F P N E W S P A P E R S
I N C O M E F U N D

Q2 - 2005
Quarterly Report
June 30, 2005

TSX: FP.UN

NEWSPAPERS fp INCOME FUND

Second Quarter Report
June 30, 2005
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 June 30, 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 seven community and special interest 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 June 30, 2005 was $30.3 million, a $2.4 million or 8.7 per cent 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 $2.0 million of this increase. The $0.4 million or 1.6 per cent increase in revenue on a same store basis is primarily due to growth in the classified advertising category. Total EBITDA(1) of FPLP for the second quarter was $7.1 million, an increase of 4.8 per cent compared to the second quarter of 2004. Excluding the acquired businesses, EBITDA(1) was $7.0 million for the second quarter compared to $6.8 million last year. The partnership had net earnings of $3.3 million in the second quarter compared to a net loss of $1.5 million in the same quarter last year. The higher earnings in 2005 is due to a write down and loss on sale of surplus equipment in FPLP in the second quarter of 2004.

The Fund earned $2.5 million, or $0.359 per Unit during the three months ended June 30, 2005 compared to $0.2 million, or $0.023 per Unit for the same quarter last year.

Operations

Overall revenue in the second quarter, excluding the acquired businesses, was $28.3 million, a $0.5 million or 1.6 per cent increase from the same quarter last year. Advertising revenue, excluding the acquired businesses, was $19.5 million, a $0.2 million or 0.9 per cent increase over the same quarter last year. The trend of increased classified advertising revenues, excluding the acquired businesses, continued in the second quarter of 2005 with this category showing an increase of $0.3 million or 7.8 per cent compared to the same period last year resulting from the continuation of strong growth in the employment and obituary classifications. Our largest advertising revenue category, display advertising including colour and excluding the acquired businesses, was $12.3 million which is a decrease of $0.1 million or 0.8 per cent from the $12.4 million reported for the same period last year. The net decrease was primarily due to lower spending by three national automotive customers and a national department store, partially offset by increased revenue from travel and telecommunication advertisers. Circulation revenue for the second quarter was $6.8 million, an increase of $0.1 million or 1.5 per cent, primarily due to higher rates achieved from subscription and single copy rate increases implemented in previous quarters. Promotions and services revenue, excluding the acquired businesses, increased by $0.2 million or 64.5 per cent primarily resulting from a successful collectors pin promotion and increased internet revenues.

Operating expenses, excluding amortization were $23.2 million in the second quarter. Excluding the acquired businesses, operating expenses excluding amortization were $21.3 million, a 1.1 per cent increase from $21.1 million reported for the second quarter last year. Employee compensation costs, excluding the acquired businesses, increased by $0.3 million or 3.4 per cent primarily due to the contracted annual salary increases and higher defined benefit pension plan costs. Newsprint prices were slightly lower in the second quarter when compared to the same quarter last year and newsprint expense for our own products, excluding the acquired businesses was unchanged from the same period last year. Newsprint expense in the quarter for commercial printing was also unchanged from the same quarter last year. Delivery costs, excluding the acquired businesses, were $3.9 million for the second quarter, a 2.1 per cent increase from the $3.8 million reported for the three months ended June 30, 2004. Other expenses, excluding the acquired businesses, decreased by $0.1 million or 2.1 per cent primarily due to decreased discretionary marketing and promotion costs.

During the second quarter there were a number of significant awards received by our businesses and employees. We are extremely pleased to report that Winnipeg Free Press columnist, Lindor Reynolds won the prestigious Will Rogers Humanitarian Award, becoming the first-ever Canadian Journalist to receive the honour. We are also pleased to report that Randy Turner, a sports columnist with the Winnipeg Free Press was honoured with a prestigious National Newspaper Award for his feature story on Team Canada head coach Brent Sutter and the making of the team that won the 2004/2005 World Junior Hockey Championship. At the annual Manitoba Community Newspaper Associations awards banquet, Canstar Community News Limited received seven awards including two first place finishes in the best editorial and best special section categories.

Distributions

Distributable cash attributable to the Fund(2) for the three months ended June 30, 2005 was $2.9 million, or $0.417 per Unit compared to $2.8 million or $0.408 per Unit last year. For the six months ended June 30, 2005 FPLP has generated distributable cash attributable to the Fund(2) of $4.4 million or $0.635 per Unit and the Fund has declared distributions of $0.645 per Unit. For the period from commencement of operations on May 28, 2002 to June 30, 2005, FPLP has generated distributable cash attributable to the Fund of $4.189 per Unit, and the Fund has declared distributions of $3.885 per Unit, resulting in a cumulative payout ratio of 92.7 per cent.

