FP NEWSPAPERS INCOME FUND

Q1 – 2007
Quarterly Report
March 31, 2007

TSX: FP.UN

First Quarter Report
March 31, 2007
Report to Unitholders

fp NEWSPAPERS INCOME FUND

Dear Fellow Unitholders:

I am 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, 2007. FP Newspapers Income Fund owns securities entitling it to 49 per cent of the distributable cash of FP Canadian Newspapers Limited Partnership ("FPLP"), which owns the Winnipeg Free Press and Brandon Sun daily newspapers, Canstar Community News Limited ("Canstar") which operates five weekly newspapers in the Winnipeg area as well as a delivery businesses in Winnipeg and Thunder Bay, and Rosebud Publications Ltd. ("Rosebud"), which publishes a weekly entertainment newspaper and a twice monthly newspaper aimed at age-50 plus readers, both serving the Winnipeg area.

Total revenue for FPLP for the three months ended March 31, 2007 was $29.8 million, a $1.2 million or 4.4 percent increase over the same period last year. The increase in revenue is mainly due to growth in print and on-line advertising revenue and circulation revenue. Total EBITDA(1) of FPLP for the first quarter was $5.7 million, a $1.0 million or 20.9 percent increase from the same quarter last year. The partnership had Net earnings of $2.1 million in the first quarter compared to $1.0 million in the same quarter last year. The increase in Net earnings in the first quarter is mainly the result of increases in EBITDA(1).

The Fund had Net earnings of $1.8 million, or $0.254 per Unit, during the three months ended March 31, 2007, compared to $1.3 million, or $0.191 per Unit, in the same quarter last year. The increase in Net earnings in the first quarter is primarily due to the increase in the Net earnings of FPLP.

Operations

Advertising revenue in the first quarter was $20.5 million, a $0.8 million or 4.1 percent increase over the same quarter last year. Our largest advertising revenue category, display advertising including colour was $12.4 million for the quarter, an increase of 2.4 percent, compared to $12.1 million for the same period last year. This increase is primarily due to increased spending in employment advertising, as well as the impact of one additional Saturday publishing day. Classified advertising revenue was $4.3 million compared to $4.0 million in the first quarter last year, an increase of 8.3 percent. Increased classified revenue was primarily the result of rate and volume increases in the employment category. Advertising flyer distribution revenues increased $0.2 million or 5.3 percent compared to the same period last year resulting from higher flyer volumes and increased rates. Circulation revenue was $0.3 million or 4.4% higher in the first quarter of 2007 largely due to rate increases implemented in the fourth quarter of 2006.

Operating expenses, excluding amortization for the first quarter were $24.1 million, a 1.1 percent increase from the $23.8 million in the first quarter last year. Employee compensation costs increased $0.1 million or 0.8 percent, compared to the first quarter last year. This percentage increase is lower than our forecasted 2007 full year increase largely due to the cost of voluntary terminations which occurred in the first quarter of last year. The volume of newsprint increased during the first quarter compared to the same period last year, primarily due to increased editorial content, whereas newsprint expense for our own products was virtually unchanged as newsprint prices were lower. Delivery costs were $4.5 million for the first quarter, a 2.3 percent increase from the $4.4 million reported for the same quarter last year. This increase was primarily due to increased flyer volumes and higher fuel costs.

The 2006 NADbank readership survey results were released in March and once again the Winnipeg Free Press continues to show the highest readership percentage across all large Canadian cities. The NADbank survey showed the Free Press weekday readership at 43 percent which is down slightly from 44 percent last year but was 8 percent higher than the next highest large Canadian city. The same survey showed the all important Saturday readership was also virtually unchanged from the 2005 survey coming in at a readership percentage of 56 percent compared to 57 percent last year.

The Canadian Newspaper Association, which holds its annual conference in Winnipeg in May, has selected the Winnipeg Free Press as the first place winner in the editorial category of its "Great Idea Contest". The winning entry was for work carried out producing the Hermetic Code book which we reported on in our fourth quarter report. In addition, the Free Press received an honourable mention for the redesign of its front page where stories were removed and a visual menu is presented.

Distributions

Distributable cash attributable to the Fund[2] for the three months ended March 31, 2007 was $2.1 million, or $0.300 per Unit compared to $1.7 million or $0.241 per Unit last year. For the trailing twelve months ended March 31, 2007, FPLP has generated distributable cash attributable to the Fund of $1.493 per Unit, and the Fund has declared distributions of $1.290 per Unit, resulting in a payout ratio of 86.4 percent.

