NEWSPAPERS fp INCOME FUND

Q1 – 2009
Quarterly Report
March 31, 2009

TSX: FP.UN

First Quarter Report
March 31, 2009
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, 2009. FP Newspapers Income Fund owns securities entitling it to 49 percent of the distributable cash of FP Canadian Newspapers Limited Partnership ("FPLP"), which owns the Winnipeg Free Press and Brandon Sun daily newspapers, and Canstar Community News Limited ("Canstar") which operates five weekly newspapers, a weekly entertainment newspaper and a twice monthly newspaper aimed at age 50-plus readers in the Winnipeg area, as well as delivery businesses in Winnipeg and Thunder Bay.

Total revenue for FPLP for the three months ended March 31, 2009 was $26.8 million, a $3.2 million or 10.5 percent decrease over the same period last year. The decline in revenue during the quarter was primarily due to reduced advertising revenues resulting from the current economic slowdown. Total EBITDA(1) of FPLP for the quarter was $3.2 million, a $2.9 million or 47.4 percent decrease from the same quarter last year. The reduction in EBITDA(1) was primarily due to the decrease in revenues, partially offset by lower expenses which included a $0.6 million restructuring charge for voluntary and involuntary employee reductions at the Winnipeg Free Press. FPLP had a net loss of $0.5 million in the quarter compared to net earnings of $2.3 million in the same quarter last year.

The Fund had net earnings of $0.5 million, or $0.079 per Unit, during the three months ended March 31, 2009, compared to net earnings of $1.9 million, or $0.269 per Unit, in the same quarter last year. The decrease in the Fund's net earnings in the first quarter is primarily due to the decrease in the net earnings of FPLP.

Operations

Advertising revenue in the first quarter was $18.0 million, a $2.7 million or 13.1 percent decrease over the same quarter last year. FPLP's largest advertising revenue category, display advertising including colour was $10.8 million, a decrease of $1.7 million or 13.6 percent compared to the same period last year, primarily due to decreased spending in the local and national automotive categories, together with lower spending in the entertainment and retail department store and employment categories. Classified advertising revenues for the first quarter decreased by $0.7 million or 15.5 percent compared to the same period last year, primarily due to a decrease in the employment category. Flyer distribution revenues for the first quarter decreased by $0.3 million or 9.0 percent compared to the same period last year, due to decreased volumes slightly offset by increased rates. Circulation revenues for the first quarter decreased by $0.1 million or 2.0 percent, due to higher than historical levels of home delivery subscription non-renewals and cancellations over the last year, partially offset by higher average rates. Commercial printing revenues for the first quarter decreased by $0.3 million or 22.6 percent compared to the same period last year, primarily due to the cancellation of the National Post Winnipeg printing contract. Promotions and Services revenues for the quarter remained virtually unchanged compared to the same period last year.

Operating expenses, excluding amortization for the first quarter, were $23.7 million, a $0.3 million or 1.3 percent decrease from $24.0 million in the same quarter last year. Operating expenses for the quarter, excluding amortization and the restructuring charge were $23.1 million, a decrease of $0.9 million or 3.8 percent from the same period in the prior year. Employee compensation costs, excluding the restructuring charge, for the first quarter decreased by $0.9 million or 7.9 percent, primarily due to lower costs resulting from employee reductions, lower part-time and overtime costs and lower long-term incentive and management bonus plan costs. Newsprint expense for FPLP's own publications for the first quarter increased by $0.2 million or 7.0 percent as a result of higher newsprint prices, partially offset by lower consumption. Newsprint expense for commercial printing for the first quarter decreased by $0.1 million or 24.5 percent primarily due to lower consumption as a result of the loss of the National Post printing contract partially offset by increased newsprint prices. During the first quarter, FPLP incurred a restructuring charge of $603,000 relating to voluntary and involuntary employee reductions at the Winnipeg Free Press. The estimated annual savings in 2009 from these reductions is approximately $1.0 million.

The results of the 2008 Newspaper Audience Databank (NADbank) survey 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 42 percent, virtually unchanged from the 43 percent level in 2007. The same survey showed Saturday readership was down slightly from the 2007 survey, at 51 percent compared with 54 percent in

2007. Our primary competitor, the Winnipeg Sun, showed weekday readership in the 2008 NADbank survey of 20 percent and Saturday readership of 16 percent. The 2008 NADbank survey showed that the online readership of the Winnipeg Free Press increased to 14 percent from 11 percent. The NADbank survey showed the Winnipeg Sun online readership was unchanged compared with the prior year at 7 percent.

We strive for exceptional journalism throughout all our publications and we are pleased to report that a number of our employees have been recognized by their peers. Doug Speirs was nominated for a National Newspaper Award in the columnist category for a series of columns he wrote in 2008, including a piece on waiting in line at Tim Hortons. Free Press sports columnist Randy Turner was nominated for his coverage of the Beijing Olympics and for The Killing Fields, a candid look at the physical toll football takes on Canadian Football League players. The National Newspaper Awards are Canadian journalism's most prestigious awards. The winners will be announced at a ceremony on May 22 in Montreal. Free Press photographer Joe Bryksa has been nominated for a Canadian Association of Journalists photojournalism award. Joe is nominated for 20 images submitted from his 2008 portfolio, including photographs he took while embedded with the Canadian Forces in Afghanistan. In addition to these individual awards, the Free Press placed second and third in the Special Project category in the Canadian Newspaper Association's 2009 Great Idea Awards, which recognize sales and marketing efforts in print and online. The second-place idea was the My City/My Song contest, in which the Free Press solicited Winnipeggers to write songs about the city. There were more than 100 entries and the winner was blues-rocker JD Edwards' tune Eastern Breeze. The third-place award was for the Greatest Manitoban project, a series of feature stories on a spectacular group of the province's trailblazers, both dead and alive, which was turned into a bestselling book. The International News Marketing Association (INMA) has also recognized two Free Press projects as finalists in the INMA Awards 2009 Competition. The Greatest Manitoban project and the Pink Paper edition of the Free Press, in support of breast cancer research, are nominated in INMA's worldwide competition. Winners will be announced May 15 in Miami.

