



FP Newspapers Inc.

Financial Statements

For the year 2013



March 12, 2014

Independent Auditor's Report

To the Shareholders of FP Newspapers Inc.

We have audited the accompanying financial statements of FP Newspapers Inc., which comprise the balance sheets as at December 30, 2013 and December 30, 2012 and the statements of earnings and comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of FP Newspapers Inc. as at December 30, 2013 and December 30, 2012 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Accountants

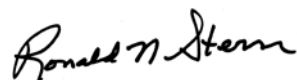
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FP Newspapers Inc.
Balance Sheets
(in thousands of Canadian dollars)

	Note	As at December 30, 2013	As at December 30, 2012
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		\$ 444	\$ 570
Prepaid expenses and other assets		6	26
Income tax receivable		106	-
		556	596
LONG-TERM ASSETS			
Investment in FP Canadian Newspapers Limited Partnership	3	44,892	45,019
Deferred income tax asset		-	232
TOTAL ASSETS		\$ 45,448	\$ 45,847
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		\$ 100	\$ 108
Dividend payable	5	345	345
Income taxes payable		-	3,462
		445	3,915
LONG-TERM LIABILITIES			
Deferred income tax liability	8	692	-
TOTAL LIABILITIES		1,137	3,915
SHAREHOLDERS' EQUITY			
Share capital	6	71,373	71,373
Deficit		(27,062)	(29,441)
TOTAL SHAREHOLDERS' EQUITY		44,311	41,932
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 45,448	\$ 45,847

(See accompanying notes)

Approved by the Board of Directors



RONALD N. STERN
Director



HARVEY SECTER
Director

FP Newspapers Inc.
Statements of Earnings and Comprehensive Income
For the Years Ended December 30, 2013 and 2012
(in thousands of Canadian dollars except per share amounts)

	Note	2013	2012 <i>Revised</i>
Equity interest from FP Canadian Newspapers Limited Partnership Class A limited partner units	3	\$ 6,979	\$ 7,218
Administration expenses		(248)	(251)
Other income		1	5
Net earnings before income taxes		6,732	6,972
Current income tax (expense)	8	(1,513)	(3,462)
Deferred income tax (expense) recovery	8	(323)	1,594
Net earnings for the year		\$ 4,896	\$ 5,104
Items that will not be reclassified to net earnings:			
Equity interest of other comprehensive income (loss) from FP Canadian Newspapers Limited Partnership	3	2,226	(2,902)
Deferred income tax (expense) recovery	8	(601)	784
Comprehensive income for the year		\$ 6,521	\$ 2,986
Weighted average number of Common Shares outstanding	6	6,902,592	6,902,592
Net earnings per share – basic and diluted		\$ 0.709	\$ 0.739

FP Newspapers Inc.
Statements of Earnings and Comprehensive Income
For the Years Ended December 30, 2013 and 2012
(in thousands of Canadian dollars except per share amounts)

	Share Capital	Deficit	Total Shareholders' Equity
At December 30, 2011	\$ 71,373	\$ (28,285)	\$ 43,088
Net earnings for the year	-	5,104	5,104
Other comprehensive (loss) for the year	-	(2,118)	(2,118)
Comprehensive income for the year	-	2,986	2,986
Dividends	-	(4,142)	(4,142)
At December 30, 2012	\$ 71,373	\$ (29,441)	\$ 41,932
Net earnings for the year	-	4,896	4,896
Other comprehensive income for the year	-	1,625	1,625
Comprehensive income for the year	-	6,521	6,521
Dividends	-	(4,142)	(4,142)
At December 30, 2013	\$ 71,373	\$ (27,062)	\$ 44,311

FP Newspapers Inc.
Statements of Cash Flows
For the Years Ended December 30, 2013 and 2012
(in thousands of Canadian dollars)

	Note	2013	2012
Cash provided by (used in):			
Operating activities			
Net earnings for the year		\$ 4,896	\$ 5,104
Items not affecting cash:			
Equity interest from Class A Units of FP Canadian Newspapers Limited Partnership	3	(6,979)	(7,218)
Deferred income tax expense (recovery)	8	323	(1,578)
Distributions received on Class A Units of FP Canadian Newspapers Limited Partnership	3	9,332	4,488
Net change in non-cash working capital items		(3,556)	3,464
		4,016	4,260
Financing activities			
Dividends paid		(4,142)	(4,142)
(Decrease) increase in cash and cash equivalents		(126)	118
Cash and cash equivalents – beginning of year		570	452
Cash and cash equivalents – end of year		\$ 444	\$ 570
Supplemental Cash Flow information:			
Income tax paid during the year		\$ 5,079	-

(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 are listed on the Toronto Stock Exchange under the symbol FP. 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 as set out in the Handbook of the Canadian Institute of Chartered Accountants – Part 1 ("CICA Handbook"), which 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 March 12, 2014.

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 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.

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. A reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

FP Newspapers Inc.

Notes to Financial Statements as at December 30, 2013

(tabular amounts in thousands of Canadian dollars)

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, and dividend payable 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, 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

FPI has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

IFRS 10, Consolidated Financial Statements

IFRS 10, Consolidated Financial Statements, replaces the guidance on control and consolidation in IAS 27, Consolidated and Separate Financial Statements, and SIC-12, Consolidation – Special Purpose Entities. IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. Detailed guidance is provided on applying the definition of control. The accounting requirements for consolidation have remained largely consistent with IAS 27.

FPI assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of its investees.

IFRS 11, Joint Arrangements and IAS 28R, Investments in Associates and Joint Ventures

IFRS 11, Joint Arrangements, supersedes IAS 31, Interests in Joint Ventures, and requires joint arrangements to be classified either as joint operations or joint ventures depending on the contractual rights and obligations of each investor that jointly controls the arrangement. For joint operations, a company recognizes its share of assets, liabilities, revenues and expenses of the joint operation. An investment in a joint venture is accounted for using the equity method as set out in IAS 28, Investments in Associates and Joint Ventures (amended in 2011). The standards did not affect FPI as FPI did not have any joint arrangements.

IFRS 13 Fair Value Measurement

IFRS 13, Fair Value Measurement, provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. FPI adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by FPI to measure fair value and did not result in any measurement adjustments as at January 1, 2013.