The Fund declared distributions to Unitholders of $0.323 per Unit for the first quarter, unchanged from the first quarter last year.

Outlook

During the first quarter we saw strong display and classified advertising revenue growth primarily due to increased employment related advertising. We have not seen this trend continue at the same pace so far early into the second quarter.

While compensation cost growth was minimal in the first quarter, largely due to severance costs incurred in the first quarter of 2006, we still expect the full year increase will be 3 to 4 percent. Newsprint prices are not expected to change during the balance of the year, and the overall average price will be approximately 6 percent lower in the second quarter this year compared to the second quarter last year.

Winnipeg is hosting the 2007 Canadian Newspaper Association's annual conference which is being held from May 9 to 11th. The Winnipeg Free Press is proud to be hosting the opening evening event on May 9th.

Ronald N. Stern
Chairman & Trustee

May 9, 2007

Management's Discussion and Analysis
May 9, 2007

Overview

Management's Discussion and Analysis provides a review of significant developments that have affected the Fund's performance during the period January 1, 2007 to March 31, 2007. 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 ("Canstar"). In January 2006, the Canstar Brandon distribution operation was amalgamated within the Brandon Sun operations. On July 21, 2005 Canstar acquired the shares of Rosebud Publications Ltd. ("Rosebud"), the publisher of a weekly entertainment newspaper and a twice monthly newspaper aimed at age-50 plus readers, serving the Winnipeg area.

FP Newspapers Income Fund

The Fund is dependent on the operations of FPLP, its sole investment. The Fund earned $1,837,000 in income from its investment in FPLP for the three months ended March 31, 2007 compared to $1,383,000 for the same period last year. Interest income on the 11.5% Subordinated notes issued by FPLP to the Fund was $1,687,000 for the three months ended March 31, 2007 compared to $1,785,000 in the same period last year. The Fund's equity interest from its Class A limited partnership Units were $150,000 for the three months ended March 31, 2007 compared to ($402,000) in the same period last year (see "FP Canadian Newspapers Limited Partnership – Results of Operations" below). Operating expenses incurred by the Fund were $84,000 for the three months ending March 31, 2007 compared to $66,000 in the same period last year. Net earnings were $1,756,000 for the three month period ending March 31, 2007 compared to $1,319,000 in the same period last year.

The Fund declared distributions to Unitholders of $2,226,000 or $0.323 per Unit for the three months ended March 31, 2007 which is unchanged from the same period last year. Cash available for distribution attributable to the Fund(2) was $2,070,000 or $0.300 per Unit for the three months ended March 31, 2007 compared to $1,662,000 or $0.241 per Unit in the same period in the prior year. The increase in cash available for distribution attributable to the Fund(2) is primarily due to higher EBITDA(1) in FPLP as explained later in this discussion.

The Fund monitors the cumulative cash available for distribution attributable to the Fund(2) as a factor in determining whether to make an adjustment to the level of monthly distributions. The Fund believes it is prudent to pay out less than 100% of cumulative cash available for distribution attributable to the Fund(2).

FP Canadian Newspapers Limited Partnership
Results of Operations

Revenue:

	Three Months Ended March 31,	
	2007	2006
	In thousands	
Advertising	$ 20,503	$ 19,687
Circulation	7,093	6,792
Commercial Printing	1,558	1,610
Promotions and Services	675	493
	$ 29,829	$ 28,582

Revenue for the three months ended March 31, 2007 was $29.8 million, an increase of $1.2 million, or 4.4% compared to the first quarter of 2006. Advertising revenues increased by $0.8 million or 4.1% compared to the same period last year. FPLP's largest advertising revenue category, display advertising including colour increased by $0.3 million or 2.4%, primarily due to increased employment advertising spending, as well as the impact of one additional Saturday publishing day. Flyer distribution revenues increased by $0.2 million or 5.3%, primarily due to a higher volumes and increased rates. Classified advertising increased by $0.3 million or 8.3% in the first quarter due primarily to rate and volume increases in the employment category. Circulation revenue increased by $0.3 million or 4.4% primarily due to rate increases implemented in the fourth quarter of 2006. Promotional and services revenue increased by $0.2 million or 36.9%, due to an increase in internet revenues from employment advertising and banner advertising on our websites.

