, excluding the acquired businesses, was lower than expected at $25.1 million, a $0.6 million or 2.3% per cent decrease from the same quarter last year. Advertising revenue, excluding the acquired businesses, was $16.6 million, a $0.6 million or 3.6% per cent decrease over the same quarter last year. The trend of increased advertising flyer distribution revenues continued in the first quarter of 2005 with this category showing a revenue increase of $0.3 million or 12.7 per cent compared to the same period last year resulting from higher flyer volumes. Our largest advertising revenue category, display advertising including colour, excluding the acquired businesses, was $10.3 million for the quarter compared to $11.4 million for the same period last year. Decreased revenues were forecasted in the first quarter due to two fewer publishing days resulting from the 2004 leap year and a shift of the Good Friday non publishing day into the first quarter of 2005. In addition to this, in the first quarter of 2005, there were three fewer Friday and Saturday publishing days which combined represent approximately 60% of our weekly advertising revenue. The decrease in this category was higher than we anticipated and this was primarily due to lower spending by two national automotive customers. Classified advertising revenue, excluding the acquired businesses, was $3.6 million compared to $3.4 million in the first quarter last year, an increase of 6.3 per cent. Increased classified revenue was primarily the result of rate increases and increases in the employment and obituary categories. Commercial printing revenues for the first quarter were $1.5 million, an increase of $0.1 million or 6.2% per cent primarily due to the National Post printing contract being in force for three full months in the first quarter of 2005 compared to approximately one month in the same quarter last year.

Operating expenses, excluding amortization were $22.5 million in the first quarter. Excluding the acquired businesses, operating expenses, excluding amortization were $20.7 million, a 2.0 per cent increase from $20.3 million reported for the first quarter last year. Employee compensation costs accounted for $0.3 million of this increase, a result of contracted annual salary increases, the hiring of more employees to meet increased flyer volumes and higher defined benefit pension plan costs. Newsprint prices were lower in the first quarter when compared to the same quarter last year and newsprint expense for our own products, excluding the acquired businesses, decreased by $0.2 million or 5.4%. Newsprint expense in the quarter for commercial printing was $0.5 million, a 11.3 per cent increase over the same quarter last year, largely the result of the National Post printing contract. Delivery costs, excluding the acquired businesses, were $3.7 million for the first quarter, a 4.6% increase from the $3.5 million reported for the three months ended March 31, 2004. This increase was primarily due to contracted annual increases and higher flyer volumes.

We are pleased to report that two Winnipeg Free Press editorial staff members have been nominated for National Newspaper Awards. Randy Turner has been nominated in the sports writing category for a 14,000 word feature on Team Canada hockey head coach Brent Sutter. Dale Cummings has been nominated in the editorial cartoon category. Dale previously won a National Newspaper Award in the same category as an employee of the Free Press in 1983.

Readership for the Winnipeg Free Press in 2004 continues to be the highest percentage across all large Canadian cities as reported by the Newspaper Audience Databank ("NADbank"). The NADbank survey showed that 46 per cent of Winnipeg adults read the Free Press weekdays, 58 per cent on Saturdays and 43 per cent on Sundays.

The Audit Bureau of Circulation recently released unaudited circulation results for the six months ended March 31, 2005 which show a weekday total paid circulation increase of 2.3% at the Winnipeg Free Press.

Distributions

Distributable cash attributable to the Fund [(2)] for the three months ended March 31, 2005 was $1.5 million, or $0.219 per Unit compared to $2.1 million or $0.306 per Unit last year. Lower earnings in FPLP has resulted in lower distributable cash attributable to the Fund[(2)] when compared to the first quarter of 2004. For the period from commencement of operations on May 28, 2002 to March 31, 2005, FPLP has generated distributable cash attributable to the Fund of $3.772 per Unit, and the Fund has declared distributions of $3.562 per Unit, resulting in a cumulative payout ratio of 94.4% per cent.

The Fund declared distributions to unitholders of $0.323 per Unit for the quarter, compared to $0.315 in the first quarter of 2004.

