FP Newspapers Inc.

Financial Statements

For the year 2018

Independent auditor's report

To the Shareholders of FP Newspapers Inc.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of FP Newspapers Inc. (the Company) as at December 30, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited
The Company's financial statements comprise:

- the balance sheets as at December 30, 2018 and 2017;
- the statements of (loss) and comprehensive (loss) for the years then ended;
- the statements of changes in equity for the years then ended;
- the statements of cash flows for the years then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Travis Muhr.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Winnipeg, Manitoba
April 17, 2019

FP Newspapers Inc.
Balance Sheets
(in thousands of Canadian dollars)

	Note	As at December 30, 2018	As at December 30, 2017
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		$ 418	$ 735
Prepaid expenses and other assets		4	-
		422	735
LONG-TERM ASSETS			
Investment in FP Canadian Newspapers Limited Partnership	3	4,808	6,411
TOTAL ASSETS		$ 5,230	$ 7,146
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		$ 47	$ 69
Income taxes payable		266	175
		313	244
LONG-TERM LIABILITIES			
Deferred income tax liability	7	578	835
TOTAL LIABILITIES		891	1,079
SHAREHOLDERS' EQUITY			
Share capital	5	71,373	71,373
Deficit		(67,034)	(65,306)
TOTAL SHAREHOLDERS' EQUITY		4,339	6,067
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 5,230	$ 7,146

(See accompanying notes)

Approved by the Board of Directors

Ronald N. Stern

RONALD N. STERN
Director

HARVEY SECTER
Director

FP Newspapers Inc.
Statements of (Loss) and Comprehensive (Loss)
For the Years Ended December 30, 2018 and 2017
(in thousands of Canadian dollars except per share amounts)

	Note	2018	2017
Equity interest from FP Canadian Newspapers Limited Partnership Class A limited partner units	3	$ 1,183	$ 1,845
Write-down of investment in FP Canadian Newspapers Limited Partnership Class A limited partner units	3	(3,112)	(2,940)
Administration expenses		(160)	(123)
Other income		4	2
Net (loss) before income taxes		(2,085)	(1,216)
Current income tax (expense)	7	(226)	(277)
Deferred income tax recovery (expense)	7	346	(207)
Net (loss) for the year		$ (1,965)	$ (1,700)
Items that will not be reclassified to net (loss):			
Equity interest of other comprehensive income (loss) from FP Canadian Newspapers Limited Partnership	3	326	(1,276)
Deferred income tax (expense) recovery	7	(89)	344
Comprehensive (loss) for the year		$ (1,728)	$ (2,632)
Weighted average number of Common Shares outstanding	5	6,902,592	6,902,592
Net (loss) per share – basic and diluted		$ (0.285)	$ (0.246)

(See accompanying notes)

FP Newspapers Inc.
Statements of Changes in Equity
For the Years Ended December 30, 2018 and 2017
(in thousands of Canadian dollars)

	Share Capital	**Deficit**	**Total Shareholders' Equity**
At December 30, 2016	$ 71,373	$ (62,674)	$ 8,699
Net (loss) for the year	-	(1,700)	(1,700)
Other comprehensive (loss) for the year	-	(932)	(932)
Comprehensive (loss) for the year	-	(2,632)	(2,632)
At December 30, 2017	$ 71,373	$ (65,306)	$ 6,067
Net (loss) for the year	-	(1,965)	(1,965)
Other comprehensive Income for the year	-	237	237
Comprehensive (loss) for the year	-	(1,728)	(1,728)
At December 30, 2018	$ 71,373	$ (67,034)	$ 4,339

(See accompanying notes)

FP Newspapers Inc.
Statements of Cash Flows
For the Years Ended December 30, 2018 and 2017
(in thousands of Canadian dollars)

	Note	2018	2017
Cash provided by (used in):			
Operating activities			
Net (loss) for the year		$ (1,965)	$ (1,700)
Items not affecting cash:			
Equity interest from Class A Units of FP Canadian Newspapers Limited Partnership	3	(1,183)	(1,845)
Non-cash write-down of investment in FP Canadian Newspapers Limited Partnership	3	3,112	2,940
Deferred income tax expense	7	(346)	207
Net change in non-cash working capital items		65	460
		(317)	62
(Decrease)/increase in cash and cash equivalents		(317)	62
Cash and cash equivalents – beginning of year		735	673
Cash and cash equivalents – end of year		$ 418	$ 735
Supplemental Cash Flow information:			
Income tax paid (refunded) during the year		$ 135	$ (227)

(See accompanying notes)

1. GENERAL INFORMATION

FP Newspapers Inc. ("FPI"), which was incorporated under the Canada Business Corporations Act on March 17, 2010, is the successor to the business of FP Newspapers Income Fund (the "Fund"). FPI's year end is December 30. The Fund was an unincorporated limited-purpose trust established under the laws of Ontario on May 15, 2002 to invest in securities issues by FP Canadian Newspapers Limited Partnership ("FPLP"). In response to changes in the tax treatment of income trusts, the trustees of the Fund determined that it would be in the best interests of the Fund and its unitholders to convert the Fund from a trust to a corporation pursuant to a plan of arrangement (the "conversion"). Effective on December 31, 2010, all of the outstanding units of the Fund were exchanged on a one-for-one basis for common shares of FPI which were listed on the Toronto Stock Exchange under the symbol FP until November 21, 2017. Effective November 22, 2016 FPI's shares commenced trading on the TSX Venture Exchange after voluntary delisting of its shares from the Toronto Stock Exchange. FPI owns securities entitling it to 49% of the distributable cash as defined in the partnership agreement of FPLP. FPLP is a limited partnership formed under the laws of British Columbia on August 9, 1999. It owns the Winnipeg Free Press, the Brandon Sun and other newspapers, printing and media businesses. The address of FPI's registered office is Suite 2900, P.O. Box 11583, 650 West Georgia Street, Vancouver, British Columbia, V6B 4N8.

2. SIGNIFICANT ACCOUNTING POLICIES

FPI prepares its financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP") – Part 1 as set out in the CPA Canada Handbook – Accounting ("CPA Handbook"). Part 1 of the CPA Handbook incorporates International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These financial statements were approved by the Board of Directors of FPI on April 17, 2019.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying FPI's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise noted.

a) BASIS OF MEASUREMENT

The financial statements have been prepared under the historical cost convention.

b) INVESTMENTS IN ASSOCIATES

Associates are entities over which FPI has significant influence, but not control. The financial results of investments in its associates are included in FPI's results according to the equity method of accounting. Subsequent to the acquisition date, FPI's share of profits or losses of associates is recognized in the statement of earnings (loss) and its share of other comprehensive income (loss) of associates is included in other comprehensive income (loss).

Unrealized gains on transactions between FPI and an associate are eliminated to the extent of FPI's interest in the associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses arising from changes in interests in investments in associates are recognized in the statement of earnings (loss).

FPI assesses at each reporting date whether there is any objective evidence that its interests in associates are impaired. If impaired, the carrying value of the investment in an associate is written down to its estimated recoverable amount (being the higher of fair value less cost of disposal and value in use) and charged to the statement of earnings (loss). A reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

c) CASH AND CASH EQUIVALENTS

Cash equivalents comprise only highly liquid investments with maturities at acquisition of less than 90 days and which are subject to insignificant risk of changes in value and are recorded at amortized cost, which approximates market value.

d) FINANCIAL INSTRUMENTS

Financial assets and liabilities are initially recorded at fair value including related transaction costs. FPI has made the following classifications:

Cash and cash equivalents are classified as “loans and receivables” and are measured at amortized cost using the effective interest rate method.