Operating expenses, excluding amortization:

	Three Months Ended March 31,	
	2007	2006
	In thousands	
Employee Compensation	$ 11,303	$ 11,208
Newsprint – Own Use	3,255	3,223
Newsprint - Commercial Printing	529	589
Delivery of Newspapers	4,521	4,419
Other	4,481	4,397
	$ 24,089	$ 23,836

Operating expenses, excluding amortization in the three months ended March 31, 2007 were $24.1 million, an increase of $0.3 million or 1.1% over the first quarter of 2006. Employee compensation costs increased $0.1 million or 0.8%, compared to the first quarter last year. This percentage increase is lower than our forecasted 2007 full year increase largely due to the cost of voluntary terminations which occurred in the first quarter of last year. The volume of newsprint increased during the first quarter compared to the same period last year, primarily due to increased editorial content, whereas newsprint expense for our own products was virtually unchanged as newsprint prices were lower. Delivery costs increased by $0.1 million or 2.3% compared to the same quarter last year largely the result of increased flyer volumes and higher fuel costs.

EBITDA(1) for the three months ended March 31, 2007 was $5.7 million compared to $4.7 million for the same period in the prior year. EBITDA(1) margin was 19.2% and 16.6% for the three months ended March 31, 2007 and 2006.

Interest expense on the Notes payable, the Subordinated notes and capital lease obligations for the three months ended March 31, 2007 was $2.6 million compared to $2.6 million in the same periods last year. Interest expense was unchanged from the prior year, due to the lower principal amount outstanding when compared to the first quarter last year, offset by the amortization of the deferred financing costs now being accounted for within this line based on FPLP's adoption of the CICA 3855 and 3861 Financial Instruments Handbook sections (see "Accounting Policy Change" heading below).

FPLP's Net earnings were $2.1 million for the three months ended March 31, 2007 compared to $1.0 million for the same period in 2006.

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 2005, 2006 and the first quarter of 2007 was as follows:

	2007	2006	2005
		In thousands	
Revenue			
Quarter 1	$ 29,829	$ 28,582	$ 26,805
Quarter 2		31,261	30,270
Quarter 3		29,804	28,005
Quarter 4		32,573	31,837
		$122,220	$116,917
EBITDA(1)			
Quarter 1	$ 5,740	$ 4,746	$ 4,302(*)
Quarter 2		7,196	7,094
Quarter 3		5,853	5,176
Quarter 4		7,672	7,503
		$ 25,467	$ 24,075
Net earnings			
Quarter 1	$ 2,062	$ 1,038	$ 485(*)
Quarter 2		3,492	3,320
Quarter 3		827(**)	1,420
Quarter 4		3,649	3,744
		$ 9,006	$ 8,969

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

(*) Lower EBITDA(1) and Net earnings in the first quarter of 2005 are primarily due to lower revenues due to two fewer publishing days and an 11.5% decline in Friday/Saturday publishing days.

(**) The decline in earnings in the third quarter of 2006 is due to the write-down in value of excess press components held for sale which resulted in a $1,303,000 charge against Net earnings.

Working Capital Position of FPLP

Total working capital at March 31, 2007 was $4.7 million up from $2.4 million at March 31, 2006. The increase in working capital is mainly due to the increase in cash and accounts receivable balances resulting from the increase in EBITDA(1).

Liquidity and Capital Resources of FPLP

Cash and cash equivalents at March 31, 2007 was $4.4 million compared to $3.5 million at March 31, 2006. 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 $4.2 million during the first quarter of 2007, while $0.5 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 March 31, 2007, cash generated from operating activities was $4.2 million, compared to $4.9 million for the same period last year. The net change in non-cash working capital in the three months ended March 31, 2007 was $1.0 million compared to $2.8 million for the same period last year. The net change in non-cash working capital for the three month period is primarily the result of the timing of receipts from customers.

Investing Activities

Total capital purchases, which were all for maintenance capital projects, totalled $0.5 million for the three months ended March 31, 2007 compared to $0.3 million in the same period in the prior year. Maintenance capital spending during the first quarter of 2007 consisted mainly of upgrades to press control systems in the Winnipeg plant and other equipment technology upgrades in all our operations. Maintenance capital spending is expected to be approximately $2.4 million for the full year. In 2008, maintenance capital is expected to be in the range of $1.6 million to $2.0 million.

During the first quarter of 2007 there was no strategic capital spending, which is consistent with the same period last year.

Financing Activities

Distributions to partners of FPLP for the three months ended March 31, 2007 totalled $3.0 million, of which $0.6 million was paid to the Fund as holder of Class A limited partnership Units. This is compared to $2.7 million in the same period in the prior year of which $0.4 million was paid to the Fund. The distributions to partners have been determined in accordance with the Amended and Restated Agreement of Limited Partnership dated May 3, 2005.