Outlook

As we noted in the previous quarter, the first quarter of 2005 was impacted by two fewer publishing days due to the 2004 leap year and the Good Friday non-publishing day falling in the first quarter in 2005 but in the second quarter last year. Total number of Friday and Saturdays, our strongest advertising revenue days, decreased from 26 in the first quarter of 2004 to 23 this year. Advertising revenues, however, were lower than we were expecting, after taking these factors into account. As noted earlier, decreased revenue from two national automotive customers was the single biggest factor contributing to this shortfall. Advertising revenues are difficult to predict and in April we continued to experience lower display advertising from the two national automotive accounts which impacted the first quarter results. We will benefit from one more Friday publishing day in the second quarter of 2005 compared to last year.

Compensation costs on a same store basis increased 3.0 per cent in the first quarter and we expect these costs will increase 3 to 4 per cent for the remainder of the year. As we've always reported, newsprint prices are difficult to predict. We are not aware of a forecasted increase during the second quarter of 2005 at this time. If newsprint prices remain at existing levels we would expect a 2 per cent decrease in price for the second quarter of 2005 versus the prior year. If the trend of increased flyer volumes continues, we would expect a similar percentage increase in delivery costs throughout the remainder of the year.

As we announced during April, Murdoch Davis is no longer the Publisher at the Winnipeg Free Press. A new Publisher will be appointed in due course. We are fortunate to have very knowledgeable and dedicated employees at all our properties and we are confident we can achieve strong results throughout the search for a new Publisher at the Winnipeg Free Press.

On May 5, 2005 we completed a re-financing of our term debt. As a result, we have now fixed our interest costs on $60 million long term debt for five years at a rate of 5.20 per cent, creating greater stability on this component of cash flows.

Ronald N. Stern	Rudy Redekop
Chairman & Trustee	President

May 10, 2005

Management's Discussion and Analysis
May 10, 2005

Overview

Management's Discussion and Analysis provides a review of significant developments that have affected the Fund's performance during the period January 1, 2005 to March 31, 2005. This review is based on financial information contained in the consolidated financial statements. Factors that could affect future operations are also discussed. These factors may be affected by known and unknown risks and uncertainties that may cause the actual future results to be materially different from those expressed in this discussion.

The following information provides analysis of the operations and financial position of the Fund and FPLP and should be read in conjunction with the consolidated financial statements and accompanying notes. The interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

Further information relating to the Fund is available at www.sedar.com.

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

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. On July 13, 2004, FPLP acquired five weekly newspapers in the Winnipeg area, as well as delivery businesses in Winnipeg, Brandon and Thunder Bay and operates them under its wholly owned subsidiary Canstar Community News Limited.

FP Newspapers Income Fund

The Fund is dependent on the operations of FPLP, its sole investment. The Fund earned $1,140,000 in income from its investment in FPLP for the three months ended March 31, 2005 compared to $1,541,000 for the same period last year. The decrease in income for the three months ended March 31, 2005 is mainly attributable to lower earnings of FPLP due to two less publishing days in the first quarter of 2005 compared to the same quarter last year and lower display advertising spending primarily in the automotive category due largely to lower spending by two national automotive manufacturers. Interest income on the 11.5% subordinated notes issued by FPLP to the Fund was $1,842,000 for the quarter compared to $1,914,000 last year. The Fund's equity interest from its Class A limited partnership units were ($702,000) for the quarter versus ($373,000) last year (see "FP Canadian Newspapers Limited Partnership – Results of Operations" below). Operating expenses incurred by the Fund were $64,000 compared to $60,000 last year and net earnings was $1,078,000 versus $1,483,000 last year.

The Fund declared distributions to unitholders of $2,226,000 or $0.323 per Unit for the three months ended March 31, 2005 compared to $2,174,000 or $0.315 per Unit in the first quarter of 2004. Cash available for distribution attributable to the Fund(2) was $1,509,000 or $0.219 per Unit for the quarter ended March 31, 2005 and $2,115,000 or $0.306 per Unit in the first quarter of 2004. The decrease in cash available for distribution attributable to the Fund(2) is primarily due to lower net earnings in FPLP as explained later in this discussion.