Accounts receivable are classified as “loans and receivables” and are measured at amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities are classified as “other financial liabilities” and are measured at amortized cost using the effective interest rate method.

e) INCOME TAXES

The income tax expense for the year comprises current and deferred tax. Tax is recognized in the statements of earnings (loss), except to the extent that it relates to items recognized in other comprehensive income (loss) or directly in equity. In this case the tax is also recognized in other comprehensive income (loss) or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. FPI establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authority.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

The income tax basis for the investment in FPLP and FPCN General Partner Inc. is determined in a manner that is consistent with its expected recovery. As FPI expects to recover the investment by receiving distributions from the investee, the tax basis represents the sum of the investor’s share of the tax bases of the underlying assets and liabilities of the investee.

f) DIVIDENDS

Dividends are recognized in FPI’s financial statements in the period in which the dividends are approved by the Board of Directors.

g) SHARE CAPITAL

FPI share capital is classified as equity. Incremental costs directly attributable to their issuance are recognized as a deduction from equity.

h) EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net earnings for the period attributable to equity owners of FPI by the weighted average number of shares outstanding during the year.

Diluted earnings per share are calculated by adjusting the weighted average number of shares outstanding and corresponding earnings impact for dilutive instruments. No dilutive instruments were outstanding during the years presented.

Accounting policies

The following is an overview of new accounting standards FPI has adopted in the current fiscal year.

IFRS 9 – Financial Instruments
IFRS 9 – *Financial Instruments* replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for the classification and measurement of financial assets. IFRS 9 requires all recognized financial assets to be measured at amortized cost or fair value in subsequent accounting periods following initial recognition depending on the Company's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. The Company adopted IFRS 9 on a modified retrospective basis and accordingly has not restated comparative information for financial instruments within the scope of IFRS 9. Therefore the comparative information is reported under IAS 39 and is not comparable to the information presented in accordance with IFRS 9. Upon adoption, there were no differences recognized directly in retained earnings on December 31, 2017.

Financial instruments (IFRS 9)
All financial assets are included in the measurement category of amortized cost as such financial assets are held with a business model to collect contractual cash flows and those cash flows are solely payments of principal and interest on the principal amount outstanding. Accordingly, cash and cash equivalents and accounts receivable are measured amortized cost using the effective interest rate method. Accounts payable and accrued liabilities continue to be measured at amortized cost using the effective interest rate method.

Financial instruments (IAS 39)
Financial assets and liabilities are initially recorded at fair value including related transaction costs. FPI has made the following classifications:

- Cash and cash equivalents are classified as "loans and receivables" and are measured at amortized cost using the effective interest rate method.
- Accounts receivable are classified as "loans and receivables" and are measured at amortized cost using the effective interest rate method.
- Accounts payable and accrued liabilities are classified as "other financial liabilities" and are measured at amortized cost using the effective interest rate method.

IFRS 15 – Revenue from contracts with customers
The core principle of the new standard is to recognize revenue to depict the transfer of goods and services to customers in amounts that reflect consideration to which FPI expects to be entitled in exchange for the good or services. FPI adopted the standard in the current fiscal year using the cumulative effect method, which requires the recognition of the cumulative effect of applying the new standard in opening retained earnings at the beginning of the year of initial application, with no restatement of comparative periods. There were no transitional adjustments or significant changes to the Company's revenue recognition policies required on adoption of the standard.

(tabular amounts in thousands of Canadian dollars)

Accounting standards and amendments issued but not yet effective

IFRS 16 – Leases
IFRS 16, *Leases* replaces IAS 17, Leases and related interpretations. The core principle is that a lessee recognize assets and liabilities for all leases with a lease term of more than 12 months. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. The new standard is intended to provide a faithful representation of leasing transactions, in particular those that do not currently require the lessees to recognize an asset and liability arising from an operating lease. IFRS 16 is effective for annual periods beginning on January 1, 2019, with early adoption permitted for entities that would also apply IFRS 15, *Revenue from Contracts with Customers*.

The Company will be adopting the standard on its effective date of January 1, 2019. FPI is not a party to any lease agreements, therefore the only impact will be through the FPI investment in FPLP.

3. INVESTMENT IN FP CANADIAN NEWSPAPERS LIMITED PARTNERSHIP

FPI holds all of the Class A limited partner units of FPLP, which entitles it to 49% of the distributable cash, as defined in the Partnership Agreement of FPLP.

The investment in FPLP is summarized as follows:

	Class A limited partner units
Balance at December 30, 2016	$ 8,782
Equity interest in net earnings and comprehensive income for the year ended December 30, 2017	569
Non-cash write-down of investment in FP Canadian Newspapers Limited Partnership Class A limited partner units	(2,940)
Balance at December 30, 2017	$ 6,411
Equity interest in net earnings and comprehensive income for the year ended December 30, 2018	1,509
Non-cash write-down of investment in FP Canadian Newspapers Limited Partnership Class A limited partner units	(3,112)
Balance at December 30, 2018	$ 4,808

(tabular amounts in thousands of Canadian dollars)

The equity interest from FPI's investment in Class A limited partner units and the equity interest in the other comprehensive income (loss) of FPLP are calculated as follows:

	2018	2017
Net (loss) of FPLP	$ (3,935)	$ (2,234)
Add back impairment of goodwill recorded by FPLP	6,350	6,000
Net earnings of FPLP before goodwill impairment charge	2,415	3,766
Interest attributable to FPI	49%	49%
Equity interest in net earnings of FPLP before goodwill impairment	1,183	1,845
Other comprehensive income (loss) of FPLP	666	(2,604)
Interest attributable to FPI	49%	49%
Equity interest in other comprehensive income (loss) of FPLP	$ 326	$ (1,276)

FPLP has a year-end of December 31, 2018. FPI has consolidated FPLP as at and for the year ended December 31, 2018 for convenience purposes and the impact was not material.

Due to continued declines in revenue and earnings experienced by FPLP, FPI determined that objective evidence of impairment existed in its investment in FPLP. The recoverable amount, based on fair value less costs to dispose, of the investment was determined by applying a market multiple of 4.0 to the trailing twelve month EBITDA of FPLP at December 31, 2018. The market multiple was considered to be a level 3 input within the IFRS 13 fair value hierarchy.

As a result of the impairment analysis performed, FPI concluded that the carrying value of its investment in FPLP was less than its recoverable amount and accordingly recorded an aggregate impairment charge of $3,112,000 (2017 $2,940,000).

As the recoverable amount of the investment is equal to its carrying value, any change in the key assumption, being the market multiple, used in the fair value less cost of disposal assessment would impact the impairment recorded. At December 31, 2018, if the multiple were to increase or decrease by 0.5 times the impairment would increase or decrease by approximately $1,700,000. There were no tax impacts as a result of the impairment charges.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these financial statements requires FPI to use judgment in applying its accounting policies and make estimates and assumptions about future events. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. The following discusses the most significant accounting judgments and estimates that FPI has made in the preparation of the financial statements:

Investment in FPLP

FPI has determined that the most significant estimates involve transactions, balances and impairment considerations related to its investment in FPLP (note 3). The equity interest from FPI's Class A limited partner units depends on the accuracy of the estimates made in the preparation of the financial statements of FPLP. The method which FPI bases its impairment assessment of FPLP is described in note 3.

(tabular amounts in thousands of Canadian dollars)

5. SHARE CAPITAL AND ACCUMULATED OTHER COMPREHENSIVE INCOME

The articles of incorporation of FPI provide that an unlimited number of common shares and one voting preferred share may be issued. Each common share is transferable and represents an equal undivided beneficial interest in any dividends of FPI and in the net assets of FPI in the event of termination or winding up of FPI. All common shares have equal rights and privileges. Each common share entitles the holderthereof to participate equally in the allocations and distributions and to one vote at all meetings of FPI shareholders for each share held. The common shares issued are not subject to future calls or assessments. As at December 30, 2018, 6,902,592 Common Shares were issued with a paid-up share capital amount of $71,373,000. The preferred share is held by FPCN Media Management Ltd. (“`FPCN”). The preferred share entitles the holder the right to elect one-third of FPI’s directors, but does not entitle the holder thereof to any economic rights as a common shareholder of FPI. If and when Canstar Publications Ltd. and Kimberley Anne Holdings Ltd. (the General Partners of FPLP) cease to own at least ten percent of the outstanding partnership units of FPLP, the preferred share held by FPCN will automatically be redeemed by FPI for a redemption price of $1.00 and be cancelled.