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 months ended March 31, 2007 and 2006 is as follows:

	Three Months Ended March 31,	
	2007	2006
	In thousands	
Reserve at beginning of period	$ 370	$ 516
Increase in reserve	-	2
Decrease in reserve	(23)	-
Reserve at end of period	$ 347	$ 518

Increases in the reserve for maintenance capital is shown as a deduction in determining distributable cash(2) FPLP. Decreases in the reserve for maintenance capital are shown as an increase in determining distributable cash(2). We expect this reserve will be fully utilized in 2007 to partially fund planned maintenance capital expenditures.

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 third quarter of 2004, and was fully utilized in the third quarter of 2006. A summary of the reserve for strategic capital, acquisitions and/or debt reduction for the three months ended March 31, 2007 and 2006 is as follows:

	Three Months Ended March 31,	
	2007	2006
	In thousands	
Reserve at beginning of period	$ -	$ 157
Increase in reserve	-	-
Decrease in reserve	-	-
Reserve at end of period	$ -	$ 157

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.

Change in Accounting Policy

Effective January 1, 2007, the Fund and FPLP prospectively adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530 Comprehensive income, Section 3855 Financial Instruments – Recognition and Measurement and Section 3865 Hedges. The adoption of these new standards resulted in changes in the accounting for financial instruments, as well as the recognition of a transition adjustment in both the Fund and FPLP. The comparative interim consolidated financial statements have not been restated. The principal change in the accounting for FPLP due to the adoption of these accounting standards is to net the deferred financing costs against the Subordinated notes and Notes payable, and implement the effective interest method with respect to these costs which resulted in a transition adjustment to opening Cumulative earnings at January 1, 2007. As the Fund accounts for its investment in FPLP as an equity investment, the Fund recorded its share of FPLP's transitional adjustment to the Investment in FPLP as well as opening Cumulative earnings.

The adoption of these Sections is done retroactively without restatement of the consolidated financial statements of prior periods.

Business Risks and Uncertainties

Revenue

Advertising revenue, which accounts for 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. Collective agreements are in place with unionized employees at the Winnipeg Free Press which run to September 30, 2008 and collective agreements covering unionized employees at the Brandon Sun expire December 31, 2008. The collective agreement with the unionized delivery contractors at Canstar Community News Limited expired on April 20, 2007. Management and unionized contractors are currently working on a new agreement.

In April, 37 employees at Canstar Community News Limited voted in favour of joining the Media Union of Manitoba. The company will be negotiating the first collective agreement relating to these employees during the second 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 $3.8 million for the first quarter of 2007, virtually unchanged from the same period in 2006. 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. This risk has been mitigated for the 2007 year as we have agreed with our newsprint suppliers to hold prices constant for the full year.

Announced Taxation Changes

On October 31, 2006 the Department of Finance (Canada) released details of proposed legislation that would implement a tax on distributions made by publicly-listed flow-through entities ("FTE's") such as income trusts and limited partnerships. Draft legislation was released on December 21, 2006. The new tax, if it is passed into law, would be effective January 1, 2011 for the Fund, unless accelerated by the issuance of new equity, in certain circumstances. If enacted, it is expected that the new tax will reduce the amount of distributable cash otherwise available to the Fund for purposes of making distributions to Unitholders. Whether distributions to Unitholders will be reduced from current levels will depend on future events, including the results of operations during the years leading up to 2011 and the distributions to Unitholders during that period, the outlook for operations and expected cash flows for the year 2011 and beyond, the level of un-distributed distributable cash on hand at the time the new tax becomes effective, and the distribution policy adopted by the Trustees of the Fund at that time.

If the new tax is enacted, the Fund will study the expected impact in greater detail, and consider whether changes to the distribution policy or capital structure of the Fund are desirable. Because the draft legislation does not appear to have any effect on the 51% interest in FPLP held by the General Partners, the Fund and the General Partners may have conflicting interests with respect to available options to mitigate the impact of the proposed new tax on the Fund and its Unitholders. Similarly, because the proposed new tax is expected to have no net impact on Unitholders of the Fund who are taxable Canadian entities, there may be a conflict of interests among investors in the Fund. There can be no assurance that the Fund will be able to minimize the impact of the proposed new tax on the Fund or any of its Unitholders.