FP Canadian Newspapers Limited Partnership
Results of Operations

During the fourth quarter of 2004, FPLP retroactively adjusted circulation subscription revenues to record them at the gross amount whereas previously this revenue was reported net of certain delivery expenses. All periods have been restated from the numbers previously reported and there is no impact on net earnings of any period.

Revenue:

	Three Months Ended March 31	
	2005	2004
	In thousands	
Advertising	$ 18,217	$ 17,249
Circulation	6,563	6,644
Commercial Printing	1,509	1,421
Promotions and Services	516	361
	$ 26,805	$ 25,675

Revenue for the three months ended March 31, 2005 was $26.8 million, an increase of $1.1 million, or 4.4% compared to the first quarter of 2004. The acquisition of the community newspapers and advertising distribution businesses during the third quarter of 2004 accounted for $1.7 million in revenue. Revenues, excluding the acquired businesses, decreased by $0.6 million or 2.3% compared to the first quarter of last year. Advertising revenues, excluding the acquired businesses, decreased by $0.6 million or 3.6% compared to the same period last year. FPLP's largest advertising revenue category, display advertising, including colour, excluding the acquired businesses, decreased by $1.1 million or 9.9% primarily the result of two less publishing days and 3 fewer Friday and Saturday publishing days when compared to the first quarter of last year, lower spending in the automotive category as well as a continued shift of advertising spending by some customers into flyer business. Flyer distribution revenues, excluding the acquired businesses, increased by $0.3 million or 12.7% primarily due to higher flyer volumes. Classified advertising, excluding the acquired businesses, increased by $0.2 million or 6.3% in the first quarter due to rate increases and increases in the employment and obituary categories. Commercial printing revenues increased by $0.1 million or 6.2% primarily due to the National Post printing contract being in force for three full months in 2005 compared to approximately one month in the first quarter of 2004.

Operating expenses, excluding amortization:

	Three Months Ended March 31	
	2005	2004
	In thousands	
Employee Compensation	$ 10,543	$ 9,583
Newsprint – Own Use	3,147	3,178
Newsprint - Commercial Printing	533	479
Delivery of Newspapers	4,185	3,509
Other	4,095	3,539
	$ 22,503	$ 20,288

Operating expenses, excluding amortization in the three months ended March 31, 2005 were $22.5 million, an increase of $2.2 million or 10.9% over the first quarter of 2004. The acquisition of the acquired businesses, accounted for $1.8 million or 8.9% of this increase. Employee compensation, excluding the acquired businesses, increased by $0.3 million or 3.0% due to contracted annual increases, additional compensation costs associated with increased flyer volumes and higher defined benefit pension plan costs. Newsprint expense for FPLP's own publications, excluding the acquired businesses, decreased by $0.2 million or 5.4%, the result of an overall decrease of approximately 0.3% in the average price of newsprint and less consumption. Newsprint expense for commercial printing increased by $0.1 million largely the result of the National Post printing contract being in force for three full months in 2005 compared to approximately one month in the first quarter of 2004. Delivery costs, excluding the acquired businesses, increased by $0.2 million or 4.6% compared to the same quarter last year largely the result of contracted annual increases and higher flyer volumes. Other expenses, excluding the acquired businesses, were $3.7 million, a $0.2 million or 5.2% increase over the same quarter last year primarily due to higher professional fees which included an increase in legal fees resulting from increased work performed on normal labour related and general matters.

EBITDA[1] for the three months ended March 31, 2005 was $4.3 million. EBITDA[1] for the three months ended March 31, 2005, excluding the acquired businesses, was $4.3 million, compared to $5.4 million for the same period in 2004. EBITDA[1] margin, excluding the acquired businesses, was 16.3% for the three month period ended March 31, 2005 compared to 21.0% for the same period last year.

Interest expense on the term credit facility, the subordinated notes and capital lease obligations for the three months ended March 31, 2005 was $2.6 million which is unchanged from last year. Interest expense on the term loan increased by $0.1 million because interest costs relating to the interest rate swap agreements were fully amortized in the first quarter as they no longer qualified for hedge accounting. Interest expense on the subordinated notes decreased by $0.1 million due to the lower principal amount outstanding when compared to the first quarter of 2004.