IAS 1 Amendment, Presentation of Items of Other Comprehensive Income

FPI has adopted the amendments to IAS 1. These amendments required FPI to group other comprehensive income items by those that will be reclassified subsequently to net earnings and those that will not be reclassified. FPI has reclassified comprehensive income items of the comparative period. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

IAS 19 Employee Benefits

IAS 19, Employee Benefits (amended 2011), amends certain accounting requirements for defined benefit plans and termination benefits. IAS 19 (amended 2011) requires the net defined benefit liability to be recognized on the balance sheet without any deferral of actuarial gains and losses and past service costs as previously allowed. Past service costs are recognized in net earnings when incurred. Expected returns on plan assets are no longer included in post-employment benefits' expense. Instead, post-employment benefits' expense includes the net interest on the net defined benefit liability calculated using a discount rate based on market yields on high quality bonds. Remeasurements consisting of actuarial gains and losses, the actual return on plan assets (excluding the net interest component) and any change in the asset ceiling are recognized in other comprehensive income.

FP Newspapers Inc.**Notes to Financial Statements as at December 30, 2013**

(tabular amounts in thousands of Canadian dollars)

FPI is impacted indirectly as its associate FPLP has defined benefit plans. FPLP's current accounting policy for employee benefits for the immediate recognition of actuarial gains and losses in OCI is consistent with the requirements in the amended standard, however, additional disclosures and the computation of annual expense based on the application of the discount rate to the net defined benefit liability was required in relation to the amended standard, including interest on any liability in respect of minimum funding requirements. The adoption of IAS 19 required adjustments to FPI's equity interest from Class A Units of FPLP and FPI's equity interest of other comprehensive loss from FPLP.

The adoption of the amended standard did not impact Unitholders' equity as at January 1, 2012 and December 30, 2012.

Adjustments to the statement of earnings

	Years Ended December 30,	
	2013	2012
Net earnings before accounting change	\$ 5,045	\$ 5,155
Equity interest from FP Canadian Newspapers Limited partnership Class A limited partner units	(203)	(67)
Deferred income tax expense	54	16
Change to net earnings for the period	(149)	(51)
Net earnings after accounting change	\$ 4,896	\$ 5,104

For the year ended December 30, 2013, these adjustments decreased net earnings basic and diluted per share amounts by \$0.02 per share (2012 reduction of \$0.007 per share).

Adjustments to statement of other comprehensive income (loss)

	Years Ended December 30,	
	2013	2012
Other comprehensive income (loss) before accounting change	\$ 1,476	\$ (2,169)
Equity interest from FP Canadian Newspapers Limited partnership Class A limited partner units	203	67
Deferred income tax expense	(54)	(16)
Change to other comprehensive income (loss) for the period	149	51
Other comprehensive income (loss) after accounting change	\$ 1,625	\$ (2,118)

The impact of the amended standard did not impact total comprehensive income and did not have any net impact on the consolidated statement of cash flows.

IAS 36 – Impairment of Assets – Recoverable amount disclosures for non-financial assets

FPI early adopted the amendments to IAS 36, Impairment of Assets, which limit the requirement to disclose the recoverable amount to non-financial assets for which an impairment loss has been recognized or reversed during the year. These amendments also enhance and clarify the disclosures required when the recoverable amount is determined based on fair value less costs of disposal.

FPI has applied these amendments on a retrospective basis. Since these amendments specifically concern disclosures, these changes did not result in any measurement adjustments.

Accounting standards and amendments issued but not yet effective

IFRS 9 – Financial Instruments

IFRS 9 introduces new requirements for classifying and measuring financial assets and financial liabilities. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 also introduced additional changes related to financial liabilities. The IASB also recently introduced amendments to IFRS related to hedge accounting. The Standard is not applicable until annual periods beginning on or after January 1, 2015, but is available for early adoption.

In November 2013, the IASB issued three amendments affecting IFRS 9, IAS 7 and IAS 39. The first amendment sets out new hedge accounting requirements. The second amendment allows entities to apply the accounting for changes from own credit risk in isolation without applying the other requirements of IFRS 9. The third amendment removes the mandatory effective date of IFRS 9 from January 1, 2015 to a new date that will be determined when IFRS 9 is closer to completion.

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, 2011	\$ 45,191
Equity interest in net earnings and comprehensive income for the year ended December 30, 2012	4,316
Distributions received for the year ended December 30, 2012	(4,488)
Balance at December 30, 2012	\$ 45,019
Equity interest in net earnings and comprehensive income for the year ended December 30, 2013	9,205
Distributions received for the year ended December 30, 2013	(9,332)
Balance at December 30, 2013	\$ 44,892

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

	2013	2012
Net earnings of FPLP	\$ 14,242	\$ 14,731
Interest attributable to FPI	49%	49%
Equity interest in net earnings of FPLP	6,979	7,218
Other comprehensive income (loss) of FPLP	4,543	(5,924)
Interest attributable to FPI	49%	49%
Equity interest in other comprehensive income (loss) of FPLP	\$ 2,226	\$ (2,902)

FP Newspapers Inc.

Notes to Financial Statements as at December 30, 2013

(tabular amounts in thousands of Canadian dollars)

FPLP has a year-end of December 31, 2013. FPI has consolidated FPLP as at and for the year ended December 31, 2013 for convenience purposes and the impact was not material.

A discounted future cash flow model was used to determine the “value in use” for FPI’s investment in FPLP. The future cash flows are based on management’s best estimate over the next five years considering historical and expected operating plans, current strategies, economic conditions and the general outlook for the industry and markets in which FPLP operates. Cash flows beyond the five year period are extrapolated using long-term growth rates and pre-tax discount rate ranges as follows:

	2013	2012
Long-term growth rate	0%	0% to 1%
Pre-tax discount rate	14% to 17%	14% to 17%

FPI has concluded that there were no impairments as a result of this assessment at December 30, 2013. At December 30, 2013, the reasonable range of “value in use”, based on the high-end of the range, was greater than its carrying value by an excess of \$11,000,000. If the long-term growth rates were to decline by approximately 3.0% or if the discount rates were to increase by approximately 2.0%, the carrying amount would exceed the reasonable range for recoverable amount.