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

Outlook

Advertising revenues in the second quarter were disappointing as important segments of the market remain soft. On a same store basis, total advertising revenues increased by 0.9 per cent in the second quarter versus last year. We continued to see lower spending by a small number of national automotive accounts which was the primary reason for this weakness. Early in the third quarter we have seen some improvement in this area with the well publicized incentive offers introduced by the domestic automobile manufacturers.

Preliminary work and discussions have commenced relating to the negotiations on the collective bargaining agreements which expire for the Winnipeg Free Press unionized employees and delivery carriers on September 30, 2005 and on December 31, 2005 for Brandon Sun unionized employees. These negotiations are proceeding in a customary manner.

Newsprint suppliers have implemented price increases in the third quarter and we do not anticipate any further increases for the remainder of this year. If no further increases occur, newsprint prices are estimated to increase by less than 1 per cent in the third quarter and slightly less than 3 per cent in the fourth quarter compared to the same periods last year.

In July FPLP announced the acquisition of two Winnipeg specialty publications. Canstar Community News Limited, a wholly owned subsidiary of FPLP, acquired 100 per cent of the shares of Rosebud Publications Ltd. which publishes a weekly entertainment newspaper with a circulation of approximately 17,000 and a twice monthly newspaper aimed at age 50 plus readers in Winnipeg which has a circulation of approximately 10,000. The acquired publications generate approximately $800,000 in revenue annually.

Ronald N. Stern	Rudy Redekop
Chairman & Trustee	President

August 9, 2005

Management's Discussion and Analysis
August 9, 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 June 30, 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. In July 2005, Canstar Community News Limited purchased 100 per cent of the outstanding shares of Rosebud Publications Ltd. which publishes two specialty newspapers in the Winnipeg market. (see Investing Activities section)

FP Newspapers Income Fund

The Fund is dependant on the operations of FPLP, its sole investment. The Fund earned $2,539,000 and $3,679,000 in income from its investment in FPLP for the three and six months ended June 30, 2005 compared to $208,000 and $1,749,000 for the same periods last year. The higher earnings in 2005 are primarily due to the write down and loss on sale of surplus equipment which occurred in the second quarter of 2004. Interest income on the 11.5% subordinated notes issued by FPLP to the Fund was $1,862,000 and $3,704,000 for the three and six months ended June 30, 2005 compared to $1,914,000 and $3,828,000 for the same periods last year. The Fund's equity interest from its Class A limited partnership units was $677,000 and ($25,000) for the three and six months ended June 30, 2005 versus ($1,706,000) and ($2,079,000) for the same periods in 2004 (see "FP Canadian Newspapers Limited Partnership – Results of Operations" below). Operating expenses incurred by the Fund were $64,000 and $128,000 for the three and six months ended June 30, 2005 compared to $52,000 and $113,000 for the same periods last year and net earnings for the three and six months ended June 30, 2005 was $2,478,000 and $3,556,000 versus $158,000 and $1,641,000 for the same periods last year.

The Fund declared distributions to unitholders of $2,226,000 or $0.323 per Unit and $4,452,000 or $0.645 per Unit for the three and six months ended June 30, 2005 compared to $2,174,000 or $0.315 per Unit and $4,348,000 or $0.630 per Unit in the same periods last year. Cash available for distribution attributable to the Fund(2) was $2,877,000 or $0.417 per Unit for the quarter ended June 30, 2005 and $4,385,000 or $0.635 per Unit for the six months ended June 30, 2005. Cash available for distribution attributable to the Fund(2) for the three and six months ended June 30, 2004 was $2,818,000 and $4,934,000 or $0.408 and $0.715 per Unit.