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,	
	2007	2006
	In thousands	
Net earnings for the period	$ 2,062	$ 1,038
Add (subtract):		
Amortization of property, plant and equipment	1,002	882
Amortization of intangible assets	90	90
Interest	2,616	2,605
Amortization of deferred financing costs	-	140
Interest income	(35)	(12)
Gain on sale of property, plant and equipment	(17)	-
Current income tax expense	22	46
Future income tax recovery	-	(43)
EBITDA	$ 5,740	$ 4,746

(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. The Fund uses this measure as a factor to determine whether to adjust the monthly distributions to Unitholders. Management has determined distributable cash attributable to the Fund as follows:

	Three Months Ended March 31,	
	2007	2006
Distributable cash of FPLP:	In thousands	
EBITDA(1)	$ 5,740	$ 4,746
Interest income	35	12
Interest expense on Notes payable and capital leases, excluding amortization of related deferred financing costs	(800)	(820)
Principal repayment of capital leases	(95)	(69)
Maintenance capital expenditures	(523)	(298)
Decrease (increase) in reserve for future maintenance capital	23	(2)
Proceeds from sale of property, plant and equipment	31	-
Current income and capital taxes receivable (payable)	(22)	(46)
	$ 4,389	$ 3,523
49% attributable to the Fund	$ 2,151	$ 1,726
Administration expenses	(84)	(66)
Interest income	3	2
Distributable cash attributable to the Fund	$ 2,070	$ 1,662
Distributable cash attributable to the Fund – per Unit	$ 0.300	$ 0.241

A summary of distributable cash and distributions declared for the trailing twelve months to March 31, 2007 and for the period from commencement of the Fund on May 28, 2002 to March 31, 2007 is as follows:

Distributable Cash of FPLP:

	Last Twelve Months	Since May 28, 2002
	In thousands	
EBITDA(1)	$ 26,461	$ 116,952
Interest income	101	360
Interest expense on Notes payable and capital leases, excluding amortization of related deferred financing costs	(3,210)	(15,093)
Principal repayment of capital leases	(287)	(716)
Maintenance capital expenditures	(1,571)	(4,994)
Decrease (increase) in reserve for future maintenance capital expenditures	171	(347)
Strategic capital expenditures	(204)	(650)
Decrease (increase) in reserve for strategic capital, acquisitions, and/or debt reduction	157	(353)
Proceeds on disposal of property, plant and equipment	37	1,101
Current income and capital tax payable	(15)	(146)
Distributable cash of FPLP	$ 21,640	$ 96,114

Distributable Cash Attributable to the Fund:

	Last Twelve Months	Since May 28, 2002
	In thousands	
49% of FPLP distributable cash	$ 10,604	$ 47,096
Administration expenses	(305)	(1,302)
Interest income	5	25
Distributable cash attributable to the Fund	$ 10,304	$ 45,819
Distributable cash attributable to the Fund per Unit	$1.493	$6.638
Distributions declared by the Fund per Unit	$1.290	$6.143
Payout Ratio	86.4%	92.5%

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,	
	2007	2006
	In thousands	
Cash flow from operating activities of FPLP	$ 4,226	$ 4,923
Add (subtract):		
Interest on Subordinated notes (*)	1,687	1,785
Net change in non-cash working capital items (**)	(960)	(2,816)
Maintenance capital expenditures	(523)	(298)
Decrease (increase) in reserve for future maintenance capital (***)	23	(2)
Principal repayment of capital leases	(95)	(69)
Proceeds from sale of property, plant and equipment (****)	31	-
Distributable cash of FPLP	$ 4,389	$ 3,523

This reconciliation is provided by the Fund in order to comply with the requirements of the Canadian Securities Administrators Staff Notice 52-306. The Fund does not use this information for any purpose other than compliance.

(*) 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, 2007	As at December 31, 2006
ASSETS		
Current Assets :		
Cash and cash equivalents	$ 229	$ 221
Interest receivable from Subordinated notes	581	581
Due from FPCN Media Funding Inc.	26	26
Prepaid expenses	18	15
	854	843
Investment in FPCN General Partner Inc.	20	20
Investment in FP Canadian Newspapers Limited Partnership (note 3)	60,316	60,464
	$ 61,190	$ 61,327
LIABILITIES AND UNITHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 149	$ 96
Distribution payable (note 4)	742	742
	891	838
Unitholders' Equity:		
Trust Units	69,026	69,026
Cumulative earnings (note 2)	33,668	31,632
Cumulative distributions	(42,395)	(40,169)
	60,299	60,489
	$ 61,190	$ 61,327

(See accompanying notes)

FP Newspapers Income Fund
Consolidated Statements of Earnings, Comprehensive income and Cumulative earnings
(unaudited, in thousands of Canadian dollars except per Unit amounts)