The Winnipeg Free Press recently completed the launch of its online Archives as a paid subscription service. The database contains more than 2 million historical pages of the Winnipeg Free Press and its earlier titles dating back to 1874. The digital pages are fully searchable by name, keyword and date, making it easy to explore the valuable history our paper has recorded.

In Brandon, photographer Tim Smith won second place in the features category at the National Photographers of Canada photo of the year competition. The NPAC awards are the largest photojournalism awards in Canada and this year had 2,035 entries in various categories. It was Smith's third NPAC nomination. The Brandon Sun was affected by extreme weather conditions which contributed negatively to a challenging first quarter of 2009. Un-seasonably cold temperatures and multiple-day highway closures in western Manitoba affected advertising and circulation sales.

During the first quarter, Canstar Community News was further integrated into the Winnipeg Free Press so that senior Free Press managers provide input and direction to improve the content and performance of the weekly and specialty newspapers. The classified department was revamped to focus on outbound calling to generate new sales. As well, a review was completed of the geographic territories covered by the five community newspapers in Winnipeg to determine the best way to serve readers with relevant neighbourhood news and information and to give advertising customers well-defined audiences. As a result, Canstar will be adjusting its printing and distribution of community weeklies.

Distributions

Distributable cash attributable to the Fund[(2)] for the three months ended March 31, 2009 was $1.1 million, or $0.153 per Unit compared to $2.3 million or $0.327 per Unit last year. For the trailing twelve months ended March 31, 2009, FPLP has generated distributable cash attributable to the Fund[(2)] of $1.012 per Unit, and the Fund has declared distributions of $1.215 per Unit, resulting in a payout ratio of 120.0 percent.

The Fund declared distributions to Unitholders of $0.285 per Unit for the first quarter, compared to $0.323 per Unit for the same quarter last year.

Outlook

During the first quarter, advertising revenues were impacted by the economic slowdown as reported above. While it is early in the second quarter, we are continuing to see reduced advertising revenues at roughly the same level as we experienced during the first quarter. The decrease in employee compensation costs, excluding the restructuring charge, of almost 8 percent for the first quarter was the result of the restructuring plan completed in both the fourth quarter of 2008 and the first quarter of this year. We anticipate a similar percentage reduction in compensation expenses for the second quarter of 2009. Newsprint price decreases were announced and implemented in March and April that would result in a 2 percent reduction in average price in the second quarter of 2009 and an overall full-year 2009 average price reduction of approximately 3 percent if no further price changes were implemented in 2009.

During the second quarter, the Winnipeg Free Press will be launching two new initiatives to generate additional online revenues. A new Homes website is aimed at the complete housing experience, from renting and purchasing to renovating and decorating. It is structured similarly to the current Autos website, where free basic online listings provide the basis for paid online advertising and reverse publishing into paid newspaper advertising. As well, the Free Press will be developing paid and enhanced subscription services online around such products as the electronic edition.

The Brandon Sun will be downsizing its page width from 24" to 22" in the second quarter, which will slightly reduce newsprint usage and result in minor cosmetic changes to the look of the daily product. The Brandon Sun is continuing to introduce ongoing editorial improvements to the paper to better serve its readers.

The challenges faced by newspapers today are substantial due to both the growth of the Internet and the impact of the recession. You may be assured that we are actively taking steps to respond to these challenges while continuing to provide excellent newspapers serving our readers, our advertisers and our communities. We appreciate the outstanding work of many of our employees to this end.

Ronald N. Stern
Chairman & Trustee

May 5, 2009

Management's Discussion and Analysis

Overview

Management's Discussion and Analysis is as at May 5, 2009 and provides a review of significant developments that have affected the Fund's performance in the three months ended March 31, 2009. This review is based on financial information contained in the consolidated interim financial statements. Factors that could affect future operations are also discussed. As indicated above, 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 most recent audited consolidated financial statements and accompanying notes for the year ended December 31, 2008. The consolidated interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), however, the consolidated interim financial statements do not include all the information and disclosures required for annual financial statements.

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").

FP Newspapers Income Fund

The Fund is dependent on the operations of FPLP, its sole investment. The Fund's net earnings were $543,000 for the three months ended March 31, 2009 compared to net earnings of $1,855,000 for the same period last year. The decrease for the three months ended March 31, 2009 is due to the decrease in the net earnings of FPLP as discussed in the FPLP portion of this report. Interest income on the 11.5% Subordinated notes issued by FPLP to the Fund was $1,658,000 for the three months ended March 31, 2009 compared to $1,671,000 in the same periods last year. The Fund's equity interest from its Class A limited partner Units was a loss of ($1,089,000) for the three months ended March 31, 2009 compared to $293,000 in the same periods last year. The Fund recorded a future income tax recovery of $59,000 for the three months ended March 31, 2009, which relate to the ongoing requirement to calculate future income taxes resulting from the substantive enactment of Bill C-52 Budget Implementation Act 2007 in the second quarter of 2007, compared to an expense of $47,000 in the same period last year. Operating expenses incurred by the Fund were $86,000 for the three months ended March 31, 2009 compared to $67,000 in the same periods last year.

The Fund declared distributions to Unitholders of $1,968,000 or $0.285 per Unit for the three months ended March 31, 2009, which has decreased from $2,226,000 or $0.323 per Unit in the same period last year. Cash provided by operating activities of the Fund was $1,918,000 for the three ended March 31, 2009 compared to $2,253,000 for the same period last year.

Distributable Cash Attributable to the Fund[(2)]

Cash available for distribution attributable to the Fund[(2)] was $1,057,000 or $0.153 per Unit for the three months ended March 31, 2009 compared to $2,260,000 or $0.327 per Unit for the same period last year. The decrease in cash available for distribution attributable to the Fund[(2)] is due to the decrease in EBITDA[(1)] of FPLP as discussed in the FPLP section of this report.