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 June 30		Six Months Ended June 30	
	2005	2004	2005	2004
	In thousands		In thousands	
Advertising	$ 21,372	$ 19,360	$ 39,589	$ 36,609
Circulation	6,799	6,697	13,362	13,342
Commercial Printing	1,571	1,545	3,080	2,966
Promotions and Services	528	237	1,044	598
	$ 30,270	$ 27,839	$ 57,075	$ 53,515

Revenue for the three months ended June 30, 2005 was $30.3 million, an increase of $2.4 million, or 8.7% compared to the second quarter of 2004. The acquisition of the community newspapers and advertising distribution businesses during the third quarter of 2004 accounted for $2.0 million in revenue or 7.1% of this increase. Advertising revenues, excluding the acquired businesses, increased by $0.2 million or 0.9% versus the second quarter last year. FPLP's largest advertising revenue category, display advertising including colour, excluding the acquired businesses, decreased by $0.1 million or 0.8% primarily the result of lower spending by three national automotive customers and a national department store. Classified advertising, excluding the acquired businesses, increased by $0.3 million or 7.8% in the second quarter due to continued growth in the employment and obituary categories. Circulation revenue was higher by $0.1 million or 1.5% in the second quarter compared to last year resulting primarily from subscription and single copy rate increases implemented in previous quarters. Promotions and services revenue, excluding the acquired businesses, increased by $0.2 million or 64.5% in the second quarter primarily the result of a successful collectors pin promotion and increased internet revenues.

Revenue for the six months ended June 30, 2005 was $57.1 million, an increase of $3.6 million or 6.7% over the same period in 2004. The acquisition of the community newspapers and advertising distribution business in the third quarter of 2004 accounted for $3.7 million. Advertising revenues, excluding the acquired businesses, decreased by $0.4 million or 1.2%. Our largest advertising category, display advertising including colour, excluding the acquired businesses, was lower by $1.2 million or 5.2% in the first six months of 2005 primarily due to decreased spending by a small number of national automotive customers and a national department store. Classified revenues, excluding the acquired businesses, increased by $0.5 million or 7.1% versus the same six months last year primarily due to stronger employment and obituary category revenues. Commercial printing revenues were higher by $0.1 million or 3.9% in the first six months of 2005 due to the National Post printing contract being in force for six full months in 2005 compared to approximately four months in the same period last year. Promotions and services revenue, excluding the acquired businesses, increased by $0.2 million or 29.0% in the six months ended June 30, 2005 and the majority of this increase was during the second quarter as explained in the preceding paragraph.

Operating expenses, excluding amortization:

	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004
	In thousands		In thousands	
Employee Compensation	$ 10,607	$ 9,664	$ 21,150	$ 19,247
Newsprint – Own Use	3,519	3,387	6,669	6,565
Newsprint - Commercial Printing	544	585	1,074	1,063
Delivery of Newspapers	4,478	3,778	8,664	7,288
Other	4,028	3,653	8,122	7,192
	$ 23,176	$ 21,067	$ 45,679	$ 41,356

Operating expenses, excluding amortization in the three months ended June 30, 2005 were $23.2 million, an increase of $2.1 million or 10.0% over the second quarter of 2004. The acquisition of the community newspapers and advertising distribution businesses accounted for $1.9 million or 8.8% of this increase. Employee compensation, excluding the acquired businesses, increased by $0.3 million or 3.4% due to contracted annual salary increases and higher defined benefit pension plan costs. Newsprint expense for FPLP's own publications, excluding the acquired businesses, was unchanged in the quarter resulting from slightly lower prices offset by minor increases in usage. Newsprint expense for commercial printing was also unchanged in the second quarter compared to last year. Delivery costs, excluding the acquired businesses, increased by $0.1 million or 2.1% compared to the same quarter last year. Other expenses, excluding the acquired businesses, were $3.6 million, a $0.1 million or 2.1% decrease over the same quarter last year primarily due to decreased discretionary marketing and promotion costs.

Operating expenses, excluding amortization in the six months ended June 30, 2005 were $45.7 million, an increase of $4.3 million or 10.5% over the same period last year. The acquisition of the community newspapers and advertising distribution businesses accounted for $3.6 million or 8.7% of this increase. Employee compensation, excluding the acquired businesses, increased by $0.6 million or 3.1% largely the result of contracted annual increases, additional compensation costs associated with increased flyer volumes in the first quarter and higher defined benefit pension plan costs. Newsprint expense for FPLP's own publications, excluding the acquired businesses, decreased by $0.2 million or 3.1% primarily the result of slightly lower newsprint prices and lower consumption in the first quarter. Newsprint expense for commercial printing was largely unchanged compared to the same period last year. Delivery costs for the six months ended June 30, 2005, excluding the acquired businesses, were $7.5 million, a $0.2 million or 3.3% increase over the same period last year primarily the result of contracted annual increases and higher flyer volumes in the first quarter. Other expenses, excluding the acquired businesses, increased by $0.1 million or 1.2% compared to the same six months last year.