6. INDEMNIFICATIONS

FPI has agreed to indemnify its current and former trustees and officers to the extent permitted by law against any and all charges, costs, expenses, amounts paid in settlement and damages incurred by the trustees and officers as a result of any lawsuit or any other judicial, administrative or investigative proceeding in which the trustees and officers are sued as a result of their service. These indemnification claims will be subject to any statutory or other legal limitation period. The nature of such indemnification prevents FPI from making a reasonable estimate of the maximum potential amount it could be required to pay to counterparties. FPI has directors’ and officers’ liability insurance coverage, pursuant to a joint policy covering FPCN General Partner Inc., FPLP and FPI, of up to $10 million in joint coverage.

7. INCOME TAXES

Income tax expense is made up of the following:

	2018	2017
Current income tax	$ (226)	$ (277)
Deferred income tax	346	(207)
Income tax recovery (expense) recognized in net (loss)	120	(484)
Deferred income tax (expense) recovery recognized in OCI	(89)	344

The income tax recovery (expense) reflects an effective income tax rate which differs from its combined Canadian federal and provincial statutory income tax rate as follows:

	2018	2017
Income tax recovery at combined Canadian statutory income tax rate of 27.0% (2017 27.0%)	$ 563	$ 324
Permanent difference on investment in FPLP	(443)	(794)
Adjustments in respect of prior year	142	(21)
Other	(142)	7
Total income tax (expense)	$ 120	$ (484)

(tabular amounts in thousands of Canadian dollars)

Deferred taxes

Based on FPI's assets and liabilities as at December 30, 2018 and 2017, and its share of the assets and liabilities of its investment in FPLP, FPI's deferred tax assets and liabilities and the movement during the year are attributable to the following:

	December 30, 2017	Recognized in Net loss	Recognized in other comprehensive income (loss)	December 30, 2018
Property, plant and equipment	$ 2,166	$ (148)	$ -	$ 2,018
Intangible assets	753	(434)	-	319
Goodwill	(1,814)	169	-	(1,645)
Pension benefit obligation	(282)	68	89	(125)
Other	12	(1)	-	11
Total deferred income tax liabilities (asset)	$ 835	$ (346)	$ 89	$ 578

	December 30, 2016	Recognized in Net loss	Recognized in other comprehensive income (loss)	December 30, 2017
Property, plant and equipment	$ 2,283	$ (117)	$ -	$ 2,166
Intangible assets	787	(34)	-	753
Goodwill	(1,996)	182	-	(1,814)
Pension benefit obligation	(108)	170	(344)	(282)
Other	6	6	-	12
Total deferred income tax liabilities (asset)	$ 972	$ 207	$ (344)	$ 835

Unrecognized deferred tax assets

Deferred tax assets in the amount of $8,814,000 (December 30, 2017 $8,582,000) have not been recognized in respect of FPI's investment in FPLP as it is not probable that the temporary difference will reverse in the foreseeable future.

8. CAPITAL MANAGEMENT

FPI was established for the purpose of investing in the securities of FPLP which entitle it to 49% of the distributable cash, as defined in the partner agreement of FPLP. FPI does not have a capital management program given its limited purpose.

9. FINANCIAL INSTRUMENTS

The fair value of current assets and liabilities including cash and cash equivalents and accounts payable and accrued liabilities approximates their carrying value due to the short-term nature of these financial instruments. FPI does not carry any assets or liabilities at fair value, and therefore does not prepare a fair value hierarchy.

CANADIAN fp NEWSPAPERS
LIMITED PARTNERSHIP

FP Canadian Newspapers Limited Partnership

Consolidated Financial Statements

For the year 2018

Independent auditor's report

To the Unitholders of FP Canadian Newspapers Limited Partnership

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of FP Canadian Newspapers Limited Partnership and its subsidiaries, (together, the Partnership) as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited
The Partnership's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2018 and 2017;
- the consolidated statements of (loss) and comprehensive (loss) for the years then ended;
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Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Partnership in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

PricewaterhouseCoopers LLP
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In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Those charged with governance are responsible for overseeing the Partnership's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Partnership's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Partnership to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Partnership to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Travis Muhr.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Winnipeg, Manitoba
April 17, 2019

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

	Note	As at December 31, 2018	As at December 31, 2017
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	$ 4,270	$ 6,698
Accounts receivable	14	5,778	6,399
Inventories		954	1,034
Prepaid expenses and other assets		1,175	1,230
		12,177	15,361
LONG-TERM ASSETS			
Property, plant and equipment	4	24,117	26,581
Intangible assets	5	2,734	6,041
Goodwill	5	-	3,350
TOTAL ASSETS		$ 39,028	$ 51,333
LIABILITIES AND UNITHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	7, 12	$ 5,105	$ 5,207
Prepaid subscriptions and deferred revenue		2,771	2,673
Finance lease obligation	11	637	820
Mortgage loan	6	61	61
Term loan	6, 15	1,000	1,000
		9,574	9,761
LONG-TERM LIABILITIES			
Accrued pension benefit liability	7	904	2,097
Finance lease obligation	11	-	638
Mortgage loan	6	746	801
Term loan	6, 15	17,964	24,927
TOTAL LIABILITIES		29,188	38,224
UNITHOLDERS' EQUITY			
Partner units	8	98,280	98,280
Deficit		(88,440)	(85,171)
TOTAL UNITHOLDERS' EQUITY		9,840	13,109
TOTAL LIABILITIES AND UNITHOLDERS' EQUITY		$ 39,028	$ 51,333

(Commitments and contingencies Note 11)

(See accompanying notes)

Approved by the Board of Directors of the Managing General Partner

Ronald N. Stern

Harvey Secter

RONALD N. STERN
Director

HARVEY SECTER
Director

FP Canadian Newspapers Limited Partnership
Consolidated Statements of (Loss) and Comprehensive (Loss)
For the Years Ended December 31, 2018 and 2017
(in thousands of Canadian dollars)

	Note	2018	2017
Revenue			
Print Advertising		$ 36,683	$ 40,460
Circulation		24,347	24,342
Commercial Printing		3,279	4,261
Digital advertising		2,155	2,179
Promotion and services		557	707
TOTAL REVENUE		67,021	71,949
Operating expenses			
Employee compensation		29,934	31,020
Newsprint and other paper		5,848	6,112
Delivery		12,254	13,060
Other		12,561	13,390
Depreciation and amortization	4, 5	2,881	3,117
Restructuring charge	17	139	354
OPERATING INCOME BEFORE IMPAIRMENT		3,404	4,896
Impairment of goodwill and intangible assets	5	(6,350)	(6,000)
OPERATING (LOSS)		(2,946)	(1,104)
Other income	9	102	96
Finance costs	9	(1,091)	(1,226)
NET (LOSS) FOR THE YEAR		$ (3,935)	$ (2,234)
Items that will not be reclassified subsequently to net earnings (loss)			
Remeasurements for defined benefit pension plan	7	666	(2,604)
COMPREHENSIVE (LOSS) FOR THE YEAR		$ (3,269)	$ (4,838)

(See accompanying notes)

FP Canadian Newspapers Limited Partnership
Consolidated Statements of Changes in Equity
For the years ended December 31, 2018 and 2017
(in thousands of Canadian dollars)

	Partner Units	Deficit	Accumulated Other Comprehensive (Loss) Income	Total Unitholders' Equity
UNITHOLDERS' EQUITY – DECEMBER 31, 2016	$ 98,280	$ (80,333)	$ -	$ 17,947
Net (loss) for the year	-	(2,234)	-	(2,234)
Other comprehensive (loss) for the year	-	(2,604)	-	(2,604)
Comprehensive (loss) for the year	-	(4,838)	-	(4,838)
UNITHOLDERS' EQUITY – DECEMBER 31, 2017	$ 98,280	$ (85,171)	$ -	$ 13,109
Net (loss) for the year	-	(3,935)	-	(3,935)
Other comprehensive income for the year	-	666	-	666
Comprehensive (loss) for the year	-	(3,269)	-	(3,269)
UNITHOLDERS' EQUITY – DECEMBER 31, 2018	$ 98,280	$ (88,440)	$ -	$ 9,840