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 and balances 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 actual equity interest may vary from the estimates made in FPLP. The method which FPI bases its impairment assessment of FPLP is described in note 3.

5. DIVIDENDS

FPI declared a dividend payable in respect of the month of December 2013 of \$345,000 or \$0.05 per share (equal to December 2012), which was paid January 31, 2014 to shareholders of record on December 31, 2013.

6. 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 holder thereof 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, 2013, 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 R.I.S. Media 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.

7. 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 \$15 million in joint coverage.

8. INCOME TAXES

Income tax expense is made up of the following:

	2013	2012
Current income tax	\$ (1,513)	\$ (3,446)
Deferred income tax (expense) recovery	(323)	1,578
Income tax (expense) recognized in net earnings	(1,836)	(1,868)
Deferred income tax (expense) recovery recognized in OCI	(601)	784

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

	2013	2012
Income tax (expense) at combined Canadian statutory income tax rate of 27.0% (2012 27.0%)	\$ (1,818)	\$ (1,882)
Difference between current tax rate and deferred income tax rate in temporary differences	(24)	-
Adjustments in respect of prior year	6	12
Other	-	2
Total income tax (expense)	\$ (1,836)	\$ (1,868)

FP Newspapers Inc.**Notes to Financial Statements as at December 30, 2013**

(tabular amounts in thousands of Canadian dollars)

Deferred taxes

Based on FPI's assets and liabilities as at December 30, 2013 and 2012, 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, 2012	Recognized in profit or loss	Recognized in other comprehensive income (loss)	December 30, 2013
Property, plant and equipment	\$ 3,031	\$ (179)	\$ -	\$ 2,852
Intangible assets	853	(60)	-	793
Goodwill	(2,862)	242	-	(2,620)
Accrued pension benefit obligation	(1,220)	297	601	(322)
Partnership income deferred	(7)	8	-	1
Other	(27)	15	-	(12)
Total future income tax liabilities (asset)	\$ (232)	\$ 323	\$ 601	\$ 692

	December 30, 2011	Recognized in profit or loss	Recognized in other comprehensive income (loss)	December 30, 2012
Property, plant and equipment	\$ 3,208	\$ (177)	\$ -	\$ 3,031
Intangible assets	899	(46)	-	853
Goodwill	(3,120)	258	-	(2,862)
Accrued pension benefit obligation	(759)	323	(784)	(1,220)
Partnership income deferred for tax	2,037	(2,044)	-	(7)
Other	(119)	92	-	(27)
Total future income tax liabilities (asset)	\$ 2,146	\$ (1,562)	\$ (784)	\$ (232)

Unrecognized deferred tax assets

Deferred tax assets in the amount of \$3,092,000 (December 30, 2012 \$3,069,000) 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.

9. 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.

10. FINANCIAL INSTRUMENTS

The fair value of current assets and liabilities including cash and cash equivalents, accounts payable and accrued liabilities and dividends payable approximates their carrying value due to the short-term nature of these financial instruments.

FPI does not carry any assets or liabilities at their fair value, and therefore does not prepare a fair value hierarchy.



FP Canadian Newspapers Limited Partnership

Consolidated Financial Statements

For the year 2013



March 12, 2014

Independent Auditor's Report

To the Unitholders of FP Canadian Newspapers Limited Partnership

We have audited the accompanying consolidated financial statements of FP Canadian Newspapers Limited Partnership, which comprise the consolidated balance sheets as at December 31, 2013 and December 31, 2012 and the consolidated income statements and statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of FP Canadian Newspapers Limited Partnership as at December 31, 2013 and December 31, 2012 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Accountants

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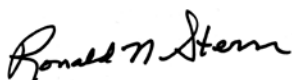
FP Canadian Newspapers Limited Partnership
Consolidated Balance Sheets
(in thousands of Canadian dollars)

	Note	As at December 31, 2013	As at December 31, 2012
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		\$ 10,300	\$ 17,843
Accounts receivable	15	11,955	13,909
Inventories		1,201	1,299
Prepaid expenses and other assets		4,087	1,070
		27,543	34,121
LONG-TERM ASSETS			
Property, plant and equipment	4	34,817	38,250
Investment	10	54	99
Intangible assets	5	6,396	6,882
Goodwill	5	71,250	71,250
TOTAL ASSETS		\$ 140,060	\$ 150,602
LIABILITIES AND UNITHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	7, 13	\$ 6,984	\$ 8,207
Provisions		-	158
Prepaid subscriptions and deferred revenue		2,786	3,082
Finance lease obligation	12	905	886
Mortgage loan	6	52	49
Term loan	6	1,000	1,000
		11,727	13,382
LONG-TERM LIABILITIES			
Accrued pension benefit liability	7	2,437	9,220
Finance lease obligation	12	1,917	2,794
Mortgage loan	6	819	870
Term loan	6	46,228	47,182
TOTAL LIABILITIES		63,128	73,448
UNITHOLDERS' EQUITY			
Partner units	8	98,280	98,280
Deficit		(21,346)	(21,091)
Accumulated other comprehensive loss		(2)	(35)
TOTAL UNITHOLDERS' EQUITY		76,932	77,154
TOTAL LIABILITIES AND UNITHOLDERS' EQUITY		\$ 140,060	\$ 150,602

(Commitments and contingencies Note 12)

(See accompanying notes)

Approved by the Board of Directors of the Managing General Partner



RONALD N. STERN
Director



HARVEY SECTER
Director

FP Canadian Newspapers Limited Partnership
Consolidated Income Statements and Statements of Comprehensive Income
For the Years Ended December 31, 2013 and 2012
(in thousands of Canadian dollars)