EBITDA(1) for the three and six months ended June 30, 2005 was $7.1 million and $11.4 million. EBITDA(1) for the three and six months ended June 30, 2005, excluding the acquired businesses, was $7.0 million and $11.3 million, compared to $6.8 million and $12.2 million for the same periods in 2004. EBITDA(1) margin, excluding the acquired businesses, was 24.7% and 21.2% for the three and six month periods ended June 30, 2005 compared to 24.3% and 22.7% for the same periods last year.

Interest expense on the term credit facility, the series A senior secured notes, the subordinated notes and capital lease obligations for the three and six months ended June 30, 2005 was $2.7 million and $5.3 million compared to $2.6 million and $5.2 million for the same periods last year.

FPLP's net earnings were $3.3 million and $3.8 million for the three and six months ended June 30, 2005 compared to a net loss of $1.5 million and a net loss of $0.3 million for the same periods in 2004. The increase in net earnings in 2005 is largely resulting from the write down and loss on sale of surplus equipment in FPLP in the second quarter of 2004.

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 two quarters of 2005 was as follows:

	2005	2004	2003
		In thousands	
Revenue			
Quarter 1	$ 26,805(**)	$ 25,674	$ 25,008
Quarter 2	30,270(**)	27,840	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	7,094	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	3,320	(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.

Liquidity and Capital Resources of FPLP

Cash and cash equivalents at June 30, 2005 was $2.1 million compared to $8.5 million at June 30, 2004. The decrease in cash and cash equivalents from June 30, 2004 is primarily 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 $2.6 million during the second quarter of 2005, while $0.3 million was used for investing activities and $3.1 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 June 30, 2005, cash generated from operating activities was $2.6 million, compared to $3.5 million for the second quarter of 2004. This decrease is largely the result of timing differences of compensation payments and trade accounts payable and a higher accounts receivable balance at June 30, 2005 compared to June 30, 2004. This is primarily due to the acquisition of the community newspapers and advertising distribution businesses in the third quarter of 2004 as well as timing differences on the billing of a Winnipeg Free Press promotion.

During the six months ended June 30, 2005, cash generated from operating activities was $7.8 million, compared to $7.9 million for the same period last year.

Investing Activities

Maintenance capital purchases, representing the replacement of capital in order to sustain current business operations, totaled $0.3 million and $0.4 million for the three and six months ended June 30, 2005 compared to $0.3 million and $0.5 million for the same periods last year. During the second quarter a partial replacement of our fleet vehicles in Winnipeg was made accounting for $0.2 million of capital spending. The remainder of the capital spending in the first six months of the year consisted primarily of technology upgrades in both 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.

During the third quarter of 2005 FPLP's subsidiary, Canstar Community News Limited, acquired the outstanding common shares of Rosebud Publications Ltd. for $410,000 in cash. Rosebud Publications Ltd. (Rosebud) is the publisher of Uptown Magazine, a weekly entertainment newspaper serving Winnipeg, with a circulation of approximately 17,000 copies. A subsidiary of Rosebud is the publisher of The Prime Times newspaper, aimed at age 50 plus readers in Winnipeg and area, with a twice-monthly circulation of approximately 10,000 copies. It is expected that the acquisition of Rosebud will generate approximately $800,000 in revenue annually.

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 FPLP, issued $60 million of 5.20% Series A Senior Secured Notes due June 5, 2010. The proceeds were on-lent to FPLP 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 also amended and has an initial maturity date of May 4, 2006.

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 and six months ended June 30, 2005 totaled $2.7 million and $5.4 million, of which $0.4 million and $0.7 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 3, 2005. Distributions to partners for the three and six months ended June 30, 2004 totaled $2.7 million and $5.3 million, of which $0.3 million and $0.6 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 3, 2005, 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 and six months ended June 30, 2005 and 2004 is as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004
	In thousands		In thousands	
Reserve at beginning of period	$ 750	$ 784	$ 630	$ 641
Increase in reserve	-	-	120	143
Decrease in reserve	(46)	(95)	(46)	(95)
Reserve at end of period	$ 704	$ 689	$ 704	$ 689

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 and six months ended June 30, 2005 and 2004 is as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004
	In thousands		In thousands	
Reserve at beginning of period	$ 510	$ -	$ 510	$ -
Increase in reserve	-	956	-	956
Decrease in reserve	(320)	-	(320)	-
Reserve at end of period	$ 190	$ 956	$ 190	$ 956

During the second quarter of 2005 FPLP incurred $0.7 million in costs related to the issuance of the 5.20% Series A Senior Secured Notes, which will be amortized to expense over the term to maturity on June 5, 2010. For purposes of determining distributable cash, this expenditure has been funded by a $0.4 million increase in long term debt and a $0.3 million reduction in the reserve for strategic capital, acquisitions and/or debt reduction.