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 cumulatively less than 100% of cash available for distribution attributable to the Fund[(2)].

From commencement of the Fund on May 28, 2002 until March 31, 2009, distributable cash attributable to the Fund[(2)] totals $9.286 per Unit and during that period the Fund declared distributions to Unitholders of $8.648 per Unit. Because the Fund makes an allowance for maintenance capital spending which is estimated to be sufficient to maintain the productive capacity of the business when calculating distributable cash attributable to the Fund(2), and because cumulative distributions declared are less than the cumulative distributable cash attributable to the Fund(2), the Fund believes there has been no economic "return of capital".

FP Canadian Newspapers Limited Partnership
Results of Operations

Revenue:

	Three Months Ended March 31, 2009	2008
	In thousands	
Advertising	$ 18,009	$ 20,731
Circulation	7,002	7,147
Commercial Printing	1,150	1,485
Promotions and Services	677	635
	$ 26,838	$ 29,998

Revenue in the first quarter was $26.8 million, a $3.2 million or 10.5% decrease over the same quarter last year. Advertising revenue in the first quarter was $18.0 million, a $2.7 million or 13.1% decrease over the same quarter last year. FPLP's largest advertising revenue category, display advertising including colour was $10.8 million, a decrease of $1.7 million or 13.6% compared to the same period last year, primarily due to decreased spending in the local and national automotive categories, together with lower spending in the entertainment and employment categories. Classified advertising revenues for the first quarter decreased by $0.7 million or 15.5% compared to the same period last year, primarily due to a decrease in the employment category. Flyer distribution revenues for the first quarter decreased by $0.3 million or 9.0% compared to the same period last year, due to decreased volumes slightly offset by increased rates. Circulation revenues for the first quarter decreased by $0.1 million or 2.0%, due to higher than historical levels of home delivery subscription non-renewals and cancellations over the last year, partially offset by higher average rates. Commercial printing revenues for the first quarter decreased by $0.3 million or 22.6% compared to the same period last year, primarily due to the cancellation of the National Post Winnipeg printing contract. Promotions and Services revenues for the quarter remained virtually unchanged compared to the same period last year.

Operating expenses, excluding amortization:

	Three Months Ended March 31, 2009	2008
	In thousands	
Employee Compensation, excluding Restructuring Charge	$ 10,767	$ 11,695
Newsprint – Own Use	2,969	2,774
Newsprint - Commercial Printing	272	360
Delivery of Newspapers	4,604	4,608
Other	4,453	4,536
	$ 23,065	$ 23,973
Restructuring Charge	603	-
	$ 23,668	$ 23,973

Operating expenses, excluding amortization for the first quarter, were $23.7 million, a $0.3 million or 1.3% decrease from $24.0 million in the same quarter last year. Operating expenses for the quarter, excluding amortization and the restructuring charge were $23.1 million, a decrease of $0.9 million or 3.8% from the same period in the prior year. Employee compensation costs, excluding the restructuring charge, for the first quarter decreased by $0.9 million or 7.9%, primarily due to lower costs resulting from employee reductions, lower part-time and overtime costs and lower long-term incentive and management bonus plan costs. Newsprint expense for FPLP's own publications for the first quarter increased by $0.2 million or 7.0% as a result of higher newsprint prices, partially offset by lower consumption. Newsprint expense for commercial printing for the first quarter decreased by $0.1 million or 24.5% primarily due to lower consumption as a result of the loss of the National Post printing contract partially offset by increased newsprint prices. Other expenses for the first quarter decreased by $0.1 million or 1.8%, primarily due to lower rental costs associated with the Canstar move into the Winnipeg Free Press building, as well as lower legal costs resulting from the Canstar collective agreement negotiations in the prior year. During the first quarter, FPLP incurred a restructuring charge of $603,000 relating to voluntary and involuntary employee reductions at the Winnipeg Free Press. The estimated annual savings in 2009 from these reductions is approximately $1,000,000.

EBITDA[1] for the three months ended March 31, 2009 was $3.2 million, compared to $6.0 million for the same periods last year. EBITDA[1] for the three months excluding the restructuring charge was $3.8 million and EBITDA[1] margin excluding the restructuring charge was 14.1% compared to 20.1% in the same period last year.

FPLP's net (loss) earnings was ($0.5) million for the three months ended March 31, 2009 compared to $2.4 million for the same period last year. The decrease is due to reduced advertising revenues resulting from the current economic slowdown.

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 2009, 2008 and 2007 were as follows:

	2009	2008	2007
		In thousands	
Revenue			
Quarter 1	$ 26,838 (**)	$ 29,998	$ 29,829
Quarter 2		32,409	32,224
Quarter 3		30,975	30,507
Quarter 4		27,730 (*)	33,302
		$121,112	$ 125,862
EBITDA[1]			
Quarter 1	$ 3,170 (**)	$ 6,025	$ 5,740
Quarter 2		7,468	7,611
Quarter 3		6,212	6,571
Quarter 4		3,276 (*)	8,595
		$ 22,981	$ 28,517
Net (loss) earnings			
Quarter 1	$ (496) (**)	$ 2,338	$ 2,062
Quarter 2		3,653	3,925
Quarter 3		2,492	2,809
Quarter 4		(526) (*)	4,622
		$ 7,957	$ 13,418

(*)The decrease in revenue, EBITDA[1] and net earnings in the fourth quarter of 2008 is the result of a loss of sixteen publications in October of the Winnipeg Free Press as well as the publications that would normally be printed for the weekly Canstar Community News Limited business due to the strike by the unionized workers.

(**)The decrease in revenue, EBITDA[1] and net earnings in the first quarter of 2009 is primarily the result of reduced advertising revenues resulting from the economic slowdown. EBITDA[1] and net earnings were also lower due to a restructuring charge of $603,000.