	Note	2013	2012 <i>Revised</i>
Revenue			
Print Advertising		\$ 70,341	\$ 75,034
Print Circulation		25,980	27,006
Commercial Printing		4,951	4,763
Digital		3,447	2,906
Promotion and services		1,553	1,819
TOTAL REVENUE		106,272	111,528
Operating expenses			
Employee compensation		42,589	43,774
Newsprint and other paper		9,065	9,899
Delivery		16,531	17,150
Other		18,085	19,200
Depreciation and amortization	4, 5	4,232	4,314
Restructuring charge		-	639
OPERATING INCOME		15,770	16,552
Other income	9	148	200
Finance costs	9	(1,675)	(2,064)
Gain (loss) on interest rate swap	6	(1)	43
NET EARNINGS FOR THE YEAR		\$ 14,242	\$ 14,731
Items that may be reclassified subsequently to net earnings:			
Unrealized gain on investment		33	25
Items that will not be reclassified to net earnings:			
Remeasurements for defined benefit pension plan	7	4,543	(5,924)
COMPREHENSIVE INCOME FOR THE YEAR		\$ 18,818	\$ 8,832

(See accompanying notes)

FP Canadian Newspapers Limited Partnership
Consolidated Statements of Changes in Equity
For the years ended December 31, 2013 and 2012
(in thousands of Canadian dollars)

	Partner Units	Deficit	Accumulated Other Comprehensive (Loss) Income	Total Unitholders' Equity
UNITHOLDERS' EQUITY –				
DECEMBER 31, 2011	\$ 98,280	\$ (20,740)	\$ (60)	\$ 77,480
Net earnings for the year	-	14,731	-	14,731
Other comprehensive (loss) income for the year	-	(5,924)	25	(5,899)
Comprehensive income for the year	-	8,807	25	8,832
Distributions paid	-	(9,158)	-	(9,158)
UNITHOLDERS' EQUITY –				
DECEMBER 31, 2012	\$ 98,280	\$ (21,091)	\$ (35)	\$ 77,154
Net earnings for the year	-	14,242	-	14,242
Other comprehensive income for the year	-	4,543	33	4,576
Comprehensive income for the year	-	18,785	33	18,818
Distributions paid	-	(19,040)	-	(19,040)
UNITHOLDERS' EQUITY –				
DECEMBER 31, 2013	\$ 98,280	\$ (21,346)	\$ (2)	\$ 76,932

(See accompanying notes)

FP Canadian Newspapers Limited Partnership
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2013 and 2012
(in thousands of Canadian dollars)

	Note	2013	2012
CASH PROVIDED BY (USED IN):			
OPERATING ACTIVITIES			
Net earnings for the year		\$ 14,242	\$ 14,731
Items not affecting cash:			
Depreciation and amortization	4, 5	4,232	4,314
Accretion of deferred financing costs		46	66
(Gain) on disposal of property, plant and equipment		(1)	(15)
(Gain) loss on interest rate swap		1	(43)
Excess of pension contributions over expense		(2,241)	(2,551)
		16,279	16,502
Net change in non-cash working capital items		(2,532)	18
		13,747	16,520
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(291)	(833)
Purchase of intangibles		(22)	(180)
Acquisition		-	(235)
Proceeds from sale of property, plant and equipment		2	28
Decrease in restricted cash		-	5,000
		(311)	3,780
FINANCING ACTIVITIES			
Distributions to partners		(19,040)	(9,158)
Proceeds from financing leases		-	464
Term loan refinancing costs		-	(111)
Principal repayments of finance lease		(891)	(849)
Principal repayments of mortgage loan		(48)	(47)
Principal repayment of term loan		(1,000)	(2,085)
		(20,979)	(11,786)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(7,543)	8,514
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		17,843	9,329
CASH AND CASH EQUIVALENTS - END OF YEAR		\$ 10,300	\$ 17,843
Supplemental Cash Flow Information:			
Interest paid during the year		\$ 1,656	\$ 2,028
Interest received during the year		168	174

(See accompanying notes)

FP Canadian Newspapers Limited Partnership

Notes to Consolidated Financial Statements for the Years ended December 31, 2013 and 2012

(tabular amounts in thousands of Canadian dollars)

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

FPLP prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants – Part 1 ("CICA Handbook"), which 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 March 12, 2014.

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, except for the revaluation of certain financial assets and financial liabilities to fair value, including available for-sale investments and derivative financial instruments.

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

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. Digital revenue includes contract term services which are recognized on a straight-line basis. Other revenue is recognized when the related service or product has been delivered. Amounts received relating to services to be performed in future periods are recorded as deferred revenue on the balance sheet.

FP Canadian Newspapers Limited Partnership

Notes to Consolidated Financial Statements for the Years ended December 31, 2013 and 2012

(tabular amounts in thousands of Canadian dollars)

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.

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 if indefinite life is reviewed each period to determine whether the indefinite life assumption continues to be supportable. If it is deemed unsupported 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.

FP Canadian Newspapers Limited Partnership

Notes to Consolidated Financial Statements for the Years ended December 31, 2013 and 2012

(tabular amounts in thousands of Canadian dollars)

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. A group of CGUs represents 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 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. The group 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.

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.

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.

FP Canadian Newspapers Limited Partnership

Notes to Consolidated Financial Statements for the Years ended December 31, 2013 and 2012

(tabular amounts in thousands of Canadian dollars)

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) LONG-TERM INCENTIVE PLAN ("LTIP")

Under the terms of the LTIP, FPLP establishes an amount to be allocated to eligible participants based on a pre-defined formula subject to actual distributable cash, as defined by the LTIP agreement, being in excess of an established threshold. The cost is recorded as an expense over the period when the LTIP units vest.

n) 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.

o) 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.

Investment is classified as "available for sale" and is recorded at fair value, as determined by published price quotations in an active market. Gains and losses resulting from the periodic revaluation are recorded in other comprehensive income, unless the investment is sold or impaired which would require recognition in the statements of income.

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.

Derivatives are classified as "held-for-trading" and recorded at fair value with gains and losses resulting from periodic revaluation recorded in the statements of income.

p) 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.

q) 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.

FP Canadian Newspapers Limited Partnership
Notes to Consolidated Financial Statements for the Years ended December 31, 2013 and 2012
(tabular amounts in thousands of Canadian dollars)

r) **ASSETS HELD FOR SALE**

Assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

Accounting policies

The accounting policies followed in these consolidated financial statements are consistent with those of the previous financial year except as described below.