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 69% 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. Preliminary meetings were held during the second quarter between FPLP management and the union representatives to discuss various issues relating to the renewal of these contracts. Continued meetings will take place throughout the third quarter.

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 June 30		Six Months Ended June 30	
	2005	2004	2005	2004
	In thousands		In thousands	
Net earnings (loss) for the period	$ 3,320	$ (1,489)	$ 3,805	$ (258)
Add (subtract):				
Amortization of property, plant and equipment	870	978	1,728	2,083
Amortization of intangible assets	91	91	181	181
Interest	2,662	2,606	5,303	5,247
Amortization of deferred financing costs	213	346	558	691
Interest income	(9)	(24)	(15)	(49)
(Gain) loss on sale of property, plant and equipment	(8)	1,245	(19)	1,245
Write down of property, plant and equipment held for sale	-	3,019	-	3,019
Future income tax benefit	(45)	-	(145)	-
EBITDA	$ 7,094	$ 6,772	$ 11,396	$ 12,159

(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 June 30		Six Months Ended June 30	
	2005	2004	2005	2004
Distributable cash of FPLP:	In thousands		In thousands	
EBITDA(1)	$ 7,094	$ 6,772	$ 11,396	$ 12,159
Interest income	9	24	15	49
Interest expense on term loan, series A senior secured notes and capital leases	(800)	(692)	(1,599)	(1,419)
Principal repayment of capital leases	(67)	-	(133)	-
Maintenance capital expenditures	(296)	(345)	(426)	(459)
Decrease (increase) in reserve for future maintenance capital	46	95	(74)	(48)
Proceeds from sale of property, plant and equipment	9	956	22	963
Increase in reserve for future strategic capital, acquisitions, and/or debt reduction	-	(956)	-	(956)
	$ 5,995	$ 5,854	$ 9,201	$ 10,289
49% attributable to the Fund	2,938	2,868	4,508	5,042
Administration expenses	(64)	(52)	(128)	(113)
Interest income	3	2	5	5
Distributable cash attributable to the Fund	$ 2,877	$ 2,818	$ 4,385	$ 4,934
Distributable cash attributable to the Fund – per Unit	$ 0.417	$ 0.408	$ 0.635	$ 0.715

A summary of distributable cash and distributions declared for the trailing twelve months to June 30, 2005 and for the period from commencement of the Fund on May 28, 2002 to June 30, 2005 is as follows:

Distributable Cash of FPLP:

	Last Twelve Months	Since May 28, 2002
	In thousands	
EBITDA(1)	$ 23,571	$ 73,066
Interest income	27	232
Interest expense on term loan, series A senior secured notes and capital leases	(3,045)	(9,408)
Principal repayment of capital leases	(223)	(223)
Maintenance capital expenditures	(984)	(2,437)
Increase in reserve for future maintenance capital expenditures	(15)	(704)
Strategic capital expenditures	(446)	(446)
Proceeds on disposal of property, plant and equipment	24	1,054
Increase (decrease) in reserve for strategic capital, acquisitions, and/or debt reduction	446	(510)
Distributable cash of FPLP	$ 19,355	$ 60,624

Distributable Cash Attributable to the Fund:

	Last Twelve Months	Since May 28, 2002
	In thousands	
49% of FPLP distributable cash	$ 9,484	$ 29,706
Administration expenses	(277)	(808)
Interest income	10	15
Distributable cash attributable to the Fund	$ 9,217	$ 28,913
Distributable cash attributable to the Fund per unit	$ 1.335	$ 4.189
Distributions declared by the Fund per unit	$ 1.280	$ 3.885
Payout Ratio	95.9%	92.7%

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

	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004
	In thousands		In thousands	
Cash flow from operating activities of FPLP	$ 2,547	$ 3,504	$ 7,730	$ 7,892
Add (subtract):				
Interest on subordinated notes (*)	1,862	1,914	3,704	3,828
Net change in non-cash working capital items (**)	1,894	686	(1,622)	(931)
Maintenance capital expenditures	(296)	(345)	(426)	(459)
Principal repayment of capital leases	(67)	-	(133)	-
(Increase) decrease in reserve for future maintenance capital (***)	46	95	(74)	(48)
Increase in reserve for future strategic capital, acquisitions, and/or debt reduction (***)	-	(956)	-	(956)
Proceeds from sale of property, plant and equipment (****)	9	956	22	963
Distributable cash of FPLP	$ 5,995	$ 5,854	$ 9,201	$ 10,289