The distribution policy of FPLP is to make distributions in approximately equal monthly amounts based on expected operating results for each fiscal year. Distribution levels are reviewed regularly by management and the Board of Directors of the managing general partner and are subject to change based on a number of factors including the overall operating results and capital requirements of the business.

Working Capital Position of FPLP

Total working capital at March 31, 2009 was $7.2 million, down from $9.7 million at March 31, 2008. The decrease in working capital is caused primarily by lower earnings, offset by lower capital purchases and lower distributions.

Liquidity and Capital Resources of FPLP

Cash and cash equivalents at March 31, 2009 was $7.2 million compared to $10.6 million at March 31, 2008. 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 $1.7 million during the first quarter, while $0.1 million was used for investing activities and $2.3 million was used for financing activities. Cash flow from operations, together with cash balances on hand, are currently expected to be sufficient to fund FPLP's operating requirements, capital expenditures and anticipated distributions, assuming that advertising revenues do not materially deteriorate beyond management's current expectations.

Cash Flow from Operating Activities

During the three months ended March 31, 2009, cash generated from operating activities was $1.7 million, compared to $4.0 million for the same period last year. The net (loss) for the period was ($0.5) million compared to $2.3 million. The net earnings for the three-month period were lower primarily due to reduced advertising revenues resulting from the current economic slowdown. The net change in non-cash working capital in the three months ended March 31, 2009 was an increase of $1.0 million compared to $0.4 million for the same periods last year. The net change in non-cash working capital for the three-month period is primarily due to the lower revenues creating less receivables, as well as the result of the timing of receipts from customers and payments to suppliers.

Investing Activities

Capital purchases totalled $0.1 million for the three months ended March 31, 2009, compared to $0.2 million in the same period last year. All of the purchases were maintenance capital spending for the three months ended March 31, 2009, representing the replacement of capital in order to sustain current business operations. Maintenance capital spending during the first quarter of 2009 consisted primarily of replacements of fleet vehicles and computer controls on production equipment. While our initial 2009 capital spending budget was $1.7 million, actual capital spending could be lower than this in light of the impact on the business of the economic downturn.

Strategic capital spending is defined as investments not necessary for the current on-going operation of the business, but are justified based on a return on the investment which meets internal return on investment criteria. There were no strategic capital purchases for the three months ending March 31, 2009.

Financing Activities

Distributions to partners of FPLP for the three months ended March 31, 2009 totalled $2.3 million, of which $0.3 million was paid to the Fund as holder of Class A limited partner Units. This is compared to $3.1 million in the same periods last year, of which $0.6 million was paid to the Fund as holder of Class A limited partner Units. The distributions to partners have been determined in accordance with the Amended and Restated Agreement of Limited Partnership dated May 3, 2005.

Contractual Obligations

There have been no significant changes in contractual obligations since the year ended December 31, 2008.

Reserve 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, 2009 and 2008 is as follows:

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
	In thousands	
Reserve at beginning of period	$ 1,480	$ 348
Increase in reserve	-	266
Decrease in reserve	-	-
Reserve at end of period	$ 1,480	$ 614

Increases in the reserve for maintenance capital are shown as a deduction in determining distributable cash[(2)] of FPLP. Decreases in the reserve for maintenance capital are shown as an increase in determining distributable cash[(2)].

The use of a reserve for maintenance capital in calculating distributable cash attributable to the Fund[(2)] is intended to provide an allowance for estimated annual capital expenditures required to maintain the productive capacity of the business. The level of the annual allowance for maintenance capital is reviewed periodically based on historical spending levels and future plans and adjusted based on reasonable and supportable assumptions. Actual future capital expenditures necessary to maintain the current productive capacity of the business may vary, perhaps materially, from the allowance used in determining distributable cash[(2)], due to technological change, unexpected equipment failure, changes in customer service expectations and other reasons.

This reserve is a non-GAAP measure established and utilized at the discretion of the board of directors of FPLP, and has no impact on the GAAP financial statements.

Debt Covenants

Under the terms of the $60 million Series A Senior Secured Notes, FPLP is subject to various positive and negative covenants which must be maintained in order to avoid an accelerated termination of the agreements. These covenants include certain restrictions on the incurrence of additional debt, requirements to maintain insurance, certain restrictions on the sale of assets, and other requirements and restrictions common to lending agreements of this nature. FPLP is restricted from making distributions which cumulatively exceed by more than $1.4 million the total of distributable cash of FPLP(2) since May 28, 2002. FPLP is required to maintain a ratio of net debt to EBITDA(1) of no greater than 3.5 to 1.0, and a ratio of EBITDA(1) to net external interest expense of no less than 3.0 to 1.0, measured quarterly on a trailing twelve month basis. Financial amounts used in the calculations are specifically defined in the debt agreements, but are substantially equal to the corresponding terms used in the external financial reports filed by FPLP and the Fund, where applicable, except that the maximum cash balance allowable for the calculation of net debt under the debt agreements is $5.0 million. At March 31, 2009 FPLP was in compliance with all the terms and conditions of its debt agreements. The financial ratios calculated in accordance with the debt agreements for the five most recent twelve-month periods are as follows:

	Net Debt/EBITDA(1)	EBITDA(1)/Net Interest
March 31, 2009	2.73	6.90
December 31, 2008	2.39	8.02
September 30, 2008	1.93	9.91
June 30, 2008	1.91	10.01
March 31, 2008	1.90	9.89

Related Party Transactions

FPLP purchases a portion of its newsprint from Alberta Newsprint Company (“ANC”), a related party as disclosed under the related party transaction section of FPLP’s Annual Management Discussion and Analysis at December 31, 2008. There have been no changes during 2009 to the process for selection of newsprint suppliers and the quarterly review by the Audit Committee of newsprint purchases. Total newsprint purchases from ANC for the three months ended March 31, 2009 was $2.5 million compared to $2.3 million for the same period last year.

Internal Controls over Financial Reporting

There have been no significant changes in internal controls over financial reporting since the year ended December 31, 2008, that have materially affected, or are reasonably likely to materially affect, the Fund’s or FPLP’s internal controls over financial reporting.