Changes in accounting policies and disclosures

FPLP has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

IFRS 10, Consolidated Financial Statements

IFRS 10, Consolidated Financial Statements, replaces the guidance on control and consolidation in IAS 27, Consolidated and Separate Financial Statements, and SIC-12, Consolidation – Special Purpose Entities. IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. Detailed guidance is provided on applying the definition of control. The accounting requirements for consolidation have remained largely consistent with IAS 27.

FPLP assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of its subsidiaries and investees.

IFRS 11, Joint Arrangements and IAS 28R, Investments in Associates and Joint Ventures

IFRS 11, Joint Arrangements, supersedes IAS 31, Interests in Joint Ventures, and requires joint arrangements to be classified either as joint operations or joint ventures depending on the contractual rights and obligations of each investor that jointly controls the arrangement. For joint operations, a company recognizes its share of assets, liabilities, revenues and expenses of the joint operation. An investment in a joint venture is accounted for using the equity method as set out in IAS 28, Investments in Associates and Joint Ventures (amended in 2011). The standards did not affect FPLP as FPLP did not have any joint arrangements.

IFRS 13 Fair Value Measurement

IFRS 13, Fair Value Measurement, provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. FPLP adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by FPLP to measure fair value and did not result in any measurement adjustments as at January 1, 2013.

IAS 1 Amendment, Presentation of Items of Other Comprehensive Income

FPLP has adopted the amendments to IAS 1. These amendments required FPLP to group other comprehensive income items by those that will be reclassified subsequently to the statements of income and those that will not be reclassified. FPLP has reclassified comprehensive income items of the comparative period. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

IAS 19 Employee Benefits

IAS 19, Employee Benefits (amended 2011), amends certain accounting requirements for defined benefit plans and termination benefits. IAS 19 (amended 2011) requires the net defined benefit liability to be recognized on the balance sheet without any deferral of actuarial gains and losses and past service costs as previously allowed. Past service costs are recognized in the statements of income when incurred. Expected returns on plan assets are no longer included in post-employment benefits' expense. Instead, post-employment benefits' expense includes the net interest on the net defined benefit liability calculated using a

FP Canadian Newspapers Limited Partnership
Notes to Consolidated Financial Statements for the Years ended December 31, 2013 and 2012
(tabular amounts in thousands of Canadian dollars)

discount rate based on market yields on high quality bonds. Remeasurements consisting of actuarial gains and losses, the actual return on plan assets (excluding the net interest component) and any change in the asset ceiling are recognized in other comprehensive income. FPLP continues to immediately recognize in retained earnings all pension adjustments recognized in other comprehensive income. FPLP also continues to recognize interest expense on net post-employment benefits liabilities in employee compensation in the statement of income.

IAS 19 (amended 2011) also clarified the definition of long-term employee benefits. The Company has reviewed the classification of its benefits and reclassified its unused vacation accrual as a long-term employee benefit. The unused vacation accrual continues to be classified as a current liability as the Company does not have an unconditional right to defer settlement for more than 12 months even though it may not expect to make payments within the next 12 months.

The amended standard also requires termination benefits to be recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit or recognizes any related restructuring costs. Termination benefits that require future services are required to be recognized over the periods the future services are provided. This amendment did not impact the Company's accounting for restructuring charges recorded in the past or in the current period.

The adoption of the amended standard did not impact Unitholders' equity as at January 1, 2012 and December 31, 2012.

Adjustments to the consolidated income statement

	Years Ended December 31,	
	2013	2012
Net earnings before accounting change	\$ 14,657	\$ 14,868
Employee compensation	(415)	(137)
Net earnings after accounting change	\$ 14,242	\$ 14,731

Adjustments to statement of other comprehensive income (loss)

	Years Ended December 31,	
	2013	2012
Other comprehensive income (loss) before accounting change	\$ 4,161	\$ (6,036)
Remeasurements for defined benefit pension plan	415	137
Other comprehensive income (loss) after accounting change	\$ 4,576	\$ (5,899)

The impact of the amended standard did not impact total comprehensive income and did not have any net impact on the consolidated statement of cash flows.

IAS 36 – Impairment of Assets – Recoverable amount disclosures for non-financial assets

FPLP early adopted the amendments to IAS 36, Impairment of Assets, which limit the requirement to disclose the recoverable amount to non-financial assets for which an impairment loss has been recognized or reversed during the year. These amendments also enhance and clarify the disclosures required when the recoverable amount is determined based on fair value less costs of disposal.

FPLP has applied these amendments on a retrospective basis. Since these amendments specifically concern disclosures, these changes did not result in any measurement adjustments.

Accounting standards and amendments issued but not yet effective

IFRS 9 – Financial Instruments

IFRS 9 introduces new requirements for classifying and measuring financial assets and financial liabilities. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 also introduced additional changes related to financial liabilities. The IASB also recently introduced amendments to IFRS related to hedge accounting. The Standard is not applicable until annual periods beginning on or after January 1, 2015, but is available for early adoption.

In November 2013, the IASB issued three amendments affecting IFRS 9, IAS 7 and IAS 39. The first amendment sets out new hedge accounting requirements. The second amendment allows entities to apply the accounting for changes from own credit risk in isolation without applying the other requirements of IFRS 9. The third amendment removes the mandatory effective date of IFRS 9 from January 1, 2015 to a new date that will be determined when IFRS 9 is closer to completion.

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.

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, expected long-term rates of return, 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.