(See accompanying notes)

FP Canadian Newspapers Limited Partnership
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017
(in thousands of Canadian dollars)

	Note	2018	2017
CASH PROVIDED BY (USED IN):			
OPERATING ACTIVITIES			
Net (loss) for the year		$ (3,935)	$ (2,234)
Items not affecting cash:			
Depreciation and amortization	4, 5	2,881	3,117
Accretion of deferred financing costs		37	36
Impairment of goodwill and intangibles	5	6,350	6,000
(Gain) on disposal of property, plant and equipment		(4)	-
Excess of pension contributions over expense		(527)	(1,318)
		4,802	5,601
Net change in non-cash working capital items		752	2,141
		5,554	7,742
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(81)	(39)
Purchase of intangibles		(31)	(71)
Proceeds from sale of property, plant and equipment		6	-
		(106)	(110)
FINANCING ACTIVITIES			
Principal repayments of finance lease		(821)	(844)
Principal repayments of mortgage loan		(55)	(60)
Principal repayment of term loan		(7,000)	(10,000)
		(7,876)	(10,904)
(DECREASE) IN CASH AND CASH EQUIVALENTS		(2,428)	(3,272)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		6,698	9,970
CASH AND CASH EQUIVALENTS - END OF YEAR		$ 4,270	$ 6,698
Supplemental Cash Flow Information:			
Interest paid during the year		$ 1,055	$ 1,203
Interest received during the year		99	97

(See accompanying notes)

1. GENERAL INFORMATION

FP Canadian Newspapers Limited Partnership ("FPLP") is a limited partnership formed on August 9, 1999 in accordance with the laws of British Columbia. FPLP publishes, prints and distributes daily and weekly newspapers and specialty publications, delivers advertising materials in the Manitoba market and provides commercial printing services. The address of the registered office of its managing general partner, FPCN General Partner Inc. is Suite 2900, P.O. Box 11583, 650 West Georgia Street, Vancouver, British Columbia, V6B 4N8.

These consolidated financial statements include the operating businesses owned by FPLP. The managing general partner of FPLP is FPCN General Partner Inc. ("FPGP"). These consolidated 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.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP") – Part 1 as set out in the CPA Canada Handbook – Accounting ("CPA Handbook"). Part 1 of the CPA Handbook incorporates International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were approved by the Board of Directors of FPGP on April 17, 2019.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying FPLP's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise noted.

a) BASIS OF MEASUREMENT

The consolidated financial statements have been prepared under the historical cost convention.

b) PRINCIPLES OF CONSOLIDATION AND SPECIAL PURPOSE ENTITIES

The consolidated financial statements include the operating businesses owned by FPLP and its subsidiary. A subsidiary is an entity (including structured entities) which FPLP controls. FPLP controls an entity when it is exposed to, or has the rights to, variable returns from its investment in the entity and has the ability to affect these returns through its power over that entity. Subsidiaries are fully consolidated from the date on which control is obtained and are de-consolidated from the date that control ceases. All significant inter-company and intra-company transactions and balances have been eliminated.

c) REVENUE RECOGNITION

Revenue is recognized when control of the promised goods is transferred to the customer or when the services are performed, in an amount that reflects the consideration to be received upon exchange of those goods or services. Advertising revenue, net of agency commissions, where applicable, is recognized when the advertisements are published. Circulation revenue is recognized based on the date of publication which is also the delivery date. Subscription revenue is recognized as earned over the term of the subscription on a straight-line basis. Digital revenue is recognized when advertisements are placed on the Company's websites or when an ad-network places our customer's ads on other websites. Other digital revenue includes contract term services which are recognized on a straight-line basis. Other revenue is recognized when the related service has been performed or promised goods transferred to the customer. Amounts received relating to services to be performed in future periods are recorded as deferred revenue on the balance sheet.

d) INVENTORIES

Inventories, primarily newsprint and printing supplies, are stated at the lower of cost and net realizable value. Cost is determined using the on a first-in, first-out method. Net realizable value is the estimated selling price in the normal course of business, less estimated selling expenses. If carrying value exceeds net realizable amount, a write-down is recognized. The write-down may be reversed in a subsequent period if the circumstances which caused it no longer exist.

e) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to FPLP and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the statement of income during the period in which they are incurred.

Depreciation on property, plant and equipment is calculated on the straight-line basis over the estimated useful lives of the assets. The estimated useful lives are as follows:

Buildings	40 years
Building improvements	10 years
Leasehold improvements	Over remaining term of the lease
Machinery and equipment	7 - 25 years
Computer equipment, furniture and fixtures, and vehicles	4 - 10 years

FPLP allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant components and depreciates separately each such component. Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

f) INTANGIBLE ASSETS

Intangible assets which are considered to have finite lives are initially recorded at cost and are subsequently amortized on a straight-line basis in the statements of income over the period of their expected useful lives as follows:

Subscriber base	15 years
News archives	10 years
Software	4 years

Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

Mastheads are considered to have an indefinite life and are therefore recorded at cost and not amortized. The assessment of indefinite life is reviewed each period to determine whether the indefinite life assumption continues to be supportable. If it is deemed unsupportable the change in the useful life from indefinite to finite life is made and amortization is recognized on a prospective basis.

g) IMPAIRMENT OF NON-FINANCIAL ASSETS

Property, plant and equipment and intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Long-lived assets that are not amortized are subject to an annual impairment test or more frequently if events or conditions indicate that the asset might be impaired. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units or CGUs). The recoverable amount is the higher of an asset's or CGU's fair value less costs to dispose and value in use. An impairment loss is recognized for the amount by which the asset's or CGU's carrying amount exceeds its recoverable amount. FPLP has identified each individual newspaper as a CGU, as each newspaper has separately identifiable independent cash inflows.

Goodwill is reviewed for impairment annually or at any time if an indicator of impairment exists. Goodwill acquired through a business combination is allocated to each CGU or group of CGUs that are expected to benefit from the related business combination. The impairment assessment is performed at the lowest level within the entity at which the goodwill is monitored for internal management purposes, which is not higher than an operating segment. Accordingly, management has allocated its goodwill to its single operating segment, which is at the entity level, and the level at which goodwill is monitored.

FPLP evaluates impairment losses, other than goodwill impairment, for potential reversals when events or circumstances warrant such consideration.

h) BUSINESS COMBINATIONS

FPLP uses the acquisition method of accounting to record business combinations. The acquisition method of accounting requires FPLP to recognize, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree measured at the acquisition-date fair values. The consideration transferred is measured at fair value calculated as the sum of the acquisition-date fair values of the assets transferred, the liabilities assumed and any equity interests issued by FPLP. Contingent consideration is recognized as part of the consideration transferred. Goodwill as of the acquisition date is measured as the excess of the consideration transferred and the amount of any non-controlling interest acquired over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, measured at fair value. Goodwill is not amortized.

Acquisitions costs are expensed in the period they are incurred except for those costs to issue equity instruments which are offset against the related equity instruments and those costs to issue debt instruments which are offset against the corresponding debt and amortized using the effective interest method.

i) PENSION PLANS

FPLP established defined benefit and defined contribution pension plans for certain of its employees. A defined contribution plan is a pension plan under which the group pays fixed contributions to a separate entity. FPLP has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The defined benefit pension plan provides benefits based on a set percentage of participants' earnings, the costs of which are shared between the participants and FPLP. The cost of defined contribution pension plans is charged to expense as the contributions become payable. For defined benefit plans, the level of benefit provided is based on the length of service and earnings of the employee. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The related pension liability recognized in the balance sheet is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets.