Critical Accounting Estimates

There have been no significant changes in our critical accounting estimates since the year ended December 31, 2008.

Initial Adoption of New Accounting Pronouncements

Effective January 1, 2009, the Fund and FPLP prospectively adopted the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3064 Goodwill and Intangible Assets. This standard establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets as well as discussing when intangibles can be recognized.

There was no financial impact to the financial statements as a result of the adopting this new standard.

Historical Distributions Paid Analysis

FPLP:	Three Months ended March 31, 2009	Twelve months ended December 31, 2008	Twelve Months ended December 31, 2007
		In thousands	
Cash provided by operating activities	$ 1,736	$ 11,933	$ 20,641
Net (loss) earnings	(496)	7,957	13,418
Distributions paid during the period	2,335	11,820	12,143
(Shortfall) excess of cash provided by operating activities over cash distributions paid	$ (599)	$ 113	$ 8,498
(Short-fall) excess of net earnings over cash distributions paid	$ (2,831)	$ (3,863)	$ 1,275

Cash distributions paid in two of the three periods exceeded net earnings. FPLP does not use net earnings as a basis in determining the level of distributions to Class A and Class B Unitholders. Distributions are determined in accordance with the agreement of limited partnership. Because amortization charged as an expense in calculating net earnings, in accordance with GAAP, exceeds capital expenditures charged as a reduction of distributable cash in all periods, this result is not unexpected.

Fund:	Three Months ended March 31, 2009	Twelve months ended December 31, 2008	Twelve Months ended December 31, 2007
		In thousands	
Cash provided by operating activities	$ 1,918	$ 8,819	$ 9,051
Net earnings	514	6,682	7,968
Distributions paid during the period	1,968	8,732	8,904
(Shortfall) excess of cash provided by operating activities over cash distributions paid	$ (50)	$ 87	$ 147
Short-fall of net earnings over cash distributions paid	$ (1,454)	$ (2,050)	$ (936)

Cash distributions paid in all periods exceeded net earnings. The Fund does not use net earnings as a basis in determining the level of distributions to Unitholders. Distributions are determined by the Trustees in accordance with the Deed of Trust of the Fund and are primarily dependent upon the amount of interest and distributions received from FPLP. Because amortization charged as an expense in calculating net earnings of FPLP, in accordance with GAAP, has exceeded capital expenditures charged as a reduction of distributable cash of FPLP in all periods, this result is not unexpected.

Business Risks and Uncertainties

Revenue

Advertising revenues, which account for approximately 67% of total revenue, is historically dependent upon general economic conditions and the specific spending plans of high volume advertisers. A significant downturn in the national or regional economy, like the one which is currently being experienced, will likely decrease advertising revenue earned by our newspapers. Similarly, a change in promotional strategy by significant users of newspaper advertising, such as the automotive industry, financial services industry and national retailers, could reduce or increase revenue.

Employee Relations

The majority of FPLP's employees are unionized and their employment is governed by the terms of collective agreements. A strike like the one that occurred in October 2008 at the Winnipeg Free Press and Canstar Community News or other work stoppage could restrict or eliminate the ability of FPLP to earn revenue from its publishing business during the strike or stoppage. Contracts are now in place with unionized employees at the Winnipeg Free Press and Canstar which run to June

30, 2013, and collective agreements covering unionized employees at the Brandon Sun are in place which run to December 31, 2013.

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 $3.2 million during the first quarter of 2009. 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 are 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 that of 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,	
	2009	2008
	In thousands	
Net (loss) earnings for the period	$ (496)	$ 2,338
Add (subtract):		
Amortization of property, plant and equipment	1,043	1,005
Amortization of intangible assets	90	90
Interest expense	2,595	2,607
Interest income	(23)	(93)
Gain on sale of property, plant and equipment	(4)	-
Current income tax expense	1	10
Future income tax (recovery) expense	(36)	68
EBITDA	$ 3,170	$ 6,025

(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 because 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 are cautioned that distributable cash as calculated by the fund 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, 2009	2008
Distributable cash of FPLP:	In thousands	
EBITDA[(1)]	$ 3,170	$ 6,025
Interest income	23	93
Interest expense on Notes payable and capital leases, excluding amortization of related deferred financing costs	(780)	(797)
Principal repayment of capital leases	-	(73)
Maintenance capital expenditures	(86)	(234)
Increase in reserve for future maintenance capital	-	(266)
Proceeds from sale of property, plant and equipment	4	-
Current income and capital taxes expense	(1)	(10)
	$ 2,330	$ 4,738
49% attributable to the Fund	$ 1,142	$ 2,322
Administration expenses	(86)	(67)
Interest income	1	5
Distributable cash attributable to the Fund	$ 1,057	$ 2,260
Distributable cash attributable to the Fund – per Unit	$ 0.153	$ 0.327

A summary of distributable cash and distributions declared for the trailing twelve months to March 31, 2009 and for the period from commencement of the Fund on May 28, 2002 to March 31, 2009 is as follows:

Distributable Cash of FPLP:

	Last Twelve Months	Since May 28, 2002
	In thousands	
EBITDA[(1)]	$ 20,126	$ 165,880
Interest income	226	868
Interest expense on Notes payable and capital leases, excluding amortization of related deferred financing costs	(3,143)	(21,430)
Principal repayment of capital leases	(124)	(1,136)
Maintenance capital expenditures	(720)	(7,447)
Increase in reserve for future maintenance capital expenditures	(866)	(1,480)
Strategic capital expenditures	(681)	(1,331)
Increase in reserve for strategic capital, acquisitions, and/or debt reduction	-	(353)
Proceeds on disposal of property, plant and equipment	35	1,138
Current income and capital tax expense	(21)	(193)
Distributable cash of FPLP	$ 14,832	$ 134,516

Distributable Cash Attributable to the Fund:

	Last Twelve Months	Since May 28, 2002
	In thousands	
49% of FPLP distributable cash	$ 7,268	$ 65,913
Administration expenses	(292)	(1,866)
Interest income	11	50
Distributable cash attributable to the Fund	$ 6,987	$ 64,097
Distributable cash attributable to the Fund per Unit	$1.012	$9.286
Distributions declared by the Fund per Unit	$1.215	$8.648
Payout Ratio	120.0%	93.1%

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, 2009	2008
	In thousands	
Cash flow from operating activities of FPLP	$ 1,736	$ 3,994
Add (subtract):		
Interest on Subordinated notes (*)	1,658	1,671
Net change in non-cash working capital items (**)	(982)	(354)
Maintenance capital expenditures	(86)	(234)
Increase in reserve for future maintenance capital(***)	-	(266)
Principal repayment of capital leases	-	(73)
Proceeds from sale of property, plant and equipment (****)	4	-
Distributable cash of FPLP	$ 2,330	$ 4,738

This reconciliation is provided by the Fund in order to comply with the guidance of the Canadian Securities Administrators National Policy 41-201. 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 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. This reserve is a non-GAAP measure established and utilized at the discretion of the board of directors of FPLP, and has no impact on the GAAP financial statements.

(****) 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, 2009	As at December 31, 2008
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 385	$ 435
Interest receivable from FP Canadian Newspapers Limited Partnership	571	569
Due from FPCN Media Funding Inc.	26	26
Prepaid expenses	17	12
	999	1,042
Investment in FPCN General Partner Inc.	40	40
Investment in FP Canadian Newspapers Limited Partnership (note 3)	58,110	59,499
	$ 59,149	$ 60,581
LIABILITIES AND UNITHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 173	$ 121
Distribution payable (note 4)	656	656
	829	777
Long-Term Liabilities:		
Future income taxes	1,876	1,935
	2,705	2,712
Unitholders' Equity:		
Trust Units	69,026	69,026
Cumulative earnings	47,105	46,562
Cumulative distributions	(59,687)	(57,719)
	56,444	57,869
	$ 59,149	$ 60,581

(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, 2009	2008
Earnings from investment in FP Canadian Newspapers Limited Partnership		
Interest from subordinated notes	$ 1,658	$ 1,671
Equity interest from Class A limited partner Units (note 3)	(1,089)	293
Other interest	1	5
	570	1,969
Administration expenses	(86)	(67)
Net earnings before income taxes	$ 484	1,902
Future income tax (expense) recovery	59	(47)
Net earnings and Comprehensive income for the period	$ 543	$ 1,855
Cumulative earnings, beginning of period	46,562	39,880
Cumulative earnings, end of period	$ 47,105	$ 41,735
Number of trust Units outstanding	6,902,592	6,902,592
Net earnings per trust Unit	$ 0.079	$ 0.269

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

	Three Months Ended March 31, 2009	2008
Balance – beginning of period	$ 57,869	$ 59,833
Net earnings for the period	543	1,855
Distributions to Unitholders	(1,968)	(2,226)
Balance – end of period	$ 56,444	$ 59,462

(See accompanying notes)

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

	Three Months Ended March 31, 2009	2008
Cash provided by (used in):		
Operating activities:		
Net earnings for the period	$ 543	$ 1,855
Items not affecting cash:		
Equity interest from Class A Units of FP Canadian Newspapers Limited Partnership (note 3)	1,089	(293)
Future income tax expense (recovery)	(59)	47
Distributions received on Class A Units of FP Canadian Newspapers Limited Partnership (note 3)	300	636
Net change in non-cash working capital items	45	8
	1,918	2,253
Financing activities:		
Distributions to Unitholders	(1,968)	(2,226)
(Decrease) increase in cash and cash equivalents	(50)	27
Cash and cash equivalents – beginning of period	435	358
Cash and cash equivalents – end of period	$ 385	$ 385

(See accompanying notes)

FP Newspapers Income Fund
Notes to Consolidated Financial Statements as at March 31, 2009
(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 interim financial 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, 2008, 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, 2008.

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 partner Units is highest in the second and fourth quarters.

2. Summary of significant accounting policies

Change in Accounting Policy

Effective January 1, 2009, the Fund prospectively adopted the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3064 Goodwill and Intangible Assets. This standard establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets as well as discussing when intangibles can be recognized. There was no financial impact to the financial statements as a result of the adopting this new standard.

3. Investment in FP Canadian Newspapers Limited Partnership

On May 28, 2002, FPCN Holdings Trust subscribed for 6,573,897 Class A limited partner 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 partner Units of FPLP and $3,283,500 principal amount of subordinated notes of FPLP. FPCN Holdings Trust holds all of the Class A limited partner 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.

Future repayment of the subordinated notes will be applied as a contribution to the Class A limited partner Units of FPLP.

The investment in FPLP is summarized as follows:

	Subordinated notes	Class A limited partner Units	Total
Balance at December 31, 2008	$ 58,454	$ 1,045	$ 59,499
Equity interest in the period	-	(1,089)	(1,089)
Distributions received	-	(300)	(300)
Balance at March 31, 2009	$ 58,454	$ (344)	$ 58,110

The change in equity interest for the three months ended March 31, 2009 and 2008 from the Fund's investment in Class A limited partner Units of FPLP is calculated as follows:

	Three Months Ended March 31, 2009	2008
Net (loss) earnings of FPLP	$ (496)	$ 2,338
Plus: Interest on subordinated notes	1,658	1,671
Net earnings before interest on subordinated notes	$ 1,162	$ 4,009
49% interest attributable to the Fund	569	1,964
Less: Interest from subordinated notes	(1,658)	(1,671)
Equity interest from Class A limited partner Units	$ (1,089)	$ 293

4. Distribution payable

The Fund recorded a distribution payable at March 31, 2009 of $0.095 per Unit. The distribution was paid April 29, 2009 to Unitholders of record on March 31, 2009 and is in respect of the month of March 2009.