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
Earnings from investment in FP Canadian Newspapers Limited Partnership		
Interest from Subordinated notes	$ 1,687	$ 1,785
Equity interest from Class A limited partnership Units (note 3)	150	(402)
Other interest	3	2
	1,840	1,385
Administration expenses	(84)	(66)
Net earnings and Comprehensive income for the period	$ 1,756	$ 1,319
Cumulative earnings, beginning of period	31,632	23,955
Transitional amount (note 2)	280	-
Adjusted Cumulative earnings, beginning of period	31,912	23,955
Cumulative earnings, end of period	$ 33,668	$ 25,274
Number of trust Units outstanding	6,902,592	6,902,592
Net earnings per trust Unit	$ 0.254	$ 0.191

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

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
Balance, beginning of period	$ 60,489	$ 61,716
Transitional amount (note 2)	280	-
Adjusted balance – beginning of period	60,769	61,716
Net earnings	1,756	1,319
Distributions to Unitholders	(2,226)	(2,226)
Balance, end of period	$ 60,299	$ 60,809

(See accompanying notes)

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

	Three Months Ended March 31, 2007	2006
Cash provided by (used in):		
Operating activities:		
Net earnings for the period	$ 1,756	$ 1,319
Item not affecting cash:		
Equity interest from Class A Units of FP Canadian Newspapers Limited Partnership (note 3)	(150)	402
Distributions received on Class A Units of FP Canadian Newspapers Limited Partnership (note 3)	578	408
Net change in non-cash working capital items	50	72
	2,234	2,201
Financing activities:		
Distributions to Unitholders	(2,226)	(2,226)
Investing activities:		
Investment in FPCN General Partner Inc.	-	-
Increase (decrease) in cash and cash equivalents	8	(25)
Cash and cash equivalents, beginning of period	221	184
Cash and cash equivalents, end of period	$ 229	$ 159

(See accompanying notes)

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, 2006, except as described below. 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, 2006.

FPLP's revenues are seasonal. As FPLP is the Fund's sole investment, the fund's Equity interest is seasonal as well. The Fund's equity interest from Class A limited partnership Units is highest in the second and fourth quarters.

2. Summary of significant accounting policies

Change in Accounting Policy

Effective January 1, 2007, the Fund adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530 Comprehensive income, Section 3855 Financial Instruments – Recognition and Measurement and Section 3865 Hedges. The adoption of these new standards resulted in changes in the accounting for financial instruments, as well as the recognition of a transition adjustment. The comparative interim consolidated financial statements have not been restated. The principal changes in the accounting for financial instruments due to the adoption of these accounting standards are described below.

Section 3855 Financial Instruments – Recognition and Measurement sets out the standards for the recognition and measurements of financial assets and financial liabilities. The standard prescribes when to recognize a financial instrument in the balance sheet and at what amount. Depending on their balance sheet classification, fair value or cost-based measures are used. This standard also prescribes the basis of presentation for gains and losses on financial instruments. Based on financial instrument classification, gains and losses on financial instruments are recognized in net income or other Comprehensive income.

The Fund has made the following classifications:

- Cash and cash equivalents are classified as "assets held for trading" and are measured at fair value. Gains and losses resulting from the periodic revaluation are recorded in Net earnings.
- Interest receivable from Subordinated notes and due from FPCN Media Funding Inc. are classified as "loans and receivables" and are recorded at cost, which upon their initial measurement is equal to their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.
- Accounts payable and accrued liabilities and distribution payable are classified as "other financial liabilities" and are initially measured at their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

The adoption of these Sections is done retroactively without restatement of the consolidated financial statements of prior periods. FPLP, the Fund's equity accounted for investment was impacted by these new standards and recorded a transition adjustment of $571,000. Accordingly, as at January 1, 2007, the impact on the Fund's consolidated balance sheet from recording its equity share of the transition adjustment from FPLP is an increase in both the Investment in FP Canadian Newspapers Limited Partnership and opening Cumulative earnings of $280,000.

3. 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 partner Units $	Total $
Balance at December 31, 2006	59,504	960	60,464
Equity interest in transitional adjustment of FPLP (note 2)	-	280	280
Adjusted balance at January 1, 2007	59,504	1,240	60,744
Equity interest in the period	-	150	150
Distributions received	-	(578)	(578)
Balance at March 31, 2007	59,504	812	60,316

The change in equity interest for the three months ended March 31, 2007 and 2006 from the Fund's investment in Class A limited partnership Units of FPLP is calculated as follows:

	Three months Ended March 31, 2007	2006
Net earnings of FPLP	$ 2,062	$ 1,038
Plus: Interest on Subordinated notes	1,687	1,785
Net earnings before interest on Subordinated notes	$ 3,749	$ 2,823
49% interest attributable to the Fund	1,837	1,383
Less: Interest from Subordinated notes	(1,687)	(1,785)
Equity interest from Class A limited partnership Units	$ 150	$ (402)

4. Distribution Payable

The Fund recorded a distribution payable at March 31, 2007 of $0.1075 per Unit. The distribution was paid April 27, 2007 to Unitholders of record on March 30, 2006 and is in respect of the month of March 2007.