FPLP's net earnings were $0.5 million for the three months ended March 31, 2005 compared to $1.2 million for the same period in 2004.

The decrease in net earnings, EBITDA[1] and EBITDA[1] margin in the first quarter of 2005 is primarily due to lower revenues, specifically display advertising, including colour, excluding the acquired businesses, which decreased by $1.1 million as explained earlier in this discussion.

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, EBITDA[1] and net earnings of FPLP by quarter for 2003, 2004 and the first quarter of 2005 was as follows:

	2005	2004	2003
		In thousands	
Revenue			
Quarter 1	$ 26,805[**]	$ 25,675	$ 25,008
Quarter 2		27,839	26,904
Quarter 3		27,283[**]	25,141
Quarter 4		30,441[**]	28,001
		$111,238	$105,054
EBITDA[1]			
Quarter 1	$ 4,302[***]	$ 5,387	$ 5,204
Quarter 2		6,772	6,501
Quarter 3		5,167	5,281
Quarter 4		7,008	7,264
		$ 24,334	$ 24,250
Net Earnings (loss)			
Quarter 1	$ 485[***]	$ 1,231	$ 1,073
Quarter 2		(1,489)[*]	2,249
Quarter 3		1,077	983
Quarter 4		2,917	3,032
		$ 3,736	$ 7,337

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 earnings in the second quarter of 2004 was due to the disposal and write-down in value of excess press components which resulted in a $4,264,000 charge against income.

[**] The increase in revenue from the same quarter(s) in the prior year(s) is primarily due to the revenue from the community newspapers and advertising distribution businesses acquired during the third quarter of 2004.

[***] Decrease in EBITDA[1] and net earnings is primarily due to lower revenues due to two fewer publishing days and an 11.5% decline in Friday/Saturday publishing days.

Working Capital Position of FPLP

FPLP's advertising revenues are seasonal and, as a result, accounts receivable are highest in the second and fourth quarters. Cash and cash equivalents increased by $2.3 million from December 31, 2004 primarily due to the conversion of a higher accounts receivable balance into cash and timing differences of compensation payments and trade accounts payable. Consequently, accounts receivable has decreased by $1.5 million and accounts payable and accrued liabilities have increased by $1.5 million from December 31, 2004.

Liquidity and Capital Resources of FPLP

Cash and cash equivalents at March 31, 2005 was $2.9 million compared to $7.1 million at March 31, 2004. The decrease in cash and cash equivalents from March 31, 2004 is mainly due to the acquisition of the community newspapers and advertising distribution businesses in the third quarter of 2004. Cash and cash equivalents may be used to pay future distributions, to reduce debt, to fund future capital expenditures, or for other general purposes. Operating activities provided $5.1 million during the first quarter of 2005, while $0.1 million was used for investing activities and $2.7 million was used for financing activities. 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.

Cash Flow from Operating Activities

During the three months ended March 31, 2005, cash generated from operating activities was $5.1 million, compared to $4.4 million for the first quarter of 2004. The net change in non-cash working capital in the first quarter of 2005 was $3.4 million compared to $1.6 million for the same period of 2004. This increase is largely the result of timing differences of compensation payments and trade accounts payable and a larger accounts receivable balance at December 31, 2004 when compared to December 31, 2003.

Investing Activities

Maintenance capital purchases, representing the replacement of capital in order to sustain current business operations, totaled $0.1 million for the three months ended March 31, 2005 consisting primarily of technology upgrades in Winnipeg and Brandon. Maintenance capital spending is expected to increase during the remainder of the year and be in line with our full year estimated spending of $1.2 million.

Financing Activities

On May 5, 2005 an affiliate arranged replacement financing for the maturing $59.6 million term debt of FPLP. FPCN Media Funding Inc, a wholly owned subsidiary of FPCN General Partner Inc, the managing general partner of FP Canadian Newspapers Limited Partnership issued $60 million of 5.20% Series A Senior Secured Notes due June 5, 2010. The proceeds were on-lent to FP Canadian Newspapers Limited Partnership and used to repay the maturing $59.6 million term credit facility, and for general purposes. The $10 million 364-day revolving bank credit facility was amended and has an initial maturity date of May 4, 2006. At May 5, 2005 there was no utilization of the revolving facility.