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

	As at March 31, 2009	As at December 31, 2008
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 7,154	$ 7,835
Accounts receivable	10,290	12,880
Inventories	1,647	1,699
Prepaid expenses	1,329	1,119
Future income taxes	86	50
	20,506	23,583
Property, plant and equipment	46,860	47,817
Investment (note 4)	125	208
Intangible assets	7,653	7,743
Goodwill	71,160	71,160
	$ 146,304	$ 150,511
LIABILITIES AND UNITHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 10,021	$ 11,604
Income taxes payable	6	10
Prepaid subscriptions and deferred revenue	3,308	3,171
	13,335	14,785
Long-Term Liabilities:		
Notes payable	59,809	59,769
Subordinated notes	56,615	56,498
	116,424	116,267
	129,759	131,052
Unitholders' Equity:		
Partner Units	41,293	41,293
Cumulative earnings	60,578	61,074
Cumulative distributions	(84,968)	(82,633)
Accumulated other comprehensive loss	(358)	(275)
	16,545	19,459
	$ 146,304	$ 150,511

(See accompanying notes)

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

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Revenue	$ 26,838	$ 29,998
Operating expenses, excluding amortization and restructuring charge	(23,065)	(23,973)
Restructuring charge (note 9)	(603)	-
	3,170	6,025
Amortization of property, plant and equipment	(1,043)	(1,005)
Amortization of intangible assets	(90)	(90)
Earnings before the under-noted	2,037	4,930
Interest expense (note 6)	(2,595)	(2,607)
Interest income	23	93
Gain on sale of property, plant and equipment	4	-
(Loss) earnings before income taxes	(531)	2,416
Income tax (expense) recovery:		
- Current	(1)	(10)
- Future	36	(68)
Net (loss) earnings for the period	(496)	2,338
Cumulative earnings – beginning of period	61,074	53,117
Cumulative earnings – end of period	$ 60,578	$ 55,455

Consolidated Statements of Comprehensive Income
(unaudited, in thousands of Canadian dollars)

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Net (loss) earnings for the period	$ (496)	$ 2,338
Other comprehensive loss		
Unrealized loss on investment (note 4)	(83)	-
Comprehensive (loss) income for the period	$ (579)	$ 2,338

(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, 2007	$ 14,874	$ 8,723	$ 23,597
Net earnings for the period	1,850	488	2,338
Distributions paid	(2,414)	(636)	(3,050)
Unitholders' equity – March 31, 2008	$ 14,310	$ 8,575	$ 22,885
Net earnings for the period	2,883	770	3,653
Distributions paid	(2,438)	(653)	(3,091)
Other comprehensive loss	(32)	(8)	(40)
Unitholders' equity – June 30, 2008	$ 14,723	$ 8,684	$ 23,407
Net earnings for the period	1,968	524	2,492
Distributions paid	(2,438)	(653)	(3,091)
Other comprehensive loss	(77)	(20)	(97)
Unitholders' equity – September 30, 2008	$ 14,176	$ 8,535	$ 22,711
Net loss for the period	(331)	(195)	(526)
Distributions paid	(2,172)	(416)	(2,588)
Other comprehensive loss	(111)	(27)	(138)
Unitholders' equity – December 31, 2008	$ 11,562	$ 7,897	$ 19,459
Net loss for the period	(432)	(64)	(496)
Distributions paid	(2,035)	(300)	(2,335)
Other comprehensive loss	(72)	(11)	(83)
Unitholders' equity – March 31, 2009	$ 9,023	$ 7,522	$ 16,545

(See accompanying notes)

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

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Cash provided by (used in)		
Operating activities:		
Net (loss) earnings for the period	$ (496)	$ 2,338
Items not affecting cash:		
Amortization of property, plant and equipment and intangible assets	1,133	1,095
Amortization of deferred financing costs (note 6)	157	139
Future income tax (recovery) expense	(36)	68
Gain on disposal of property, plant and equipment	(4)	-
	754	3,640
Net change in non-cash working capital items	982	354
	1,736	3,994
Investing activities:		
Purchases of property, plant and equipment	(86)	(234)
Proceeds from sale of property, plant and equipment	4	-
	(82)	(234)
Financing activities:		
Distributions to partners	(2,335)	(3,050)
Principal repayment of capital leases	-	(73)
	(2,335)	(3,123)
(Decrease) increase in cash and cash equivalents	(681)	637
Cash and cash equivalents - beginning of period	7,835	9,920
Cash and cash equivalents - end of period	$ 7,154	$ 10,557
Supplemental Cash Flow Information:		
Interest paid during the period	$ 2,436	$ 2,467
Taxes paid during the period	8	5

(See accompanying notes)

FP Canadian Newspapers Limited Partnership
Notes to Consolidated Financial Statements as at March 31, 2009
(unaudited, tabular amounts in thousands of dollars)

1. Basis of presentation

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

These interim consolidated financial statements include the accounts of FPLP and Canstar Community News Limited ("Canstar"). 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 consolidated interim 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 consolidated 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 consolidated interim financial statements are the same as those used in the most recent annual consolidated financial statements, except as described below. These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements of FPLP for the year ended December 31, 2008.

FPLP'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, 2009, FPLP prospectively adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064 Goodwill and Intangible Assets. This standard establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets as well as discussing when intangibles can be recognized. There was no financial impact to the financial statements as a result of the adopting this new standard.

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. Investment

The Trust Fund holds units of FP Newspapers Income Fund, which have been classified as "available for sale" and therefore are measured at fair value, as determined by the published price quote. Gains and losses resulting from the periodic revaluation are recorded in other comprehensive earnings. As at March 31, 2009, FPLP holds 37,813 units at the carrying value of $125,000.