FP Canadian Newspapers Limited Partnership
Notes to Consolidated Financial Statements for the Years ended December 31, 2013 and 2012
(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, 2011				
Cost	10,782	57,525	6,264	74,571
Accumulated depreciation	(2,284)	(26,444)	(5,342)	(34,070)
Net book value	8,498	31,081	922	40,501
Year ended December 31, 2012				
Balance at beginning of year	8,498	31,081	922	40,501
Additions	-	1,345	41	1,386
Assets acquired on acquisition	83	5	21	109
Disposals – cost	-	(389)	(430)	(819)
Disposals – accumulated depreciation	-	378	430	808
Depreciation for the year	(353)	(3,045)	(337)	(3,735)
At December 31, 2012	8,228	29,375	647	38,250
At December 31, 2012				
Cost	10,865	58,486	5,896	75,247
Accumulated depreciation	(2,637)	(29,111)	(5,249)	(36,997)
Net book value	8,228	29,375	647	38,250
Year ended December 31, 2013				
Balance at beginning of year	8,228	29,375	647	38,250
Additions	11	232	48	291
Disposals – cost	-	(43)	(899)	(942)
Disposals – accumulated depreciation	-	43	899	942
Depreciation for the year	(355)	(3,113)	(256)	(3,724)
At December 31, 2013	7,884	26,494	439	34,817
At December 31, 2013				
Cost	10,876	58,675	5,045	74,596
Accumulated depreciation	(2,992)	(32,181)	(4,606)	(39,779)
Net book value	7,884	26,494	439	34,817

As at December 31, 2013, machinery and equipment includes finance leased assets with a cost of \$4,970,000 (2012 \$4,937,000), less accumulated depreciation of \$966,000 (2012 \$591,000) for a net book value of \$4,004,000 (2012 \$4,346,000).

FP Canadian Newspapers Limited Partnership
Notes to Consolidated Financial Statements for the Years ended December 31, 2013 and 2012
(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, 2011					
Cost	5,240	3,189	5,195	13,624	71,160
Accumulated amortization	(3,647)	(2,719)	-	(6,366)	-
Net book value	1,593	470	5,195	7,258	71,160
Year ended December 31, 2012					
Opening net book value	1,593	470	5,195	7,258	71,160
Additions	-	180	-	180	-
Assets acquired on acquisition	12	2	12	26	90
Retirements	-	(75)	-	(75)	-
Retirements – Accumulated amortization	-	72	-	72	-
Amortization	(311)	(268)	-	(579)	-
At December 31, 2012	1,294	381	5,207	6,882	71,250
At December 31, 2012					
Cost	5,252	3,296	5,207	13,755	71,250
Accumulated amortization	(3,958)	(2,915)	-	(6,873)	-
Net book value	1,294	381	5,207	6,882	71,250
Year ended December 31, 2013					
Opening net book value	1,294	381	5,207	6,882	71,250
Additions	-	22	-	22	-
Retirements	-	(795)	-	(795)	-
Retirements – Accumulated amortization	-	795	-	795	-
Amortization	(312)	(196)	-	(508)	-
At December 31, 2013	982	207	5,207	6,396	71,250
At December 31, 2013					
Cost	5,252	2,523	5,207	12,982	71,250
Accumulated amortization	(4,270)	(2,316)	-	(6,586)	-
Net book value	982	207	5,207	6,396	71,250

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 value-in-use calculations using pre-tax cash flow projections based on management expectations covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the newspaper industry.

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The key assumptions used for value-in-use calculations included the following:

	2013	2012
Long-term growth rate	0%	0%
Pre-tax discount rate	14% to 17 %	14% to 17 %

The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used reflect specific risks relating to FPLP.

FPLP has concluded that there were no impairments as a result of the testing for the years 2013 and 2012. At December 31, 2013, the reasonable range of recoverable amounts for the CGU, based on the high-end of the range, was greater than its carrying value by an excess of \$28,500,000. If the long-term growth rates were to decline by approximately 3.0% or if the discount rates were to increase by approximately 2.0%, the carrying amount would exceed the reasonable range for recoverable amount.

6. LONG-TERM DEBT

In 2012 a long-term debt renewal agreement was finalized with HSBC Bank Canada, which matures on January 31, 2016 with an initial principal amount of \$48,324,000 and annual principal payments of \$1,000,000, payable each June until maturity. The terms of the agreement included the release of the \$5,000,000 of restricted cash which FPLP had pledged under the previous HSBC credit agreement, and interest rate spreads over prevailing bankers' acceptance rates based on quarterly trailing twelve month leverage ratios ranging from 1.75% to 2.75%.

An interest rate swap facility is also available under the credit agreement. In October 2011, FPLP entered into an interest rate swap agreement which fixes the interest rate on \$15,000,000 million to mitigate cash flow interest rate risk associated with the term loan. This amortizing interest rate swap matures in October 2014 and fixes the interest rate at 4.32%. The interest rate swap facility is not designated as a cash-flow hedge for accounting purposes. The notional amount of the interest rate swap at December 31, 2013 was \$4,200,000, compared to \$9,200,000 at December 31, 2012.

FPLP is subject to various covenants under the terms of the HSBC credit facility, including a covenant in favour of HSBC not to pay distributions which exceed distributable cash by more than \$1.0 million 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 16.

In 2011, a mortgage financing agreement was completed for the Derksen Printers real estate assets. The loan of \$871,000 (2012 \$919,000), which is to be repaid over 15 years, carries a five year fixed interest rate of 4.85%.

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 plans, overseeing all aspects of the plans, including investment decisions and contribution schedules, lies with FPLP. FPLP has set up pension committees to assist in the management of the plans 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 valuation report for funding purposes was at December 31, 2012 and the next required valuation is as of December 31, 2013 and will be completed during 2014.

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

	2013	2012
	\$	\$
PLAN ASSETS		
Fair value - beginning of year	25,580	21,658
Interest income	1,215	1,232
Return on plan assets, excluding amounts included in interest income	2,376	434
Employer contributions	4,675	4,719
Employee contributions	1,264	921
Benefit payments	(2,489)	(3,305)
Administration expenses	(99)	(79)
Fair value - end of year	32,522	25,580
PLAN OBLIGATIONS		
Accrued benefit obligation - beginning of year	34,800	27,506
Interest expense	1,536	1,510
Current service cost	2,028	1,803
Benefit payments	(2,489)	(3,305)
Loss from change in demographic assumptions	870	-
(Gain) loss from change in financial assumptions	(2,777)	6,365
Experience (gains) losses	(273)	-
Employee contributions	1,264	921
Accrued benefit obligation - end of year	34,959	34,800

FPLP's accrued pension liability is determined as follows:

	2013	2012
	\$	\$
Fair value of plan assets	32,522	25,580
Accrued benefit obligation	34,959	34,800
Accrued pension benefit liability	(2,437)	(9,220)

FPLP's pension plan expense is determined as follows:

	2013	2012
	\$	\$
Current service cost	2,028	1,803
Administration expenses	86	86
Interest expense	1,536	1,510
Interest income	(1,215)	(1,232)
Pension expense – defined benefit pension plan	2,435	2,167
Employer contributions to defined contribution pension plans	242	215
Total pension expense recognized in employee compensation	2,677	2,382

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

	2013	2012
	\$	\$
Remeasurements for defined benefit pension plan	4,543	(5,924)

Cumulative actuarial (losses) recognized in other comprehensive income and deficit for the year ended December 31, 2013 was (\$8,647,000) (2012 (\$13,190,000)).