In addition, Prudential Capital Group (Prudential), the initial purchaser of the Notes, provided an uncommitted three year shelf facility in the amount of USD $25.6 million (or the Canadian dollar equivalent) whereby FPCN Media Funding Inc. may issue additional notes with terms of between five and seven years, bearing interest at rates to be determined at the time of issue, subject to acceptance of such notes by Prudential. These funds may be on-lent to FPLP to fund acquisitions and other general purposes, subject to acceptance by Prudential.

Distributions to partners of FPLP for the three months ended March 31, 2005 totaled $2.7 million, of which $0.4 million was paid to the Fund as holder of Class A limited partnership units. The distributions to partners 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, 2004 totaled $2.6 million, of which $0.3 million was paid to the Fund.

Reserves Related to Distributable Cash Attributable to the Fund[(2)]

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. A summary of the reserve for maintenance capital for the three months ended March 31, 2005 and 2004 is as follows:

	Three Months Ended March 31 In thousands	
	2005	2004
Reserve at beginning of period	$ 630	$ 641
Increase in reserve	120	143
Decrease in reserve	-	-
Reserve at end of period	$ 750	$ 784

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 are shown as an increase in the determination of distributable cash(2). During the second quarter of 2004 the Managing General Partner determined that it was desirable to establish a reserve in an amount of $1.0 million for purposes of future strategic capital, acquisitions and/or debt reduction. The amount of the reserve initially established was equal to the net proceeds received on the sale of surplus equipment in the second quarter of 2004. A summary of the reserve for strategic capital, acquisitions and/or debt reduction for the three months ended March 31, 2005 and 2004 is as follows:

	Three Months Ended March 31 In thousands	
	2005	2004
Reserve at beginning of period	$ 510	$ -
Increase in reserve	-	-
Decrease in reserve	-	-
Reserve at end of period	$ 510	$ -

These reserves are non-GAAP measures established and utilized at the discretion of the board of directors of FPLP, and have no impact on the GAAP financial statements.

Business Risks and Uncertainties

Revenue

Advertising revenue, which accounts for greater than 67% 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 work stoppage could restrict or eliminate the ability of FPLP to earn revenue from its publishing business during the stoppage. 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 $15.5 million of expenses in 2004. 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	
	2005	2004
	In thousands	
Net earnings for the period	$ 485	$ 1,231
Add (subtract):		
Amortization of property, plant and equipment	858	1,105
Amortization of intangible assets	90	90
Interest	2,641	2,641
Amortization of deferred financing costs	345	345
Interest income	(6)	(25)
Gain on sale of property, plant and equipment	(11)	-
Future income tax benefit	(100)	-
EBITDA	$ 4,302	$ 5,387

(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 GAAP 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	
	2005	2004
Distributable cash of FPLP:	In thousands	
EBITDA[(1)]	$ 4,302	$ 5,387
Interest income	6	25
Interest expense on term loan and capital leases	(799)	(727)
Principal repayment of capital leases	(66)	-
Maintenance capital expenditures	(130)	(113)
Increase in reserve for future maintenance capital	(120)	(143)
Proceeds from sale of property, plant and equipment	13	6
	$ 3,206	$ 4,435
49% attributable to the Fund	$ 1,571	$ 2,173
Administration expenses	(64)	(60)
Interest income	2	2
Distributable cash attributable to the Fund	$ 1,509	$ 2,115
Distributable cash attributable to the Fund – per Unit	$ 0.219	$ 0.306

A summary of distributable cash and distributions declared for the trailing twelve months to March 31, 2005 and for the period from commencement of the Fund on May 28, 2002 to March 31, 2005 is as follows:

Distributable Cash of FPLP:

	Last Twelve Months	Since May 28, 2002
	In thousands	
EBITDA[1]	$ 23,249	$ 65,972
Interest income	42	223
Interest expense on term loan and capital leases	(2,937)	(8,608)
Principal repayment of capital leases	(156)	(156)
Maintenance capital expenditures	(1,034)	(2,141)
Decrease (increase) in reserve for future maintenance capital expenditures	34	(750)
Strategic capital expenditures	(446)	(446)
Proceeds on disposal of property, plant and equipment	972	1,045
Increase in reserve for strategic capital, acquisitions, and/or debt reduction	(510)	(510)
Distributable cash of FPLP	$ 19,214	$ 54,629

Distributable Cash Attributable to the Fund:

	Last Twelve Months	Since May 28, 2002
	In thousands	
49% of FPLP distributable cash	$ 9,415	$ 26,768
Administration expenses	(266)	(744)
Interest income	10	12
Distributable cash attributable to the Fund	$ 9,159	$ 26,036
Distributable cash attributable to the Fund per unit	$1.327	$3.772
Distributions declared by the Fund per unit	$1.273	$3.562
Payout Ratio	95.9%	94.4%

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

	Three Months Ended March 31	
	2005	2004
	In thousands	
Cash flow from operating activities of FPLP	$ 5,117	$ 4,388
Add (subtract):		
Interest on subordinated notes (*)	1,842	1,914
Net change in non-cash working capital items (**)	(3,450)	(1,617)
Maintenance capital expenditures	(130)	(113)
Principal repayment of capital leases	(66)	-
Increase in reserve for future maintenance capital (***)	(120)	(143)
Proceeds from sale of property, plant and equipment (****)	13	6
Distributable cash of FPLP	$ 3,206	$ 4,435

(*) 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.

(***) Increase in the reserve for future maintenance capital is shown as a deduction in determining distributable cash. A decrease in the reserve is shown as an increase in the determination of distributable cash. Such reserves are non-GAAP measures established and utilized at the discretion of the board of directors of FPLP, and have no impact on the GAAP financial statements.

(****) Proceeds from sale of property, plant and equipment is a component of distributable cash, but is not included in cash flow from operating activities because it is classified as an investing activity in the statement of cash flows.

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

	As at March 31, 2005	As at December 31, 2004
ASSETS		
Current Assets :		
Cash and cash equivalents	$ 310	$ 384
Interest receivable from subordinated notes	634	633
Prepaid expenses	21	21
	965	1,038
Investment in FP Canadian Newspapers Limited Partnership (note 2)	61,534	62,587
	$ 62,499	$ 63,625
LIABILITIES AND UNITHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 96	$ 74
Distribution payable (note 3)	742	742
	838	816
Unitholders' Equity:		
Trust units	69,026	69,026
Cumulative earnings	17,222	16,144
Cumulative distributions	(24,587)	(22,361)
	61,661	62,809
	$ 62,499	$ 63,625

(See accompanying notes)

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, 2005	Three months ended March 31, 2004
Earnings from investment in FP Canadian Newspapers Limited Partnership		
Interest from subordinated notes	$ 1,842	$ 1,914
Equity interest from Class A limited partnership units (note 2)	(702)	(373)
Other interest	2	2
	1,142	1,543
Administration expenses	(64)	(60)
Net earnings for the period	$ 1,078	$ 1,483
Cumulative earnings, beginning of period	16,144	10,794
Cumulative earnings, end of period	$ 17,222	$ 12,277
Number of trust units outstanding	6,902,592	6,902,592
Net earnings per trust unit	$ 0.156	$ 0.215

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

	Three months ended March 31, 2005	Three months ended March 31, 2004
Balance, beginning of period	$ 62,809	$ 66,191
Net earnings	1,078	1,483
Distributions	(2,226)	(2,174)
Balance, end of period	$ 61,661	$ 65,500

(See accompanying notes)

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

	Three months ended March 31, 2005	2004
Cash provided by (used in):		
Operating activities:		
Net earnings for the period	$ 1,078	$ 1,483
Item not affecting cash:		
Equity interest from Class A units of FP Canadian Newspapers Limited Partnership (note 2)	702	373
Distributions received on Class A units of FP Canadian Newspapers Limited Partnership (note 2)	351	307
Net change in non-cash working capital items	21	23
	2,152	2,186
Financing activities:		
Distributions to unitholders	(2,226)	(2,174)
	(2,226)	(2,174)
(Decrease) increase in cash and cash equivalents	(74)	12
Cash and cash equivalents, beginning of period	384	330
Cash and cash equivalents, end of period	$ 310	$ 342

(See accompanying notes)

FP Newspapers Income Fund
Notes to Consolidated Financial Statements as at March 31, 2005
(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.