5. Employee future benefit plans

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

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Defined benefit pension plan	$ 321	$ 347

6. Interest expense

Interest expense is summarized as follows:

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Subordinated notes	$ 1,658	$ 1,671
Amortization of subordinated notes deferred financing costs	117	102
Notes payable	780	794
Amortization of notes payable deferred financing costs	40	37
Capital lease obligations	-	3
	$ 2,595	$ 2,607

7. Capital management

FPLP's objective for managing the capital structure is to take advantage of leverage with the prudent use of debt, while maintaining flexibility through historically setting distribution levels that are less than the cumulative amounts available for distribution. There are no set quantitative targets established for monitoring the capital structure. Management continuously monitors capital markets in the context of the general economic environment, FPLP's financial position and outlook, and strategic development plans. FPLP's can alter the mix within the capital structure by repaying debt, increasing debt, adjusting distributions to partners or raising additional equity capital.

FPLP's capital consists of cash and cash equivalents, debt and Unitholders' equity. The components at March 31, 2009 and December 31, 2008 were as follows:

	As at March 31, 2009	As at December 31, 2008
Notes payable	$ 59,809	$ 59,769
Cash and cash equivalents	(7,154)	(7,835)
External net debt	52,655	51,934
Subordinated notes	56,615	56,498
Unitholders' equity	16,545	19,459
Total capitalization	$ 125,815	$ 127,891
External net debt as a percentage of total capitalization	41.9%	40.6%

The notes payable include negative covenants which must be maintained in order to avoid an accelerated termination of the agreement. These covenants include certain restrictions on the incurrence of additional debt, requirements to maintain insurance, certain restrictions on the sale of assets and other requirements and restrictions common to lending agreements of this nature. FPLP is restricted from making distributions which cumulatively exceed by more than $1.4 million the total of distributable cash as defined in this agreement. FPLP is required to maintain a ratio of net debt to earnings, as defined in the agreement, of no greater than 3.5 to 1.0 and a net external interest expense of no less than 3.0 to 1.0 measured quarterly on a trailing 12-month basis. At March 31, 2009, FPLP was in compliance with all the terms and conditions of its debt agreements. The financial ratios calculated in accordance with the debt agreements for the trailing 12-month periods ending March 31, 2009, December 31, 2008, September 30, 2008, June 30, 2008, and March 31, 2008 are as follows:

	Net Debt / Earnings as defined under agreement	Earnings as defined under agreement / Net interest
March 31, 2009	2.73	6.90
December 31, 2008	2.39	8.02
September 30, 2008	1.93	9.91
June 30, 2008	1.91	10.01
March 31, 2008	1.90	9.89

8. Financial instrument risk management

Credit Risk

As FPLP is in the business of publishing newspapers and performing printing services for third parties, included in the accounts receivable are primarily amounts owed from advertisers and advertising agencies, circulation customers and commercial print clients. FPLP does not hold collateral as security for these balances. FPLP's credit risk relating to these accounts receivable is spread over a large number of national and local advertising clients and advertising agencies, in addition to many circulation retail customers and third party printing clients. FPLP manages credit risk on a customer by customer basis and establishes a reasonable allowance for non collectible amounts with this allowance netted against the accounts receivable on the balance sheet. The adequacy of the allowance is reviewed on a regular basis, and is estimated based on past experience, specific risks associated with the customers and other relevant information. The ten largest receivable amounts total $2,894,000 and approximately 86% of these balances are owed from national advertising agencies. The largest amount due from a single national agency is $607,000 which represents 5.9% of total receivables at March 31, 2009.

At March 31, 2009, FPLP estimates the value of impaired accounts receivable is $224,000 and these amounts are included as part of the allowance for doubtful accounts.

The age of receivables and allowance for doubtful accounts is as follows:

	As at March 31, 2009
Accounts receivable:	
Current	$ 6,369
Up to three months past due	3,721
Greater than three months past due	474
Impaired	224
Allowance for doubtful accounts	(498)
	$ 10,290

9. Restructuring charge

During the quarter, FPLP incurred a restructuring charge of $603,000, for voluntary and involuntary employee reductions at the Winnipeg Free Press and the 2009 savings from reduced compensation costs will be approximately $1,000,000. This charge is in addition to a $417,000 charge booked during the fourth quarter of 2008. During the quarter, $814,000 was paid leaving a balance in the accounts payable and accrued liabilities of $206,000 at March 31, 2009.

Caution Regarding Forward-Looking Statements:
Certain statements in this news release and accompanying management's discussion and analysis may constitute forward-looking statements within the meaning of applicable securities laws. All statements other than statements of historical fact are forward-looking statements. These statements include but are not limited to statements regarding management's intent, belief or current expectations with respect to market and general economic conditions, future costs and operating performance. Generally, but not always, forward-looking statements will be indicated by words such as "may", "will", "intend", "anticipate", "expect", "believe", "plan" or similar terminology.

Forward-looking statements are subject to known and unknown risks and uncertainties that may cause the actual results, performance or achievements of the Fund or FPLP, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, but not limited to, the current significant general economic uncertainty and credit and financial market volatility, FPLP's ability to effectively manage growth and maintain its profitability, FPLP's ability to operate in a highly competitive industry, FPLP's ability to compete with other forms of media, FPLP's ability to attract advertisers, FPLP's reliance upon key personnel, FPLP's relatively high fixed costs, FPLP's dependence upon particular advertising customer segments, indebtedness incurred in making acquisitions, the availability of financing for capital improvements, FPLP's ability to refinance its core long-term debt, costs related to capital expenditures, cyclical and seasonal variations in FPLP's revenues, acts of terrorism, the cost of newsprint, the potential for labour disruptions, the risk of equipment failure, and the effect of Canadian tax laws. Additional information about these and other factors is discussed under "Risk Factors" in our Annual Information Form dated March 10, 2009, which is available at www.sedar.com.

In addition, although the forward-looking statements contained in this management's discussion and analysis are based upon what management of FPLP believes are reasonable assumptions, such assumptions may prove to be incorrect.

Forward-looking statements speak only as of the date hereof and, except as required by law, the Fund and FPLP assume no obligation to update or revise them to reflect new events or circumstances because forward-looking statements are inherently uncertain, readers should not place undue reliance on them.

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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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