(*) 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 reserves for future maintenance capital, strategic capital, acquisitions, and/or debt reduction are shown as a deduction in determining distributable cash. Decreases in the reserves would be 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 June 30, 2005	As at December 31, 2004
ASSETS		
Current Assets :		
Cash and cash equivalents	$ 261	$ 384
Interest receivable from subordinated notes	614	633
Prepaid expenses	8	21
	883	1,038
Investment in FPCN General Partner Inc., at cost	10	1
Investment in FP Canadian Newspapers Limited Partnership (note 2)	61,832	62,587
	$ 62,725	$ 63,626
LIABILITIES AND UNITHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 70	$ 75
Distribution payable (note 3)	742	742
	812	817
Unitholders' Equity:		
Trust units	69,026	69,026
Cumulative earnings	19,700	16,144
Cumulative distributions	(26,813)	(22,361)
	61,913	62,809
	$ 62,725	$ 63,626

(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 June 30, 2005	Three Months Ended June 30, 2004	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004
Earnings from investment in FP Canadian Newspapers Limited Partnership				
Interest from subordinated notes	$ 1,862	$ 1,914	$ 3,704	$ 3,828
Equity interest from Class A limited partnership units (note 2)	677	(1,706)	(25)	(2,079)
Other interest	3	2	5	5
	2,542	210	3,684	1,754
Administration expenses	(64)	(52)	(128)	(113)
Net earnings for the period	$ 2,478	$ 158	$ 3,556	$ 1,641
Cumulative earnings, beginning of period	17,222	12,277	16,144	10,794
Cumulative earnings, end of period	$ 19,700	$ 12,435	$ 19,700	$ 12,435
Number of trust units outstanding	6,902,592	6,902,592	6,902,592	6,902,592
Net earnings per trust unit	$ 0.359	$ 0	$ 0.515	$ 0.238

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

	Three Months Ended June 30, 2005	Three Months Ended June 30, 2004	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004
Balance, beginning of period	$ 61,661	$ 65,500	$ 62,809	$ 66,191
Net earnings	2,478	158	3,556	1,641
Distributions	(2,226)	(2,174)	(4,452)	(4,348)
Balance, end of period	$ 61,913	$ 63,484	$ 61,913	$ 63,484

(See accompanying notes)

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

	Three Months Ended June 30, 2005	Three Months Ended June 30, 2004	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004
Cash provided by (used in):				
Operating activities:				
Net earnings for the period	$ 2,478	$ 158	$ 3,556	$ 1,641
Item not affecting cash:				
Equity interest from Class A units of FP Canadian Newspapers Limited Partnership (note 2)	(677)	1,706	25	2,079
Distributions received on Class A units of FP Canadian Newspapers Limited Partnership (note 2)	379	320	730	627
Net change in non-cash working capital items	6	14	27	37
	2,186	2,198	4,338	4,384
Financing activities:				
Distributions to unitholders	(2,226)	(2,174)	(4,452)	(4,348)
Investing activities:				
Investment in FPCN General Partner Inc.	(9)	-	(	-
(Decrease) increase in cash and cash equivalents	(49)	24	(123)	36
Cash and cash equivalents, beginning of period	310	342	384	330
Cash and cash equivalents, end of period	$ 261	$ 366	$ 261	$ 366

(See accompanying notes)

FP Newspapers Income Fund
Notes to Consolidated Financial Statements as at June 30, 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 March 31, 2005	$ 64,954	$ (3,420)	$ 61,534
Equity interest	-	677	677
Distributions received	-	(379)	(379)
Balance at June 30, 2005	$ 64,954	$ (3,122)	$ 61,832

The equity interest from the Fund's investment in Class A limited partnership units of FPLP is calculated as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
Net earnings (loss) of FPLP	$ 3,320	$ (1,489)	$ 3,805	$ (258)
Plus: Interest on subordinated notes	1,862	1,914	3,704	3,828
Net earnings before interest on subordinated notes	$ 5,182	$ 425	$ 7,509	$ 3,570
49% interest attributable to the Fund	2,539	208	3,679	1,749
Less: Interest from subordinated notes	(1,862)	(1,914)	(3,704	(3,828)
Equity interest from Class A limited partnership units	$ 677	$ (1,706)	$ (2[illegible]	$ (2,079)

3. Distribution payable

The Fund recorded a distribution payable at June 30, 2005 of $0.1075 per unit. The distribution was paid July 28, 2005 to unitholders of record on June 30, 2005 and is in respect of the month of June 2005.