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, 2004. 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 consolidated financial statements for the year ended December 31, 2004.

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 (as defined in the Partnership Agreement) of FPLP.

The investment in FPLP is summarized as follows:

	Subordinated Notes $	**Class A limited partnership units $**	**Total $**
Balance at December 31, 2004	64,954	(2,367)	62,587
Equity interest	-	(702)	(702)
Distributions received	-	(351)	(351)
Balance at March 31, 2005	64,954	(3,420)	61,534

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, 2005	2004
Net earnings of FPLP	$ 485	$ 1,231
Plus: Interest on subordinated notes	1,842	1,914
Net earnings before interest on subordinated notes	$ 2,327	$ 3,145
49% interest attributable to the Fund	1,140	1,541
Less: Interest from subordinated notes	(1,842)	(1,914)
Equity interest from Class A limited partnership units	$ (702)	$ (373)

3. Distribution Payable

The Fund recorded a distribution payable at March 31, 2005 of $0.1075 per unit. The distribution was paid April 28, 2005 to unitholders of record on March 31, 2005 and is in respect of the month of March 2005.

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

	As at March 31, 2005	As at December 31, 2004
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 2,912	$ 571
Accounts receivable	10,970	12,506
Inventories	1,191	976
Prepaid expenses	886	1,138
Future income tax asset	180	80
	16,139	15,271
Equipment held for sale	2,289	2,289
Property, plant and equipment	55,635	56,365
Deferred financing costs	3,040	3,378
Intangible assets	9,089	9,179
Goodwill	70,860	70,860
	$ 157,052	$ 157,342
LIABILITIES AND UNITHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 10,782	$ 9,289
Prepaid subscriptions and deferred revenue	3,278	2,828
Current obligations under capital leases	273	270
Term loan (note 5)	-	59,600
	14,333	71,987
Long-Term Liabilities:		
Subordinated notes	64,954	64,954
Obligations under capital leases	707	776
Term loan (note 5)	59,600	-
	125,261	65,730
	139,594	137,717
Unitholders' Equity:		
Partnership units	34,793	34,793
Cumulative earnings	21,638	21,153
Cumulative distributions	(38,973)	(36,321)
	17,458	19,625
	$ 157,052	$ 157,342

(See accompanying notes)

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

	Three months ended March 31, 2005	2004
Revenue (note 4)	$ 26,805	$ 25,675
Operating expenses, excluding amortization (note 4)	(22,503)	(20,288)
	4,302	5,387
Amortization of property, plant and equipment	(858)	(1,105)
Amortization of intangible assets	(90)	(90)
Earnings before the under-noted	3,354	4,192
Interest (note 7)	(2,641)	(2,641)
Amortization of deferred financing costs	(345)	(345)
Interest income	6	25
Gain on sale of property, plant and equipment	11	-
Net earnings before income taxes	385	1,231
Future income tax benefit	100	-
Net earnings for the period	485	1,231
Cumulative earnings – beginning of period	$ 21,153	$ 17,417
Cumulative earnings – end of period	$ 21,638	$ 18,648

(See accompanying notes)

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

	General partner units	Limited partner Class A units	Total
Unitholders' equity – Dec. 31, 2003	$ 23,094	$ 1,401	$ 24,495
Net earnings for the period	1,087	144	1,231
Distributions paid	(2,324)	(308)	(2,632)
Unitholders' equity – March 31, 2004	21,857	1,237	23,094
Net loss for the period	(1,314)	(175)	(1,489)
Distributions paid	(2,348)	(320)	(2,668)
Unitholders' equity – June 30, 2004	18,195	742	18,937
Net earnings for the period	949	128	1,077
Distributions paid	(2,348)	(320)	(2,668)
Unitholders' equity – Sept. 30, 2004	16,796	550	17,346
Contributions	-	2,000	2,000
Net earnings for the period	2,568	349	2,917
Distributions paid	(2,322)	(316)	(2,638)
Unitholders' equity – Dec. 31, 2004	17,042	2,583	19,625
Net earnings for the period	421	64	485
Distributions paid	(2,301)	(351)	(2,652)
Unitholders' equity – March 31, 2005	$ 15,162	$ 2,296	$ 17,458