Actuarial valuations for defined benefit plans are carried out as dictated by legislative requirements. Where a deep market for high quality corporate bonds exists, the discount rate applied in arriving at the present value of the pension liability represents yields on high quality corporate bonds that have terms to maturity approximating the terms of the related pension liability. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in full in the period in which they occur, in other comprehensive income and deficit without recycling to the statements of income in subsequent periods. Past service costs are recognized immediately in the statements of income in the period of the plan amendment.

j) TRANSACTION COSTS

Transaction costs on financial assets and financial liabilities, classified other than as held for trading, are included in the carrying amount of the respective instrument. Deferred financing costs represent costs in connection with obtaining the credit facilities. These deferred costs are initially capitalized and subsequently amortized, using the effective interest rate method, over the term of the debt.

k) CASH AND CASH EQUIVALENTS

For the purposes of the consolidated statements of cash flows, cash includes cash and short-term investments with maturities at the date of purchase of up to 90 days and which are subject to insignificant changes in value and are recorded at amortized cost, which approximates market value.

l) INCOME TAXES

FPLP is not a taxable entity, and accordingly, no provision for income taxes relating to FPLP is included in the consolidated financial statements since all income, deductions, gains, losses and credits are reportable on the tax returns of its partners.

m) PROVISIONS

Provisions for restructuring costs and legal claims are recognized when FPLP has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Restructuring provisions are primarily comprised of employee termination payments. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

n) FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognized when FPLP becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are initially recorded at fair value. FPLP has made the following classifications:

Cash and cash equivalents are classified as “loans and receivables” and are measured at amortized cost using the effective interest rate method.

Accounts receivable are classified as “loans and receivables” and are measured at amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities, term loan and mortgage loan are classified as “other financial liabilities” and are measured at amortized cost using the effective interest rate method.

o) UNITHOLDERS’ EQUITY

General Partner Units and Class A limited partner Units are classified as equity. Incremental costs directly attributable to their issuance are recognized as a deduction from equity.

p) DISTRIBUTIONS

Distributions to partners are recognized in FPLP’s financial statements in the period in which the distributions are approved by the Board of Directors of the FPGP.

Accounting standards

The following is an overview of new accounting standards FPLP has adopted in the current fiscal year end.

IFRS 9 – Financial Instruments

IFRS 9 – *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 introduces new requirements for the classification and measurement of financial assets. IFRS 9 requires all recognized financial assets to be measured at amortized cost or fair value in subsequent accounting periods following initial recognition depending on the Company’s business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. IFRS 9 also introduces a single, forward-looking expected credit loss (“ECL”) impairment model for financial assets. The Company adopted IFRS 9 on a modified retrospective basis and accordingly has not restated comparative information for financial instruments within the scope of IFRS 9. Therefore the comparative information is reported under IAS 39 and is not comparable to the information presented in accordance with IFRS 9. Upon adoption, there were no differences recognized directly in retained earnings on January 1, 2018.

Financial instruments (IFRS 9)
All financial assets are included in the measurement category of amortized cost as such financial assets are held with a business model to collect contractual cash flows and those cash flows are solely payments of principal and interest on the principal amount outstanding . Accordingly, cash and cash equivalents and accounts receivable are measured amortized cost using the effective interest rate method. Accounts payable and accrued liabilities continue to be measured at amortized cost using the effective interest rate method.

IFRS 9 includes an ECL model for all financial assets measured at amortized cost. ECLs are the present value of cash shortfalls over the remaining expected life of the financial asset using either the 12 month expected credit losses or lifetime expected credit loss. For accounts receivable, FPLP applied the practical expedient of the ECL model to recognize lifetime ECL for accounts receivable. The application of the ECL model of IFRS 9 did not result in recognition of credit losses that were materially different with previous accounting practices.

Financial instruments (IAS 39)
Financial assets and liabilities are recognized when FPLP becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are initially recorded at fair value. FPLP has made the following classifications:

- Cash and cash equivalents are classified as “loans and receivables” and are measured at amortized cost using the effective interest rate method.
- Accounts receivable are classified as “loans and receivables” and are measured at amortized cost using the effective interest rate method.
- Accounts payable and accrued liabilities, term loan and mortgage loan are classified as “other financial liabilities” and are measured at amortized cost using the effective interest rate method.

IFRS 15 – Revenue from contracts with customers
The core principle of the new standard is to recognize revenue to depict the transfer of goods and services to customers in amounts that reflect consideration to which FPLP expects to be entitled in exchange for the good or services. FPLP adopted the standard effective January 1, 2018 using the cumulative effect method, which requires the recognition of the cumulative effect of applying the new standard in opening retained earnings at the beginning of the year of initial application, with no restatement of comparative periods. There were no transitional adjustments or significant changes to the Company’s revenue recognition policies required on adoption of the standard.

Accounting standards and amendments issued but not yet effective

IFRS 16 – Leases
IFRS 16, *Leases* replaces IAS 17, Leases and related interpretations. The core principle is that a lessee recognize assets and liabilities for all leases with a lease term of more than 12 months. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. The new standard is intended to provide a faithful representation of leasing transactions, in particular those that do not currently require the lessees to recognize an asset and liability arising from an operating lease. IFRS 16 is effective for annual periods beginning on January 1, 2019, with early adoption permitted for entities that would also apply IFRS 15, Revenue from Contracts with Customers. FPLP’s primary operating lease obligations pertain to leases associated with machinery and equipment, which the aggregate lease commitments are disclosed in note 11.

The Company will be adopting the standard on its effective date of January 1, 2019. The Company is in the process of finalizing its transition approach. The presentation of right-of-use assets and lease liabilities on the balance sheet will be within other assets and other liabilities respectively. The Company anticipates the adoption of the standard to result in approximate increases to assets of $228,000 and liabilities of $228,000 on the Consolidated Balance Sheets. The Company does not anticipate that there will be a material impact in the Consolidated Statements of Earnings.

3. USE OF ESTIMATES

The preparation of consolidated financial statements requires management to make estimates and assumptions about future events that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ significantly from those estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. The following discusses the most significant accounting judgements and estimates that management has made in the preparation of the financial statements.

Long Lived Assets
FPLP has estimated the useful life of property, plant and equipment, finite life intangible assets and the fair value of indefinite life intangible assets and goodwill, based on historical customer patterns, industry trends and existing competitive factors. Significant unfavourable long-term changes to these factors could result in a material impairment of the carrying value of such assets.

FPLP tests at least annually whether indefinite lived intangible assets and goodwill have suffered any impairment loss, in accordance with its accounting policy. The recoverable amounts have been determined based on the higher of fair value less cost to dispose and value-in-use calculations. The principal assumptions and impairment assessments are included in note 5.

Employee Benefits
The present value of the pension benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for pensions include the discount rate, mortality rates and the rate of compensation increases. Any changes in these assumptions will impact the carrying amount of the pension obligation. FPLP determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, FPLP considers the interest rates of high-quality corporate bonds that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension benefit obligations are based in part on current market conditions and recognized actuarial practices. The principal assumptions and sensitivities are included in note 7.

(tabular amounts in thousands of Canadian dollars)

4. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Machinery and equipment	Computer equipment and other	Total
At December 31, 2016				
Cost	11,343	63,145	5,390	79,878
Accumulated depreciation	(3,450)	(42,072)	(5,022)	(50,544)
Net book value	7,893	21,073	368	29,334
Year ended December 31, 2017				
Balance at beginning of year	7,893	21,073	368	29,334
Additions	-	15	24	39
Disposals – cost	-	(136)	(10)	(146)
Disposals – accumulated depreciation	-	136	10	146
Depreciation for the year	(281)	(2,403)	(108)	(2,792)
At December 31, 2017	7,612	18,685	284	26,581
At December 31, 2017				
Cost	11,343	63,024	5,404	79,771
Accumulated depreciation	(3,731)	(44,339)	(5,120)	(53,190)
Net book value	7,612	18,685	284	26,581
Year ended December 31, 2018				
Balance at beginning of year	7,612	18,685	284	26,581
Additions	-	23	58	81
Disposals – cost	-	(108)	-	(108)
Disposals – accumulated depreciation	-	106	-	106
Depreciation for the year	(281)	(2,157)	(105)	(2,543)
At December 31, 2018	7,331	16,549	237	24,117
At December 31, 2018				
Cost	11,343	62,939	5,462	79,744
Accumulated depreciation	(4,012)	(46,390)	(5,225)	(55,627)
Net book value	7,331	16,549	237	24,117

As at December 31, 2018, machinery and equipment includes finance leased assets with a cost of $4,322,000 (2017 $4,322,000), less accumulated depreciation of $1,369,000 (2017 $1,081,000) for a net book value of $2,953,000 (2017 $3,241,000).