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

	As at June 30, 2005	As at December 31, 2004
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 2,100	$ 571
Accounts receivable	11,596	12,506
Inventories	1,007	976
Prepaid expenses	1,188	1,138
Future income taxes	225	80
	16,116	15,271
Equipment held for sale	2,289	2,289
Property, plant and equipment	55,060	56,365
Deferred financing costs	3,540	3,378
Intangible assets	8,998	9,179
Goodwill	70,860	70,860
	$ 156,863	$ 157,342
LIABILITIES AND UNITHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 9,995	$ 9,289
Prepaid subscriptions and deferred revenue	2,956	2,828
Current obligations under capital leases	277	270
Term loan	-	59,600
	13,228	71,987
Long-Term Liabilities:		
Subordinated notes	64,954	64,954
Obligations under capital leases	636	776
Notes payable (note 5)	60,000	-
	125,590	65,730
	138,818	137,717
Unitholders' Equity:		
Partnership units	34,793	34,793
Cumulative earnings	24,958	21,153
Cumulative distributions	(41,706)	(36,321)
	18,045	19,625
	$ 156,863	$ 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 June 30, 2005	Three months Ended June 30, 2004	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004
Revenue (note 4)	$ 30,270	$ 27,839	$ 57,075	$ 53,515
Operating expenses, excluding amortization (note 4)	(23,176)	(21,067)	(45,679)	(41,356)
	7,094	6,772	11,396	12,159
Amortization of property, plant and equipment	(870)	(978)	(1,728)	(2,083)
Amortization of intangible assets	(91)	(91)	(181)	(181)
Earnings before the under-noted	6,133	5,703	9,487	9,895
Interest (note 8)	(2,662)	(2,606)	(5,303)	(5,247)
Amortization of deferred financing costs	(213)	(346)	(558)	(691)
Interest income	9	24	15	49
Gain (loss) on sale of property, plant and equipment	8	(1,245)	19	(1,245)
Write down of property, plant and equipment held for sale	-	(3,019)	-	(3,019)
Net earnings (loss) before income taxes	3,275	(1,489)	3,660	(258)
Future income tax benefit	45	-	145	-
Net earnings (loss) for the period	3,320	(1,489)	3,805	(258)
Cumulative earnings – beginning of period	21,638	18,648	21,153	17,417
Cumulative earnings – end of period	$ 24,958	$ 17,159	$ 24,958	$ 17,159

(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
Net earnings for the period	2,868	452	3,320
Distributions paid	(2,354)	(379)	(2,733)
Unitholders' equity – June 30, 2005	$ 15,676	$ 2,369	$ 18,045

(See accompanying notes)

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

	Three months Ended June 30, 2005	Three months Ended June 30, 2004	Six months Ended June 30, 2005	Six months Ended June 30, 2004
Cash provided by (used in)				
Operating activities:				
Net earnings (loss) for the period	$ 3,320	$ (1,489)	$ 3,805	$ (258)
Items not affecting cash:				
Amortization	1,174	1,415	2,467	2,955
Future income tax benefit	(45)	-	(145)	-
(Gain) loss on sale of property, plant and equipment	(8)	1,245	(19)	1,245
Write down of property, plant and equipment held for sale	-	3,019	-	3,019
	4,441	4,190	6,108	6,961
Net change in non-cash working capital items	(1,853)	(686)	1,663	931
	2,588	3,504	7,771	7,892
Investing activities:				
Purchases of property, plant and equipment	(296)	(345)	(426)	(459)
Proceeds from sale of property, plant and equipment	9	956	22	963
	(287)	611	(404)	504
Financing activities:				
Deferred financing costs	(713)	-	(720)	-
Distributions to partners	(2,733)	(2,668)	(5,385)	(5,300)
Principal repayment of capital leases	(67)	-	(133)	-
Proceeds on issuance of series A senior secured notes	60,000	-	60,000	-
Repayment of term loan	(59,600)	-	(59,600)	-
	(3,113)	(2,668)	(5,838)	(5,300)
(Decrease)/increase in cash and cash equivalents	(812)	1,447	1,529	3,096
Cash and cash equivalents - beginning of period	2,912	7,083	571	5,434
Cash and cash equivalents - end of period	$ 2,100	$ 8,530	$ 2,100	$ 8,530
Supplemental cash flow information:				
Interest paid during the period	$ 2,277	$ 2,586	$ 4,609	$ 5,179