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

	2013 %	2012 %
Discount rate	4.90	4.45
Rate of compensation increase	1.00	1.00

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

	2013 %	2012 %
Discount rate	4.45	5.40
Rate of compensation increase	1.00	2.00

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	(2,854)
Decrease by 0.5% per year	3,239
Salary growth rate	
Increase by 0.5% per year	411
Decrease by 0.5% per year	(376)

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:

	2013 %	2012 %
Canadian equities	29	36
United States equities	12	13
Non-North American equities	12	13
Canadian Government and corporate bonds	40	34
Real estate	7	-
Short-term cash	-	4
	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.

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, 2012 and December 31, 2011. At December 31, 2012, the aggregate solvency deficit in the defined benefit plan amounted to \$16,400,000. In 2013 special payments for past service of \$2,463,000 have been made to fund the defined benefit pension plan deficit over ten years.

Based on information currently available, expected current service costs excluding minimum funding requirements related to past solvency deficits to defined benefit plans for 2014 are \$1,086,000.

The weighted average duration of the defined benefit obligation is 17.4 years.

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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.

	2013		2012	
	Number of Units	\$	Number of Units	\$
FPCN General Partner Inc. - managing general partner	10	10	10	10
Canstar Publications Ltd. and R.I.S. Media Ltd. - general partners	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.

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.

Accumulated other comprehensive loss includes the change in fair value of the investment related to the long-term incentive plan (LTIP) (note 10).

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9. OTHER INCOME AND FINANCE COSTS

	2013 \$	2012 \$
Other income		
Interest income	147	185
Gain on sale of property, plant and equipment	1	15
Total other income	148	200
Finance Costs		
Interest on finance leases	142	179
Interest on mortgage loan	43	46
Interest on term loan	1,443	1,685
Accretion of term loan related to financing costs	47	66
Guarantee fee (note 13)	-	88
	1,675	2,064

10. LONG-TERM INCENTIVE PLAN

The directors, officers and key management of FPLP and its affiliates (including certain directors of FP Newspapers Inc. ("FPI")) are eligible to participate in FPLP's LTIP. The purpose of the LTIP is to provide eligible participants with compensation opportunities that will encourage ownership of shares of FPI, enhance FPLP's ability to attract, retain and motivate key personnel, and reward directors, officers and key management for significant performance and cash flow growth. Pursuant to the LTIP, FPLP will set aside a pool of funds based upon the amount by which FPLP's distributable cash exceeds certain threshold amounts. A trustee will then purchase shares of FPI in the market with such pool of funds and will hold these shares in FPI until such time as ownership vests to each participant. The LTIP is administered by the Board of Directors of FPGP, the managing general partner of FPLP, and the terms are subject to adjustment by the Board of Directors from time to time. The Board of Directors has the power to, among other things: (i) determine those individuals who will participate in the LTIP; and (ii) determine the level of participation of each participant.

The LTIP currently provides for aggregate incentive payments based on the following thresholds:

Amount of excess distributable cash of FPLP, over \$19,798,000 (2012 \$18,713,000) annually	Proportion of excess distributable cash available for incentive payments
Up to \$800,000	10%
\$800,000 to \$2,000,000	15%
Over \$2,000,000	20%

For the year ended December 31, 2010, FPLP met the distributable cash threshold required to provide awards under the LTIP and on June 8, 2011 FPLP funded \$201,000 and the Trust Fund acquired 37,348 FPI shares. FPLP does not guarantee the value of the shares held by the Trustee should the market value of the shares decrease from the value at which the Trustee acquired the shares. Other than forfeited units, a third of the Units vested on March 31, 2012. One third vested on March 31, 2013 and the final third vested on December 31, 2013. The aggregate expense recognized in employee compensation for the year ended December 31, 2013 was \$30,000 (2012 \$66,000).

For the years ended December 31, 2013 and December 31, 2012, FPLP results did not meet the minimum level required under the plan and therefore, no shares were purchased.

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11. 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:

	2013 \$	2012 \$
Net earnings before income taxes	14,242	14,731
Canadian combined statutory tax rate	27.0%	27.0%
Income tax expense at the Canadian combined statutory tax rate	(3,845)	(3,977)
Income taxed in the hands of the partners	3,845	3,977
Income tax expense	-	-

12. COMMITMENTS AND CONTINGENCIES

a) LEASES AND OTHER COMMITMENTS

During 2011 and the first quarter of 2012, FPLP entered into a series of five-year non-cancellable finance lease agreements to finance equipment projects at its printing facilities.

	\$
2014	1,006
2015	991
2016	959
2017	50
Total payments	3,006
Interest cost (rates ranging from 4.1% to 5.5%)	(184)
Present value of finance lease obligation	2,822

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:

	\$
2014	1,479
2015	1,291
2016	856
2017	736
2018	462
Thereafter	628
Total payments	5,452

b) CONTRACTUAL OBLIGATIONS

During 2013, FPLP entered into supplier agreements for capital expenditures aggregating to \$4,000,000 for the Winnipeg Free Press plant's press conveyor and high capacity inserting line projects. FPLP is planning to enter into a five-year non-cancellable finance lease agreement to finance the purchase of this equipment during the first or second quarters of 2014. The lease will be fully secured based on the assets subject to the lease. At December 31, 2013, FPLP had internally financed \$3,252,000 of this equipment and this balance is included in the prepaid expenses and other assets line on the balance sheet.

c) 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.

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13. 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.