(tabular amounts in thousands of Canadian dollars)

5. INTANGIBLE ASSETS AND GOODWILL

	Subscriber base and Archives	Computer Software	Mastheads	Total Intangible Assets	Goodwill
At December 31, 2016					
Cost	5,252	3,813	5,207	14,272	9,350
Accumulated amortization	(5,184)	(2,792)	-	(7,976)	-
Net book value	68	1,021	5,207	6,296	9,350
Year ended December 31, 2017					
Opening net book value	68	1,021	5,207	6,296	9,350
Additions	-	71	-	71	-
Retirements	-	(1)	-	(1)	-
Impairment of goodwill and intangibles	-	-	-	-	(6,000)
Amortization	(3)	(322)	-	(325)	-
	65	769	5,207	6,041	3,350
At December 31, 2017					
Cost	5,252	3,883	5,207	14,342	3,350
Accumulated amortization	(5,187)	(3,114)	-	(8,301)	-
Net book value	65	769	5,207	6,041	3,350
Year ended December 31, 2018					
Opening net book value	65	769	5,207	6,041	3,350
Additions	-	31	-	31	-
Retirements	-	-	-	-	-
Impairment of goodwill and intangibles	-	-	(3,000)	(3,000)	(3,350)
Amortization	(6)	(332)	-	(338)	-
At December 31, 2018	59	468	2,207	2,734	-
At December 31, 2018					
Cost	5,252	3,914	2,207	11,373	-
Accumulated amortization	(5,193)	(3,446)	-	(8,639)	-
Net book value	59	468	2,207	2,734	-

Goodwill is entirely attributable to FPLP, as it represents the lowest level at which management internally monitors goodwill. The CGU also includes all mastheads related primarily to the Winnipeg Free Press. The recoverable amount of the CGU is determined based on the higher of fair value less cost to dispose and value-in-use. The recoverable amount was determined based on management's fair value less cost to dispose assessment by applying market multiples to FPLP's EBITDA.

Due to continued declines in revenue and profitability, FPLP performed an impairment analysis at its cash generating unit ("Goodwill CGU"), which represents the single operating segment of FPLP. The recoverable amount of the goodwill CGU was based on fair value less costs to dispose, determined by applying a market multiple of 4.0 to the trailing twelve month EBITDA of FPLP at December 31, 2018. The market multiple was considered to be a level 3 input within the IFRS 13 fair value hierarchy.

As a result of the impairment analysis performed during 2018, FPLP concluded that the carrying value of goodwill CGU was less than the recoverable amount and accordingly recorded an impairment charge of $3,350,000 (2017 $6,000,000).

Furthermore, FPLP also performed its annual impairment assessment of its indefinite lived intangible assets, primarily comprised of the Winnipeg Free Press masthead at the CGU level. As a result of such impairment testing based on a fair value less cost to dispose methodology, FPLP determined that impairment existed and accordingly recorded an impairment charge of $3,000,000.

6. LONG-TERM DEBT

The long-term debt agreement with HSBC Bank Canada matures on January 31, 2020. Principal repayments of $1,000,000 are due on the first of June each year and a cash sweep is payable no later than 90 days after the end of each fiscal year. The cash sweep is equal to the lesser of $3,500,000 or 25% of FPLP's annual distributable cash as defined in the agreement. In addition to the voluntary early principal repayment made in November 2017 in the amount of $7,000,000, which eliminated the need for a cash sweep repayment at March 31, 2018, a voluntary early principal repayment of $6,000,000 was made in November of 2018 eliminating the need for a cash sweep repayment at March 31, 2019. The maximum principal balance under the agreement is $20,000,000 on January 31, 2020. In March of 2019 a further $2,500,000 of principal was repaid. The renewal agreement includes negative covenants which must be observed in order to avoid an accelerated termination of the agreement, including a covenant in favour of HSBC not to pay distributions which exceed distributable cash by more than $1,000,000 in any fiscal year, as well as a covenant not to amend the share capital or permit changes to the beneficial ownership of FPGP. The financial covenants included in the agreement are detailed in note 15. The Loan is secured by substantially all of the assets of FPLP.

In 2016, a mortgage refinancing agreement was completed for the Derksen Printers real estate assets. The refinanced loan has a book value of $807,000 at December 31, 2018 (2017 $862,000) and carries a five year variable interest rate, at 4.75% at December 31, 2018.

7. EMPLOYEE FUTURE BENEFIT PLANS

FPLP has a defined benefit pension plan as well as defined contribution plans. Its defined benefit pension plan provides benefits based on a set percentage of participants' earnings, the costs of which are shared between the participants and FPLP. Pension benefits are not indexed to the rate of inflation. The benefit payments are from trustee administered funds. Responsibility for governance of the plan, overseeing all aspects of the plan, including investment decisions and contribution schedules, lies with FPLP. FPLP has set up a pension committee to assist in the management of the plan and has appointed experienced, independent professional experts such as investment managers, actuaries, custodians and trustees.

FPLP measures its accrued benefit obligation and the fair value of plan assets for accounting purposes as at December 31 of each year. The most recent actuarial funding valuation report for funding purposes was at December 31, 2017 and the next required valuation is as of December 31, 2018.

(tabular amounts in thousands of Canadian dollars)

Information on FPLP's defined benefit pension plan is as follows:

	2018 $	2017 $
PLAN ASSETS		
Fair value - beginning of year	53,482	48,243
Interest income	1,952	2,019
Return on plan assets, excluding amounts included in interest income	(2,932)	1,750
Employer contributions	2,175	2,623
Employee contributions	946	1,048
Benefit payments	(2,405)	(2,130)
Administration expenses	(53)	(71)
Fair value - end of year	53,165	53,482
PLAN OBLIGATIONS		
Accrued benefit obligation - beginning of year	55,579	49,054
Interest expense	1,983	1,961
Current service cost	1,557	1,302
Benefit payments	(2,405)	(2,130)
(Gain)/loss from change in financial assumptions	(4,315)	3,781
Experience losses (gains)	51	563
(Gain)/loss from change in demographic assumptions	673	-
Employee contributions	946	1,048
Accrued benefit obligation - end of year	54,069	55,579

FPLP's accrued pension liability is determined as follows:

	2018 $	2017 $
Fair value of plan assets	53,165	53,482
Accrued benefit obligation	54,069	55,579
Accrued pension benefit liability	(904)	(2,097)

FPLP's pension plan expense is determined as follows:

	2018 $	2017 $
Current service cost	1,557	1,302
Administration expenses	60	60
Interest expense	1,983	1,961
Interest income	(1,952)	(2,019)
Pension expense – defined benefit pension plan	1,648	1,304
Employer contributions to defined contribution pension plans	355	327
Total pension expense recognized in employee compensation	2,003	1,631

(tabular amounts in thousands of Canadian dollars)

FPLP's components of employee benefits recognized in other comprehensive income are as follows:

	2018 $	2017 $
Remeasurements for defined benefit pension plan	666	(2,604)

Cumulative actuarial (losses) recognized in other comprehensive income and deficit for the year ended December 31, 2018 was ($15,151,000) (2017 ($15,817,000)).

Significant actuarial assumptions in measuring FPLP's accrued benefit obligations are as follows:

	2018 %	2017 %
Discount rate	4.10	3.60
Rate of compensation increase	0.00	0.50

Significant actuarial assumptions in measuring FPLP's benefit costs are as follows:

	2018 %	2017 %
Discount rate	3.60	4.05
Rate of compensation increase	0.00	0.00

The sensitivity of the defined benefit obligation to changes in assumptions is set out below.