(See accompanying notes)

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. FPCN Media Funding Inc. ("Funding") is a wholly owned subsidiary of FPCN General Partner Inc., the managing general partner of FPLP. Funding is a Variable Interest Entity as defined in Accounting Guideline 15, Consolidation of Variable Interest Entities, of the Canadian Institute of Chartered Accountants. FPLP is the primary beneficiary of Funding and therefore must consolidate the results of Funding into its consolidated financial statements.

These interim consolidated financial statements include only the assets, liabilities, revenues and expenses of FPLP, its subsidiary and FPCN Media Funding Inc. and do not include the other assets, liabilities, revenues and expenses, including income taxes, of the partners. 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

Deferred financing costs

Deferred financing costs represent fees and costs in connection with the issuance of the series A senior secured notes and subordinated notes. These deferred costs are amortized on a straight-line basis over the 5 and 10 year terms of the related debt.

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 approximately $586,000 which can be used to reduce its taxable income in the future. The tax benefit of this loss is estimated at $225,000 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 3, 2005 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 and six months ended June 30, 2004 have been restated from the amounts previously reported in an amount of $1,340,000 and $2,662,000 to reflect this change.

5. Notes Payable

On May 5, 2005, FPCN Media Funding Inc. ("Funding"), a wholly owned subsidiary of FPCN General Partner Inc., the managing general partner of FPLP, entered into a Note Purchase and Private Shelf Agreement with The Prudential Insurance Company of America ("Prudential"). Under this agreement, Funding sold to Prudential $60 million of its Series A Senior Secured Notes due June 5, 2010. Funding subsequently loaned the proceeds of $60 million to FPLP under a credit agreement dated May 5, 2005. The notes payable to Prudential are guaranteed, jointly and severally, by FPLP and its subsidiary and FPCN General Partner Inc. Substantially all of the assets of FPLP and its subsidiary are pledged as security on the notes payable.

In addition, Prudential has provided an uncommitted three year shelf facility in the amount of USD $25.6 million (or the Canadian dollar equivalent) whereby Funding 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 loaned to FPLP to fund acquisitions and for other general purposes, subject to acceptance by Prudential.

6. Credit Facility

In May 2005, FPLP amended its existing credit facility. The amended credit facility provides up to $10 million in financing and matures May 4, 2006. Amounts borrowed under the credit facility will have varying interest rates and maturity dates depending on whether the loans are in the form of advances, bankers' acceptances or letters of credit. Substantially all of the assets of FPLP and its subsidiary are pledged as security for the credit facility, in accordance with the terms of an intercreditor agreement between the bank lender and the Series A Senior Secured Note Agent. The balance owing under the credit facility at June 30, 2005 is nil (June 30, 2004 – nil).

7. Employee future benefit plans

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

	Three months Ended June 30,		Six months Ended June 30,	
	2005	2004	2005	2004
Defined benefit pension plan	$ 351	$ 264	$ 702	$ 524

8. Interest expense

Interest expense is summarized as follows:

	Three months Ended June 30,		Six months Ended June 30,	
	2005	2004	2005	2004
Subordinated notes	$ 1,862	$ 1,914	$ 3,704	$ 3,828
Series A senior secured notes/term loan	788	692	1,575	1,419
Capital lease obligations	12	-	24	-
	$ 2,662	$ 2,606	$ 5,303	$ 5,247

9. Subsequent event

On July 21, 2005 FPLP's wholly owned subsidiary, Canstar Community News Limited, acquired 100% of the outstanding common shares of Rosebud Publications Ltd. (Rosebud) for $410,000 in cash. Rosebud publishes a weekly entertainment newspaper and a twice monthly newspaper targeted at age 50 plus readers both of which are distributed in the Winnipeg market.

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.

Investor Relations:

Kevin Karr
Vice President, Chief Financial Officer & Secretary
Phone: (604) 646-3782
Fax: (604) 681-8861
e-mail: kkarr@estrellagroup.com

Web site:

www.fpnewspapers.com

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:

Ernst & Young LLP, Winnipeg