Effective March 30, 2012, HSBC Bank Canada agreed to amend the guarantee requirement under the previous HSBC credit agreement, which eliminated the need for the collateral provided by FP Funding Corporation ("FundingCo"). The guarantee fee incurred up to March 30, 2012 was \$88,000 to FundingCo, a company controlled indirectly by Ronald Stern and Robert Silver, who together indirectly control 51% of FPLP.

For the year, total newsprint purchases from Alberta Newsprint Company, a company controlled indirectly by Ronald Stern, for 2013 were \$3,723,000 (2012 \$4,016,000). FPLP also reimbursed related parties for administration costs amounting to \$18,000 (2012 \$37,000). At December 31, 2013, accounts payable to related parties totalled \$399,000 (2012 \$449,000). Total advertising sales to related parties were \$41,000 (2012 \$60,000) and at December 31, 2013 accounts receivable from related parties totalled \$1,000 (2012 \$1,000).

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:

	2013	2012
	\$	\$
Salaries and bonus	829	824
Post-retirement pension benefits	79	56
LTIP expense (note 10)	7	15
	915	895

As disclosed in note 10, FPLP did not accrue for share based awards for the 2013 and 2012 financial years as the minimum threshold under the LTIP was not achieved, but an accrual for the 2010 year was made. The liability accrued for non-vested share awards under the LTIP for the key management personnel are as follows:

	2013	2012
	\$	\$
Value of non-vested shares	-	22

14. 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.

15. FINANCIAL INSTRUMENTS

FPLP's financial assets and liabilities are comprised of cash and cash equivalents, accounts receivable, investment, interest rate swap, accounts payable and accrued liabilities and long-term debt which include the term-loan and mortgage loan. Cash and cash equivalents included cash equivalents of \$3,089,000 at December 31, 2013 (2012 \$10,045,000).

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.

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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 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 the 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 \$4,289,000 (2012 \$5,282,000) and approximately 82% (2012 87%) of these balances are owed from national advertising agencies. The largest amount due from a single national agency is \$881,000 (2012 \$911,000) which represents 7% of total receivables.

Accounts receivable are impaired when there is evidence that collection is unlikely. Collection is determined to be unlikely if the customer is in bankruptcy or FPLP has exhausted all efforts to obtain payment. At December 31, 2013, FPLP estimates the value of impaired accounts receivable is \$9,000 (December 31, 2012 \$12,000) and these amounts are included as part of the allowance for doubtful accounts.

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

	2013	2012
	\$	\$
Accounts receivable:		
Current	6,944	7,891
Up to three months past due	4,971	6,289
Greater than three months past due	252	95
Impaired	9	12
	12,176	14,287
Allowance for doubtful accounts	(221)	(378)
	11,955	13,909

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

	2013	2012
	\$	\$
Balance at beginning of year	(378)	(306)
Provision for impairment	(185)	(184)
Receivables written-off during the year – uncollectible	81	56
Unused amounts reversed	261	56
Balance at end of year	(221)	(378)

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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 bankers' acceptances at varying interest rates ranging in terms from 30 to 180 days. To mitigate the cash flow interest rate risk, FPLP entered into an interest rate swap agreement to limit its exposure to variability due to changes in the general level of market interest rates. The agreement is based on an initial notional amount of \$15,000,000 million which is being amortized over three years, until its maturity on October 6, 2014. Under the agreement, FPLP pays interest based on a fixed rate of 3.07% and receives interest based on floating HSBC Bank Canada Bankers' Acceptance rates.

An assumed 1% increase in FPLP's short term borrowing rates during the year ended December 31, 2013, after taking into account the interest rate swap would have decreased net income by \$412,000 (2012 \$360,000), 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 financial liabilities. 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 spending forecasts. As at December 31, 2013, FPLP's cash and cash equivalents on hand was \$10,300,000. An additional \$3,252,000 of prepaid expenses will be converted to cash and cash equivalents with the completion of the five year equipment leases during the first quarter of 2014.

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, 2013					
Accounts payable and accrued liabilities	6,984	6,984	-	-	-
Mortgage loan principal and interest	970	92	878	-	-
Finance lease obligations principal and interest	3,006	1,006	2,000	-	-
Long-term debt principal and interest	50,235	2,455	47,780	-	-
Total	61,195	10,537	50,658	-	-
At December 31, 2012					
Accounts payable and accrued liabilities and provisions	8,365	8,365	-	-	-
Mortgage loan principal and interest	1,063	93	970	-	-
Finance lease obligations principal and interest	4,006	1,028	2,928	50	-
Long-term debt principal and interest	52,592	2,468	50,124	-	-
Total	66,026	11,954	54,022	50	-

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. 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).

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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 \$47,324,000 (2012 \$48,324,000). 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 payable has been calculated by discounting the expected cash flows of each debt using a discount rate of 3.07% and 4.85%, 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

Financial asset or liability measured at fair value

	Level 1	Level 2	Level 3	Total
Financial asset or liability	\$	\$	\$	\$
2013				
Investment	54	-	-	54
Interest rate swap*	-	-	-	-
	54	-	-	54

*Amount was nominal at December 31, 2013

	Level 1	Level 2	Level 3	Total
Financial asset or liability	\$	\$	\$	\$
2012				
Investment	99	-	-	99
Interest rate swap*	-	-	-	-
	99	-	-	99

*Amount was nominal at December 31, 2012

16. 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.

FPLP's capital consists of cash and cash equivalents, debt and Unitholders' equity. The components at December 31, 2013 and December 31, 2012 were as follows:

	2013	2012
	\$	\$
Term loan	47,228	48,182
Finance leases and mortgage loan	3,693	4,599
Cash and cash equivalents	(10,300)	(17,843)
External net debt	40,621	34,938
Unitholders' equity	76,932	77,154
Total capitalization	117,553	112,092
External net debt as a percentage of total capitalization	34.6%	31.2%

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

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encumbrances and certain issuances of loans or financial assistance. FPLP is restricted from making distributions which exceed distributable cash by more than \$1.0 million annually, as defined in this agreement. FPLP is required to maintain a leverage ratio of no greater than 3.5 to 1.0, 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 equal to the corresponding terms used in the external financial reports filed by FPLP. At December 31, 2013 FPLP was in compliance with all the terms and conditions of its debt agreement.

17. 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 \$15.0 million in joint coverage.