	Impact on defined benefit obligation
Discount rate	
Increase by 0.5% per year	(3,804)
Decrease by 0.5% per year	4,286
Rate of compensation increase	
Increase by 0.5% per year	269
Decrease by 0.5% per year	(33)

Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. The defined benefit pension plan assets consist of investments in units of investment funds with the following asset allocation by asset category:

	2018 %	2017 %
Canadian equities	27	28
United States equities	13	13
Non-North American equities	12	15
Canadian Government and corporate bonds	41	37
Real estate	7	7
	100	100

FPLP's management, in conjunction with its actuaries, reviews anticipated future long-term performance of individual asset categories and considers the asset allocation strategy adopted by FPLP. The determination of the long-term rate considers a number of factors including recent performance, and historical returns to the extent that the past is indicative of the expected long-term prospective rate. There can be no assurance that the plan will earn the expected rate of return.

(tabular amounts in thousands of Canadian dollars)

Under Manitoba pension laws, solvency deficiencies must be funded over a five-year period, which may be extended to ten years unless more than one-third of the active plan members and pensioners object to the extension. FPLP received an extension to ten years for funding of the defined benefit pension solvency deficiency that was identified in the actuarial funding valuation completed at December 31, 2016 and December 31, 2011. At December 31, 2017, the aggregate solvency deficit in the defined benefit plan amounted to $7,295,000. Special payments for past service of $978,000 (2017 $1,306,000) have been made to fund the defined benefit pension plan deficit partially over ten years and partially over five years.

Based on information currently available, expected current service costs excluding minimum funding requirements related to past solvency deficits to defined benefit plans for 2019 are expected to be $1,147,000.

The weighted average duration of the defined benefit obligation is 15.0 years (2017 16.1 years).

Through its defined benefit pension plan, FPLP is exposed to a number of risks, the most significant of which are detailed below:

Asset Volatility
The defined benefit pension plan liabilities are calculated using a discount rate set with reference to high quality corporate bond yields; if plan assets underperform this yield, this will create a deficit. The defined benefit plan holds a significant proportion of its portfolio in equities and real estate, which are expected to outperform corporate bonds in the long-term while contributing volatility and risk in the short-term.

FPLP believes that due to the long-term nature of the defined benefit pension plan liabilities a level of continuing equity investment is an appropriate element of the long-term strategy to manage the plan efficiently.

Changes in bond yields
A decrease in high quality corporate bond yields will increase the defined benefit pension plan liabilities, although this will partially offset by an increase in the value of the plan's bond holdings.

Life expectancy
The majority of the defined benefit pension plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the defined benefit pension plan's liabilities.

Each sensitivity analysis disclosed in this note is based on changing one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to variations in significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as for calculating the liability recognised in the consolidated balance sheet.

8. SHARE CAPITAL AND ACCUMULATED OTHER COMPREHENSIVE INCOME

FPLP may issue an unlimited number of general partner and limited partner Units.

	2018		2017	
	Number of Units	$	Number of Units	$
FPCN General Partner Inc. - managing general partner	10	10	10	10
Canstar Publications Ltd. and Kimberley Anne Holdings Inc.	7,184,321	30,711	7,184,321	30,711
FP Newspapers Inc. - Class A limited partner Units	6,902,592	67,559	6,902,592	67,559
	14,086,923	98,280	14,086,923	98,280

FPLP's net earnings are allocated to the general partners in respect of the general partner Units and the limited partners in respect of the Class A limited partner Units in proportion to the distributions made to the partners in the year. Under the exchange agreement entered into between the holders of the general partner Units, the Class A limited partner Units and FP Newspapers Inc. ("FPI"), each general partner Unit may, at any time, at the option of the holder, be exchanged for an equal number of FPI's shares, subject to the exchange ratio and other provisions of the exchange agreement.

(tabular amounts in thousands of Canadian dollars)

The Class A limited partner Units and the general partner Units are entitled to receive cash distributions equal to 49% and 51%, respectively, of FPLP's distributable cash flow as defined in the limited partnership agreement.

9. OTHER INCOME AND FINANCE COSTS

	2018 $	2017 $
Other income		
Interest income	98	96
Gain on sale of property, plant and equipment	4	-
Total other income	102	96
Finance Costs		
Interest on finance leases	35	61
Interest on mortgage loan	37	33
Interest on term loan	982	1,096
Accretion of term loan related to financing costs	37	36
	1,091	1,226

10. INCOME TAXES

The deferred income tax expense for income taxes differs from the expense that would be obtained by applying Canadian combined statutory tax rates as a result of the following:

	2018 $	2017 $
Net (loss) before income taxes	(3,935)	(2,234)
Canadian combined statutory tax rate	27.0%	27.0%
Income tax recovery at the Canadian combined statutory tax rate	1,062	603
Income taxed in the hands of the partners	(1,062)	(603)
Income tax expense	-	-

11. COMMITMENTS AND CONTINGENCIES

a) LEASES AND OTHER COMMITMENTS

FPLP has entered into a five-year non-cancellable finance lease agreement to finance equipment projects at its printing facilities. The lease is fully secured by the assets subject to the lease. A summary of the future obligations under the lease is as follows:

	$
2019	643
Total payments	643
Interest cost (3.48%)	(6)
Present value of finance lease obligation	637

(tabular amounts in thousands of Canadian dollars)

FPLP also leases machinery and equipment under various third-party non-cancellable operating lease agreements with terms of up to six years. FPLP has entered into long-term sponsorship agreements, purchase agreements and various other commitments. Aggregate future minimum payments under the terms of these long-term commitments are as follows:

	$
2019	403
2020	405
2021	176
2022	2
Total payments	986

FPLP is a steward under the Multi Material Stewardship Manitoba (MMSM) program. FPLP and other paid newspapers in the Province since 1993 have had a formal arrangement with the Province of Manitoba to pay recycling fees on their behalf from the provincial taxation of newspaper subscriptions. In May 2017, the Province of Manitoba announced it was unilaterally cancelling the payment of such fees on behalf of all paid newspapers effective August 2017 and requested that paid newspapers and MMSM work together to determine how the requirements of the regulation will be met going forward. FPLP has not accrued any of the recycling fees subsequent to May 2017 as it has determined it is not liable for payments based on the historical understanding with the various parties and the inability to agree on a mutually compatible agreement with MMSM. The aggregate amounts invoiced by MMSM to the Partnership to December 31, 2018 were $803,000.

b) LEGAL MATTERS

FPLP is involved in various legal actions arising in the ordinary course of business. In the opinion of management, the ultimate resolution of these matters will not have a material adverse effect on FPLP's financial position, results of operations or cash flows.

12. RELATED PARTY TRANSACTION

FPLP is directly controlled by FPGP, which is ultimately controlled indirectly by Ronald Stern. FPLP incurs transactions with related parties in the normal course of operations. All related party transactions are with entities directly or indirectly controlled or significantly influenced by FPLP's controlling general partners.

For the year, total newsprint purchases from Alberta Newsprint Company, a company controlled indirectly by Ronald Stern, for 2018 were $4,630,000 (2017 $4,900,000). FPLP also reimbursed related parties for administration costs amounting to $10,000 (2017 $14,000). At December 31, 2018, accounts payable to related parties totalled $520,000 (2017 $411,000). Total advertising sales to related parties were $8,000 (2017 $5,000) and at December 31, 2018 there were no accounts receivable from related parties (2017 nil).

Transactions with key management personnel

FPLP's key management personnel have authority and responsibility for overseeing, planning, directing and controlling the activities of FPLP and consist of the Board of Directors of FPCN General Partner Inc., the managing general partner of FPLP and FPLP's senior executive management team.

Total compensation expense for key management personnel, and the composition thereof is as follows:

	2018 $	2017 $
Salaries and bonuses	622	623
Post-retirement pension benefits	69	65
	691	688

(tabular amounts in thousands of Canadian dollars)

13. SEGMENT REPORTING

FPLP has determined that it operates in one operating segment which includes the publishing, printing and distribution of daily and weekly newspapers and specialty products, and advertising materials in Manitoba.

14. FINANCIAL INSTRUMENTS

FPLP's financial assets and liabilities are comprised of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and long-term debt which include the term-loan and mortgage loan.