(See accompanying notes)

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

	Three months ended March 31, 2005	2004
Cash provided by (used in)		
Operating activities:		
Net earnings for the period	$ 485	$ 1,231
Items not affecting cash:		
Amortization	1,293	1,540
Future income tax benefit	(100)	-
Gain on disposal of property, plant and equipment	(11)	-
	1,667	2,771
Net change in non-cash working capital items	3,516	1,617
	5,183	4,388
Investing activities:		
Purchases of property, plant and equipment	(130)	(113)
Proceeds from sale of property, plant and equipment	13	6
	(117)	(107)
Financing activities:		
Deferred financing costs	(7)	-
Distributions to partners	(2,652)	(2,632)
Principal repayment of capital leases	(66)	-
	(2,725)	(2,632)
Increase in cash and cash equivalents	2,341	1,649
Cash and cash equivalents - beginning of period	571	5,434
Cash and cash equivalents - end of period	$ 2,912	$ 7,083
Supplemental Cash Flow Information:		
Interest paid during the period	2,156	2,595

(See accompanying notes)

FP Canadian Newspapers Limited Partnership
Notes to Consolidated Financial Statements as at March 31, 2005
(unaudited, tabular amounts in thousands of dollars)

1. Basis of presentation

FP Canadian Newspapers Limited Partnership ("FPLP") is a limited partnership formed on August 9, 1999 in accordance with the laws of British Columbia. Canstar Community News Limited is a wholly owned subsidiary of FPLP.

These interim consolidated financial statements include only the assets, liabilities, revenues and expenses of FPLP and its subsidiary 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. These interim 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 consolidated financial statements should be read in conjunction with the audited financial statements of FPLP for the year ended December 31, 2004.

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

Income taxes

FPLP is not a taxable entity, and accordingly, no provision for income taxes relating to FPLP is included in the financial statements since all income, deductions, gains, losses and credits are reportable on the tax returns of the partners. FPLP's subsidiary is subject to tax and uses the liability method for accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured using substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse. FPLP's subsidiary has non-capital losses in the amount of $476,000 which can be used to reduce the company's taxable income in the future. The tax benefit of this loss is estimated at $180,000 and has been recognized as an asset in the consolidated balance sheet of FPLP. The non-capital losses commence expiring in the year ending December 31, 2014.

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. Restatement of revenue and operating expenses, excluding amortization

During the fourth quarter of 2004, FPLP retroactively adopted the provisions of the Emerging Issues Committee of the CICA, EIC-123, "Reporting Revenue Gross as a Principal versus Net as an Agent". Under the provision, circulation revenues for home delivered subscribers are reported on a gross basis whereas these revenue sources were previously reported net of certain delivery costs. The revenue and operating expenses, excluding amortization for the three months ended March 31, 2004 have been restated from the amounts previously reported in an amount of $1,321,000 to reflect this change.

5. Subsequent Event

In May 2005, the term loan of $59.6 million was refinanced prior to maturing, through the issuance of Notes in the amount of $60 million which are due June 5, 2010. The Notes bear interest at 5.20% per annum and are secured by all of the assets of FPLP.

In addition, the $10 million operating facility that was scheduled to expire in May 2005 has also been extended to May 2006.

6. Employee future benefit plans

The net future benefit plan costs included in operating expenses is as follows:

	Three months ended March 31, 2005	2004
Defined benefit pension plan	$ 351	$ 260

7. Interest expense

Interest expense is summarized as follows:

	Three months ended March 31, 2005	2004
Subordinated notes	$ 1,842	$ 1,914
Term loan	787	727
Capital lease obligations	12	-
	$ 2,641	$ 2,641

8. Comparative figures

Certain of the prior period's figures have been restated for comparative purposes.

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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