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

	As at March 31, 2007	As at December 31, 2006
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 4,398	$ 3,729
Accounts receivable	12,300	13,495
Income tax receivable	-	10
Inventories	1,231	1,021
Prepaid expenses	992	690
Future income taxes	122	174
	19,043	19,119
Equipment held for sale	400	400
Property, plant and equipment	51,907	52,400
Future income taxes	257	205
Deferred financing costs (note 2)	-	2,728
Intangible assets	8,375	8,465
Goodwill	71,160	71,160
	$ 151,142	$ 154,477
LIABILITIES AND UNITHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 10,777	$ 10,627
Income taxes payable	17	16
Prepaid subscriptions and deferred revenue	3,230	3,114
Current obligations under capital leases	295	318
	14,319	14,075
Long-Term Liabilities:		
Subordinated notes (note 2)	56,826	59,504
Notes payable (note 2)	59,508	60,000
Obligations under capital leases	125	197
	116,459	119,701
	130,778	133,776
Unitholders' Equity:		
Partnership Units	40,243	40,243
Cumulative earnings (note 2)	41,761	39,128
Cumulative distributions	(61,640)	(58,670)
	20,364	20,701
	$ 151,142	$ 154,477

(See accompanying notes)

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

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
Revenue	$ 29,829	$ 28,582
Operating expenses, excluding amortization	(24,089)	(23,836)
	5,740	4,746
Amortization of property, plant and equipment	(1,002)	(882)
Amortization of intangible assets	(90)	(90)
Earnings before the under-noted	4,648	3,774
Interest (note 5)	(2,616)	(2,605)
Amortization of deferred financing costs (note 2)	-	(140)
Interest income	35	12
Gain on sale of property, plant and equipment	17	-
Net earnings before income taxes	2,084	1,041
Income tax (expense) recovery:		
- Current	(22)	(46)
- Future	-	43
Net earnings and Comprehensive income for the period	2,062	1,038
Cumulative earnings – beginning of period	39,128	30,122
Transitional amount (note 2)	571	-
Adjusted Cumulative earnings – beginning of period	39,699	30,122
Cumulative earnings – end of period	$ 41,761	$ 31,160

(See accompanying notes)

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

	General partner Units $	Class A limited partner Units $	Total $
Unitholders' equity – December 31, 2005	$ 15,443	$ 4,329	$ 19,772
Net earnings for the period	881	157	1,038
Distributions paid	(2,303)	(409)	(2,712)
Unitholders' equity – March 31, 2006	14,021	4,077	18,098
Net earnings for the period	2,898	594	3,492
Distributions paid	(2,415)	(495)	(2,910)
Unitholders' equity – June 30, 2006	$ 14,504	$ 4,176	$ 18,680
Net earnings for the period	681	146	827
Distributions paid	(2,445)	(524)	(2,969)
Unitholders' equity – September 30, 2006	$ 12,740	$ 3,798	$ 16,538
Contributions	-	3,450	3,450
Net earnings for the period	3,026	623	3,649
Distributions paid	(2,418)	(518)	(2,936)
Unitholders' equity – December 31, 2006	$ 13,348	$ 7,353	$ 20,701
Transitional amount (note 2)	501	70	571
Adjusted Unitholders' equity – January 1, 2007	$ 13,849	$ 7,423	$ 21,272
Net earnings for the period	1,661	401	2,062
Distributions paid	(2,392)	(578)	(2,970)
Unitholders' equity – March 31, 2007	$ 13,118	$ 7,246	$ 20,364

(See accompanying notes)

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

	Three Months Ended March 31, 2007	2006
Cash provided by (used in)		
Operating activities:		
Net earnings for the period	$ 2,062	$ 1,038
Items not affecting cash:		
Amortization of property, plant and equipment and intangible assets	1,092	1,112
Amortization of deferred financing costs (note 5)	129	-
Future income tax recovery	-	(43)
Gain on disposal of property, plant and equipment	(17)	-
	3,266	2,107
Net change in non-cash working capital items	960	2,816
	4,226	4,923
Investing activities:		
Purchases of property, plant and equipment	(523)	(298)
Proceeds from sale of property, plant and equipment	31	-
	(492)	(298)
Financing activities:		
Distributions to partners	(2,970)	(2,712)
Principal repayment of capital leases	(95)	(69)
	(3,065)	(2,781)
Increase in cash and cash equivalents	669	1,844
Cash and cash equivalents - beginning of period	3,729	1,674
Cash and cash equivalents - end of period	$ 4,398	$ 3,518
Supplemental Cash Flow Information:		
Interest paid during the period	$ 2,497	$ 2,589
Taxes paid during the period	11	-

(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.