FPLP is exposed to financial risks arising from its financial assets and liabilities. The financial risks include credit risk, interest rate risk and liquidity risk.

a. CREDIT RISK

Credit risk is the risk a customer will fail to perform an obligation or fail to pay amounts due, causing a financial loss. Credit risk primarily arises from cash and cash equivalents and accounts receivable. The maximum exposure to credit risk is the carrying value of these financial assets. Cash and cash equivalents are all held at large chartered Canadian banks or Canadian subsidiaries of large international banks and FPLP does not expect the counterparties to fail to meet their obligations.

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 uncollectible amounts with this allowance netted against accounts receivable on the consolidated 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 10 largest receivable amounts total $1,832,000 (2017 $2,162,000) and approximately 72% (2017 72%) of these balances are owed from national advertising agencies. The largest amount due from a single national agency is $306,000 (2017 $460,000) which represents 5% (2017 7%) of total receivables.

FPLP applies the IFRS 9 simplified approach to measuring expected credit loses, which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on the days past due. The expected loss rates are based on the historical payment profiles of sales and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information based on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at December 31, 2018 was determined as follows for trade receivables:

	Current	**More than 30 days past due**	**More than 60 days past due**	**More than 90 days past due**	**More than 120 days past due**	**More than 180 days past due**	**Total**
December 31, 2018							
Expected loss rate	0.13%	0.14%	0.23%	0.49%	1.87%	100.0%	
Gross carrying amount	3,211	1,912	440	182	67	124	5,936

(tabular amounts in thousands of Canadian dollars)

The following table summarizes the changes in the allowance for doubtful accounts for trade receivables:

	2018 $	2017 $
Opening loss allowance at beginning of year	152	163
Increase in loss allowance recognised in profit or loss during the year	101	177
Receivables written-off during the year – uncollectible	(3)	(140)
Unused amounts reversed	(92)	(48)
Balance at end of year	158	152

b. INTEREST RATE RISK

Interest rate risk is the risk that the fair value (fair value interest rate risk) or future cash flows (cash flow interest rate risk) of a financial instrument will fluctuate because of changes in market interest rates primarily related to the HSBC credit facility (see note 6). FPLP is exposed to cash flow interest rate risk due to fluctuations in interest rates as the amounts borrowed under the HSBC credit facility are in the form of a prime rate loan.

An assumed 1% increase in FPLP's short term borrowing rates during the year ended December 31, 2018, would have decreased net income by $180,000 (2017 $246,000), with an equal but opposite effect for an assumed 1% decrease in short term borrowing rates.

c. LIQUIDITY RISK

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with existing and future financial liabilities that are and will be settled by delivering cash or another financial asset as they come due. The Company's most significant financial obligation relates to its long-term debt which matures on January 31, 2020 (note 6). Management and the controlling shareholder have ongoing discussions with the lender relating to the loan, which include the approaching maturity date. FPLP believes that it has access to sufficient capital through current cash and cash equivalent balances, future internally generated cash flows and external sources (bank credit markets and debt capital markets) to meet current cash flow forecasts for 2019.

The following are the contractual maturities of the financial liabilities:

	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
	$	$	$	$	$
At December 31, 2018					
Accounts payable and accrued liabilities	5,105	5,105	-	-	-
Mortgage loan principal and interest	896	92	804	-	-
Finance lease obligations principal and interest	643	643	-	-	-
Long-term debt principal and interest	19,858	1,792	18,066	-	-
Total	26,502	7,632	18,870	-	-
At December 31, 2017					
Accounts payable and accrued liabilities	5,207	5,207	-	-	-
Mortgage loan principal and interest	960	92	184	684	-
Finance lease obligations principal and interest	1,498	855	643	-	-
Long-term debt principal and interest	27,909	1,960	25,949	-	-
Total	35,574	8,114	26,776	684	-

(tabular amounts in thousands of Canadian dollars)

d. FAIR VALUES, INCLUDING VALUATION METHODS AND ASSUMPTIONS

Fair value hierarchy

Financial assets and liabilities are classified in a hierarchy that is based on significance of the inputs used in making the measurements and ultimately are reflected in the fair value hierarchy based on the lowest level input. The levels in the hierarchy are:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Financial assets and liabilities whose fair values are disclosed

The fair value of current assets and liabilities including cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximates their carrying value due to the short-term nature of these financial instruments. The fair value of the HSBC term loan, based on Level 3 fair value hierarchy inputs, is approximately $19,000,000 (2017 $26,000,000). The fair value of the mortgage loan, based on Level 3 fair value hierarchy inputs, approximates its carrying value.

The fair value of long term debt and mortgage loan has been calculated by discounting the expected cash flows of each debt using a discount rate of 4.30% and 4.75%, respectively. The discount rate is determined using a risk free benchmark bond yield for instruments of similar maturity adjusted for the Company's specific credit risk. In determining the adjustment for credit risk, the Company considers market conditions, the underlying values of properties and other assets secured by the associated loan and other indicators of the Company's credit worthiness.

FPLP does not carry any assets or liabilities at their fair value.

15. 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 can alter the mix within the capital structure by repaying debt, increasing debt, adjusting distributions to partners or raising additional equity capital.

During 2015, in response to the uncertainty regarding print revenues, FPCN General Partner Inc., managing general partner of FPLP, determined that FPLP will discontinue regular distributions but will continue to make distributions required for income taxes and administrative costs of its limited and general partners. The Board feels that at this time it is in the best interest of the limited and general partners to have the continuing free cash generated by FPLP be available for increasing FPLP’s long-term debt repayments, new strategic investments and/or restructuring initiatives which improve the returns generated by the businesses going forward.

FPLP’s capital consists of cash and cash equivalents, debt and Unitholders’ equity. The components at December 31, 2018 and December 31, 2017 were as follows:

	2018 $	2017 $
Term loan	18,964	25,927
Finance leases and mortgage loan	1,444	2,320
Cash and cash equivalents	(4,270)	(6,698)
External net debt	16,138	21,549
Unitholders’ equity	9,840	13,109
Total capitalization	25,978	34,658

The HSBC credit facility includes negative covenants which must be observed in order to avoid an accelerated termination of the agreement. These covenants include certain restrictions on paying distributions, the sale of assets, the purchase of investments and acquisitions, share capital, allowing encumbrances and certain issuances of loans or financial assistance. FPLP is restricted from making distributions which exceed distributable cash, as defined by in the credit agreement, by more than $1,000,000 annually. FPLP is required to maintain a leverage ratio of no greater than 3.5 to 1.0 prior to January 31, 2018 and 3.0 to 1.0 after that, a fixed charge coverage ratio of no less than 2.0 to 1.0 and a current ratio of no less than 1.2 to 1.0, all defined in the agreement and measured quarterly on a trailing 12-month basis. Financial amounts used in the calculations are specifically defined in the credit agreement, but are substantially equivalent to the corresponding terms used in the external financial reports filed by FPLP. The financial ratios are calculated in accordance with the HSBC credit agreement on a quarterly basis and at December 31, 2018 FPLP was in compliance with all the terms and conditions of its debt agreement.

16. INDEMNIFICATION

The managing general partner and FPLP have agreed to indemnify FPLP's current and former directors and officers to the extent permitted by law against any and all charges, costs, expenses, amounts paid in settlement and damages incurred by the directors and officers as a result of any lawsuit or any other judicial, administrative or investigative proceeding in which the directors and officers are sued as a result of their service. These indemnification claims will be subject to any statutory or other legal limitation period. The nature of such indemnification prevents the partnership from making a reasonable estimate of the maximum potential amount it could be required to pay to counterparties. The general partner has directors' and officers' liability insurance coverage, pursuant to a joint policy covering FPGP, FPLP and FPI, of up to $10,000,000 in joint coverage.

17. RESTUCTURING CHARGE

FPLP incurred a restructuring charge of $139,000 (2017 $354,000) consisting of severance payments in relation to employee reductions primarily achieved through a combination of retirements, voluntary and involuntary layoffs.