These interim consolidated financial statements include the accounts of FPLP, Canstar Community News Limited ("Canstar"), and Rosebud Publications Ltd. ("Rosebud"). Rosebud is wholly owned by Canstar, which is wholly owned by FPLP. In addition, the FP Canadian Newspapers Limited Partnership Employee Benefits Plan Trust Fund ("Trust Fund") and FPCN Media Funding Inc. ("Funding") have been determined to be Variable Interest Entities ("VIE"), which also have been consolidated. The managing general partner of FPLP is FPCN General Partner Inc. These financial statements include only the assets, liabilities, revenues and expenses of FPLP and its subsidiaries 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 periods presented. However, these interim financial statements do not include all the information and disclosures required for annual financial statements. The accounting policies used in the preparation of these interim financial statements are the same as those used in the most recent annual financial statements, except as described below. These interim consolidated financial statements should be read in conjunction with the audited financial statements of FPLP for the year ended December 31, 2006.

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

Change in Accounting Policy

Effective January 1, 2007, FPLP adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530 Comprehensive income, Section 3855 Financial Instruments – Recognition and Measurement and Section 3865 Hedges. The adoption of these new standards resulted in changes in the accounting for financial instruments, as well as the recognition of a transition adjustment. The comparative interim consolidated financial statements have not been restated. The principal changes in the accounting for financial instruments due to the adoption of these accounting standards are described below.

Section 3855 Financial Instruments – Recognition and Measurement sets out the standards for the recognition and measurements of financial assets and financial liabilities. The standard prescribes when to recognize a financial instrument in the balance sheet and at what amount. Depending on their balance sheet classification, fair value or cost-based measures are used. This standard also prescribes the basis of presentation for gains and losses on financial instruments. Based on financial instrument classification, gains and losses on financial instruments are recognized in net income or other Comprehensive income.

FPLP has made the following classifications:

- Cash and cash equivalents are classified as "assets held for trading" and are measured at fair value. Gains and losses resulting from the periodic revaluation are recorded in Net earnings.
- Accounts receivable are classified as "loans and receivables" and are recorded at cost, which upon their initial measurement is equal to their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.
- Accounts payable and accrued liabilities, income taxes payable, Subordinated notes and Notes payable are classified as "other financial liabilities" and are initially measured at their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

The adoption of these Sections is done retroactively without restatement of the consolidated financial statements of prior periods. As at January 1, 2007, the impact on the consolidated balance sheet of measuring the Subordinated notes and Notes payable using the effective interest rate method was a decrease in deferred financing costs of $2,728,000, a decrease in Subordinated notes of $2,771,000, a decrease in Notes payable of $528,000 and an increase in opening Cumulative earnings of $571,000.

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 incorporated subsidiaries and Funding are subject to tax and use 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 subsidiaries have non-capital losses in the amount of approximately $1,364,000 which can be used to reduce the company's taxable income in the future. Of these losses FPLP has recorded approximately $1,148,000. The tax benefit of these recorded losses is estimated at approximately $379,000 and has been recognized as an asset in the consolidated balance sheet of FPLP. The expiration of the non-capital losses commences in 2009 and ends in 2016, with 98% of the losses expiring in 2014, 2015 and 2016.

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. Employee future benefit plans

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

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
Defined benefit pension plan	$ 367	$ 390

5. Interest expense

Interest expense is summarized as follows:

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
Subordinated notes	$ 1,687	$ 1,785
Amortization of Subordinated notes deferred financing costs	93	-
Notes payable	794	811
Amortization of Notes payable deferred financing costs	36	-
Capital lease obligations	6	9
	$ 2,616	$ 2,605

6. Commitments and Contingencies

FPLP has entered a contract with a systems vendor with respect to an approved capital project comprising an upgrade of the Winnipeg Free Press electronic press controls. As at March 31, 2007, FPLP is committed to make additional payments of $413,000 to the system vendor.

Forward-looking statements

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

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

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CIBC Mellon Trust Company

Auditors:
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